Annual Financial Report 2021

Bank of Cyprus

Contents | **Page**

Board of Directors of Bank of Cyprus Public Company Ltd	Efstratios-Georgios Arapoglou CHAIRMAN Lyn Grobler VICE-CHAIRPERSON Arne Berggren Dr. Michael Heger Panicos Nicolaou Ioannis Zographakis Maria Philippou Maksim Goldman Nicos Sofianos (appointed on 14 May 2020 - approved by ECB on 26 February 2021) Paula Hadjisotiriou Constantine Iordanou (appointed on 28 September 2020 - approved by ECB on 29 November 2021) Eliza Livadiotou (appointed on 28 September 2020 - approved by ECB on 6 October 2021)
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 ACTING EXECUTIVE DIRECTOR PEOPLE & CHANGE George Kousis ACTING EXECUTIVE DIRECTOR TECHNOLOGY & OPERATIONS
Company Secretary	Katia Santis
Legal Advisers as to matters of Irish Law	Arthur Cox
Legal Advisers as to matters of English and US Law	Sidley Austin LLP
Legal Advisers as to matters of Cypriot Law	Chryssafinis & Polyviou LLC
Statutory Auditors	PricewaterhouseCoopers 43 Demostheni Severi Avenue, 1080 Nicosia, Cyprus
Registered Office	51 Stassinos Street Ayia Paraskevi, Strovolos, CY2002 Nicosia, Cyprus Telephone:+357 22122100 Telefax:+357 22336258

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 Group (the Group) near term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic and ongoing challenges and uncertainties posed by the COVID-19 pandemic for businesses and governments around the world. The Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has already caused significant population displacement, and as the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects to the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.

Non-IFRS performance measures

Bank of Cyprus Public Company Ltd's (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Annual Financial Report as they enable the readers to identify a more consistent basis for comparing the Group's performance between financial periods and provide more detail concerning the elements of performance which management are directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which the operating targets are defined and performance is monitored by the Group's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as the key measures of the 31 December position. Refer to 'Definitions and explanations on Alternative Performance Measures Disclosures' on pages 408 to 422 of the Annual Financial Report for the year ended 31 December 2021 for further information, reconciliations with Consolidated Financial Statements and calculations of non-IFRS performance measures included throughout this document and the most directly comparable IFRS measures.

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

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

The Annual Financial Report relates to the Company and together with its subsidiaries the Group.

Activities

The principal activities of the Company and its subsidiary companies involve the provision of banking, financial services, insurance services and management and disposal of property predominately acquired in exchange of debt.

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

Financial results on the underlying basis

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

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

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

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

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

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

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

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

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

Financial results on the underlying basis (continued)

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

Unaudited Consolidated Income Statement on the underlying basis

€ million	**2021[1]**	2020[1,2]
Net interest income	**296**	330
Net fee and commission income	**172**	144
Net foreign exchange gains and net gains on financial instruments transactions and disposal/dissolution of subsidiaries and associates	**24**	15
Insurance income net of claims and commissions	**61**	56
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**13**	7
Other income	**15**	15
Total income	**581**	567
Staff costs	**(202)**	(195)
Other operating expenses	**(148)**	(145)
Special levy on deposits and other levies/contributions	**(36)**	(33)
Total expenses	**(386)**	(373)
Operating profit	**195**	194
Loan credit losses	**(66)**	(149)
Impairments of other financial and non-financial assets	**(36)**	(42)
Net reversal/(provisions) for litigation, claims, regulatory and other matters	**2**	(7)
Total loan credit losses, impairments and provisions	**(100)**	(198)
Profit/(loss) before tax and non-recurring items	**95**	(4)
Tax	**(5)**	(8)
(Profit)/loss attributable to non-controlling interests	**(2)**	3
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	**88**	(9)
Advisory and other restructuring costs-organic	**(22)**	(10)
Profit/(loss) after tax - organic (attributable to the owners of the Company)	**66**	(19)
Provisions/net loss relating to NPE sales[3]	**(7)**	(120)
Restructuring and other costs relating to NPE sales[3]	**(16)**	(26)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**(16)**	(6)
Profit/(loss) after tax (attributable to the owners of the Company)	**27**	(171)

Key Performance Ratios[4]		
Net interest margin	**1.45%**	1.84%
Cost to income ratio	**66%**	66%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**60%**	60%
Operating profit return on average assets	**0.8%**	0.9%
Basic earnings/(losses) per share attributable to the owners of the Company (€ cent)	**0.29**	(1.79)
Basic earnings/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)[5]	**0.93**	(0.10)
Return on tangible equity (ROTE) after tax and before non-recurring items[6]	**5.4%**	(0.5)%

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

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

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

Financial results on the underlying basis (continued)

Unaudited Consolidated Income Statement on the underlying basis (continued)

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

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

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

Unaudited Consolidated Balance Sheet on the underlying basis

€ million	**2021[1]**	2020[1]
Cash and balances with central banks	**9,231**	5,653
Loans and advances to banks	**292**	403
Debt securities, treasury bills and equity investments	**2,139**	1,913
Net loans and advances to customers	**9,836**	9,886
Stock of property	**1,112**	1,350
Investment properties	**118**	128
Other assets	**1,876**	1,550
Non-current assets and disposal groups held for sale	**359**	631
Total assets	**24,963**	21,514
Deposits by banks	**457**	392
Funding from central banks	**2,970**	995
Customer deposits	**17,531**	16,533
Loan stock	**645**	272
Other liabilities	**1,281**	1,247
Total liabilities	**22,884**	19,439
Shareholders' equity	**1,837**	1,831
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,057**	2,051
Non-controlling interests	**22**	24
Total equity	**2,079**	2,075
Total liabilities and equity	**24,963**	21,514

Financial results on the underlying basis (continued)

Unaudited Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios[2]	**2021 (pro-forma)**	**2021**	2020
Gross loans (€ million)	**10,282**	**10,856**	12,261
Allowance for expected credit losses (€ million)	**467**	**792**	1,902
Customer deposits (€ million)	**17,531**	**17,531**	16,533
Loans to deposits ratio (net)	**56%**	**57%**	63%
NPE ratio	**7.5%**	**12.4%**	25.2%
NPE coverage ratio	**61%**	**59%**	62%
Leverage ratio	**7.6%**	**7.6%**	8.8%
Capital ratios and risk weighted assets[2]			
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)[3]	**15.75%**	**15.14%**	14.81%
Total capital ratio	**20.78%**	**20.00%**	18.86%
Risk weighted assets (€ million)	**10,336**	**10,686**	11,630

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

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

[3]The CET1 fully-loaded ratio as at 31 December 2021 amounts to 13.74% and 14.31% pro-forma for HFS compared to 12.95% as reported and 13.27% pro-forma for Helix 2 (Portfolios A and B) as at 31 December 2020.

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

€ million	**Underlying basis**	**NPE sales**	**Other**	**Statutory basis**
Net interest income	296	-	-	296
Net fee and commission income	172	-	-	172
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates	24	-	(30)	(6)
Insurance income net of claims and commissions	61	-	-	61
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	13	(1)	-	12
Other income	15	-	-	15
Total income	**581**	(1)	(30)	**550**
Total expenses	**(386)**	(16)	(23)	**(425)**
Operating profit	**195**	(17)	(53)	**125**
Loan credit losses	(66)	13	17	(36)
Impairments of other financial and non-financial assets	(36)	(19)	-	(55)
Net reversals of provisions for litigation, claims, regulatory and other matters	2	-	(2)	-
Profit/(loss) before tax and non-recurring items	**95**	(23)	(38)	**34**
Tax	(5)	-	-	(5)
Profit attributable to non-controlling interests	(2)	-	-	(2)
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	**88**	(23)	(38)	**27**
Advisory and other restructuring costs-organic	(22)	-	22	-
Profit/(loss) after tax - organic* (attributable to the owners of the Company)	**66**	(23)	(16)	**27**
Provisions/net loss relating to NPE sales	(7)	7	-	-
Restructuring and other costs relating to NPE sales	(16)	16	-	-
Restructuring costs – Voluntary Staff Exit Plan (VEP)	(16)	-	16	-
Profit after tax (attributable to the owners of the Company)	**27**	-	-	**27**

Financial results on the underlying basis (continued)

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

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

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

NPE sales

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

Other reclassifications

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

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,057 million at 31 December 2021, compared to €2,051 million at 31 December 2020. Shareholders' equity totalled €1,837 million at 31 December 2021, compared to €1,831 million at 31 December 2020.

The Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 15.14% as at 31 December 2021 and 15.75% pro- forma for held for sale portfolios (referred to as 'pro-forma for HFS'), compared to 14.81% as at 31 December 2020 (and 15.17% pro-forma for HFS).

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

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

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

The CET1 ratio on a fully loaded basis amounted to 13.74% as at 31 December 2021 and 14.31% pro-forma for HFS, compared to 12.95% as at 31 December 2020 (and 13.27% pro-forma for HFS). On a transitional basis and on a fully phased-in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

The Total Capital ratio stood at 20.00% as at 31 December 2021 and 20.78% pro-forma for HFS, compared to 18.86% as at 31 December 2020 (and 19.3% pro-forma for HFS).

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

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

The SREP Total Capital Requirement as at 31 December 2021 stood at 14.50%, comprising an 8.00% Pillar I requirement (of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital), a 3.00% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the Other Systemically Important Institution Buffer of 1.00%. The European Central Bank (ECB) has also provided non-public guidance for an additional Pillar II CET1 buffer. Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time.

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

As a result, the Group's minimum phased-in CET1 capital ratio has been set at 10.08% compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's Total Capital requirement was set at 15.01% compared to the previous level of 14.50% (comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are applicable as from 1 March 2022. The Group's CET1 and Total Capital ratio remain above the new requirements.

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

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

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

The Group participated in the ECB SREP Stress Test of 2021, the results of which were published by the ECB on 30 July 2021.

Project Helix 3

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

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

Project Helix 2

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Tier 2 Capital Notes

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

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

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

At the same time, the Company 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 the Company at a price of 105.50%, after which Old T2 Notes of €43 million remained outstanding.

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

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

Legislative amendments for the conversion of DTA to DTC

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

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives

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

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

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

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

In October 2021, the European Commission adopted legislative proposals for further amendments to Capital Requirements Regulation (CRR), CRD IV and the BRRD (the "2021 Banking Package"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

Bank Recovery and Resolution Directive (BRRD)

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

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

As per the decision, the final MREL requirement was set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, an interim requirement to be met by 1 January 2022 was set at 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by the Company to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Company must comply with the MREL requirement at the consolidated level, comprising the Company and its subsidiaries.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

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

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

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

Funding and Liquidity

Funding

Funding from Central Banks

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

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

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

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

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

Deposits

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and liquidity (continued)

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

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

Loan Stock

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

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

Liquidity

At 31 December 2021, the Group Liquidity Coverage Ratio (LCR) stood at 298% (compared to 254% at 31 December 2020), above the minimum regulatory requirement of 100%. The liquidity surplus in LCR at 31 December 2021 amounted to €6.4 billion (compared to €4.2 billion at 31 December 2020). The increase in 2021 is mainly driven by the increase in TLTRO and customer deposits.

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

Loans

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

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

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

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

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

Loan portfolio quality

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

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

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable under COVID-19 remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers. In addition, in early 2022 the Group has enhanced its monitoring to sectors, such as tourism, that are impacted from the consequences of the Ukrainian crisis (as further discussed in the 'Operating Environment' and 'Business Overview' Sections below).

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

Loan moratorium

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

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

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

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

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

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

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

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

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

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

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

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

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

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

Non-performing exposure reduction

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

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

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

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

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

*The analysis is performed on a customer basis.

Project Helix 3

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

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

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

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Project Helix 2

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

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

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

Project Sinope

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

Real Estate Management Unit (REMU)

The Real Estate Management Unit (REMU) is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2017 amount to €1.37 billion and exceed properties on-boarded for the same period of €1.32 billion.

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

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

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

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

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Real Estate Management Unit (REMU) (continued)

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

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

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

Income Statement Analysis

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

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

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

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

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

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

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

Financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total income (continued)

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

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

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

Total expenses
Total expenses for 2021 were €386 million, compared to €373 million for 2020, 53% of which related to staff costs (€202 million), 38% to other operating expenses (€148 million) and 9% (€36 million) to special levy on deposits and other levies/contributions. The yearly increase of 3% is driven by the 4% yearly increase in staff costs. Further details are provided below.

Total operating expenses for 2021 were €350 million, compared to €340 million for 2020, up by 3% compared to the prior year.

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

In July 2021, the Company 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 the Company and are in line with market best-practice. The expected impact of the renewal was an increase in staff costs for 2021 and 2022 by 3-4% per annum, in line with the impact of renewals in previous years.

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

Other operating expenses for 2021 were €148 million, compared to €145 million in the previous year.

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

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

Financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total expenses (continued)

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

Profit/(loss) before tax and non-recurring items
Operating profit for 2021 was €195 million, compared to €194 million for 2020.

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

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

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

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

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

Profit before tax and non-recurring items for 2021 totalled €95 million, compared to a loss of €4 million for 2020.

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

Profit after tax and before non-recurring items (attributable to the owners of the Company) for 2021 was €88 million, compared to a loss of €9 million for 2020. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 5.4% for 2021, compared to a negative return of -0.5% for 2020.

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

Profit after tax arising from the organic operations (attributable to the owners of the Company) for 2021 amounted to €66 million, compared to a loss of €19 million for 2020.

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

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

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

Profit after tax attributable to the owners of the Company for 2021 was €27 million (compared to a loss of €171 million for 2020).

Operating environment

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

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

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

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

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

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

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

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

Operating environment (continued)

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

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

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

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

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

Sovereign ratings

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

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

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

Operating environment (continued)

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

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

Business Overview

Credit ratings

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

Strategic priorities for the medium-term

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

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

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

Growing revenues in a more capital efficient way

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

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

Separately, the Group aims to increase revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities.

Business Overview (continued)

Strategic priorities for the medium-term (continued)

Gradual recovery of NII

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

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

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

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

Non-NII: growth in a more capital efficient way

Over the medium-term, the Group aims to increase revenues other than net interest income, through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities, with an expected contribution to return on tangible equity (ROTE) in 2025 of an increase of approximately 1.5%-2.0%.

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

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

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

Business Overview (continued)

Strategic priorities for the medium-term (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. The insurance income net of claims and commissions for 2021 contributed to 21% of non-interest income and amounted to €61 million, up 9% compared to the prior year, mainly due to higher gross written premiums, partly offset by the net impact from the changes in the discount rate in the life insurance business and by higher costs and claims in the general insurance business (as claims in 2020 had been positively impacted by lockdowns). Specifically, Eurolife increased its total regular income by 8% on a yearly basis, whilst GIC increased its gross written premiums by 8% on a yearly basis.

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

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

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

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

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

Lean operating model

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

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

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

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

Business Overview (continued)

Strategic priorities for the medium-term (continued)

Transformation plan

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

Digital transformation

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

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

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

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

Strengthening asset quality

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

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

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

Business Overview (continued)

Strategic priorities for the medium-term (continued)

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

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

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

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

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

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

Environment

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

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

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

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

Business Overview (continued)

Strategic priorities for the medium-term (continued)

Social Pillar

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

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

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

Governance Pillar

The Group continues to operate successfully within a complex regulatory framework of a holding company which is registered in Ireland, listed on two Stock Exchanges and run by a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group operates within a framework of prudent and effective controls, which enable risk assessment and risk management based on the relevant policies under the leadership of the Board of Directors.

The Group has set up a robust Governance Structure to oversee its ESG agenda.

Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board of Directors. The Sustainability Committee is a dedicated executive committee set up in early 2021 to oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in the Group's business targets. Company's regulatory compliance continues to be an undisputed priority.

The Board composition of BOCH and the Company is diverse, with one third of the Board members being female as at 31 December 2021. The Board displays a strong skill set stemming from broad international experience. Moreover, the Company aspires to achieve a representation of at least 30% women in Group's management bodies (defined as the EXCO and the Extended EXCO) by 2030. As at 31 December 2021, there is a 24% representation of women in Group's management bodies and 38% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager A).

COVID-19 impact

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

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

Business Overview (continued)

COVID-19 impact (continued)

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

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

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

Ukrainian crisis

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

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

Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage. The Group will continue to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

Strategy and Outlook

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

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

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

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

Strategy and Outlook (continued)

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

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

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

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

Strategy and Outlook (continued)

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

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

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

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

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

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

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

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

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

Going concern

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

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

Going concern (continued)

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

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

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

Capital base

Equity totalled €2,057 million at 31 December 2021, compared to €2,051 million at 31 December 2020. The CET1 ratio (transitional) stood at 15.14% at 31 December 2021 and at 14.81% at 31 December 2020. During the year ended 31 December 2021, the CET1 ratio was positively affected mainly by pre-provision income and the decrease in risk-weighted assets (RWA), and negatively affected mainly by provisions and impairments, the phasing-in of IFRS 9 transitional arrangements on 1 January 2021, the prudential charge relating to the Group's foreclosed assets, the cost relating to the tender process for the existing Tier 2 Capital Notes and the cost of the Voluntary Staff Exit Plan. The Total Capital ratio (transitional) at 31 December 2021 stood at 20.00% (2020: 18.86%).

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

Share capital

As at 31 December 2021, there were 9,597,944,533 issued ordinary shares with a nominal value of €0.10 each. Information about the authorised and issued share capital during 2021 and 2020 is disclosed in Note 35 to the Consolidated Financial Statements.

Share-based payments - share options

Following the incorporation of BOCH and its introduction as the new holding company of the Group in January 2017, the Long-Term Incentive Plan (as approved on 24 November 2015 by the Annual General Meeting of the Company) was replaced by the Share Option Plan which operates at the level of BOCH.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2021 and 2020.

Change of control

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

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

Other information

During 2021 and 2020 there were no restrictions on the transfer of the Company's ordinary shares or securities and no restrictions on voting rights other than the provisions of the Banking Law of Cyprus which requires regulatory approval prior to acquiring shares of the Company in excess of certain thresholds, and the generally applicable provisions including of the Market Abuse Regulation and applicable takeover legislation. From time to time, specific shareholders may have their rights in shares restricted in accordance with sanctions, anti-corruption, anti-money laundering and/or anti-terrorism compliance, including sanctions relating to events in Ukraine as applicable.

Shares of BOCH 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.

Dividends

Based on the SREP decisions of prior years, BOCH and the Company were under a regulatory prohibition for equity dividend distribution and therefore no dividends were declared or paid during years 2021 and 2020, except as detailed in Note 36 of the Consolidated Financial Statements.

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

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

Principal risks and uncertainties - Risk management and mitigation

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

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. In addition, in relation to legal risk arising from litigations, investigations, claims and other matters, further information is disclosed in Note 39 of the Consolidated Financial Statements.

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

The Group activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment, as described in the 'Operating environment' section of this Management Report.

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

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

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

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

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

Events after the reporting date

Ukrainian crisis

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

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

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

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

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

Voluntary exit plan by JCC Payment Systems Ltd

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

Subordinated Tier 2 Capital Note - January 2017

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

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 Management Report.

Preparation of periodic reporting

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

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

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

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

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

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

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

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

Service agreements termination

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

Board of Directors

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

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

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

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

Auditors

The auditors were re-appointed as Auditors at the last Annual General Meeting.

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, and a viable economy are all among the Group's key goals for 2021 and beyond.

Commitment to Sustainability

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

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

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

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

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

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

Non-financial information statement (continued)

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

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

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

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

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

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

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

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

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

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

Non-financial information statement (continued)

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

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

Health pillar main actions:

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

Education pillar main actions:

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

Environment
As the leading financial services provider in Cyprus, the Group plays a very important role in addressing the climate crisis. Beyond the initiatives focusing on introducing financing of sustainable products and services and designing and embedding environmental procedures in the lending processes, the Bank monitors closely internal resource utilization, in order to address issues on materials' use and energy consumption wherever possible and therefore reduce waste and CO_2 emissions. The Group is committed to leading by example by minimising its environmental footprint and to promote green economy. In particular, the Company is in the process of calculating its environmental footprint including material Scope 3 non-financed emissions, so as to establish an actionable roadmap for its carbon reduction targets and KPIs, to enable it to achieve its decarbonisation goals.

Non-financial information statement (continued)

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

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

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

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

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

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

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

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

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

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

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

Non-financial information statement (continued)

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 a 'high-risk' third country). For these customers enhanced due diligence is applied. Further the Group commits itself to safeguarding the personal data of its customers, suppliers and partners. Customers retain control of their personal data and exercise their rights as per the EU GDPR with regard to the way their personal data is collected, processed and secured. The Group applies Data Protection Impact Assessment (DPIAs), to promptly identify and mitigate any privacy risks.

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

Business Model

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

Risk Management

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

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

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

Key Performance Indicators

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

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

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

The Company 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 the Company 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 the Company 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.

Non-financial information statement (continued)

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

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

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

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

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

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

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

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

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

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

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

Non-financial information statement (continued)

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

31 December 2021	€000	% of total assets
Assets covered in both numerator and denominator		
Households	3,752	16%
Taxonomy eligible economic activities	**3,752**	**16%**
Assets excluded from the numerator (covered only in the denominator)		
Exposures & investments to NFCs not subject to NFRD	4,904	20%
Exposures & investments to FCs not subject to NFRD	262	1%
On-demand inter-bank loans	177	1%
Derivatives - non trading book	2	0%
Properties (stock of properties and investment properties)	1,165	5%
Exposures & investments to FCs subject to NFRD	676	3%
Exposures & investments to NFCs subject to NFRD	180	1%
Exposures to retail/sector not included in the numerator	849	3%
Other assets (assets held for sale/own-use property etc.)	1,620	7%
Taxonomy non-eligible activities	**9,835**	**41%**
Total covered assets	**13,587**	**57%**
Other assets not covered in either denominator or numerator		
Exposures to Central Governments	1,089	4%
Exposures to Central Banks	9,088	38%
Supranational Exposures	209	1%
Trading book Exposures	5	0%
Total assets not covered in either denominator or numerator	**10,391**	**43%**
Total assets	**23,978**	**100%**

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

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

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

29 March 2022

Consolidated Financial Statements 2021

Contents

Consolidated Income Statement
for the year ended 31 December 2021

	Notes	2021 €000	2020 €000
Turnover	6	**755,239**	765,113
Interest income	7	**360,947**	389,197
Income similar to interest income	7	**27,621**	47,530
Interest expense	8	**(66,760)**	(61,991)
Expense similar to interest expense	8	**(25,192)**	(44,720)
Net interest income		**296,616**	330,016
Fee and commission income	9	**180,212**	151,091
Fee and commission expense	9	**(8,416)**	(6,417)
Net foreign exchange gains	10	**16,503**	16,535
Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	11	**(22,047)**	1,721
Insurance income net of claims and commissions	12	**61,044**	56,063
Net losses from revaluation and disposal of investment properties		**(1,828)**	(1,499)
Net gains on disposal of stock of property	27	**13,296**	8,189
Other income	13	**14,831**	14,957
		550,211	570,656
Staff costs	14	**(218,633)**	(201,052)
Special levy on deposits and other levies/contributions	15	**(36,350)**	(33,656)
Other operating expenses	15	**(169,795)**	(188,457)
		125,433	147,491
Net gains on derecognition of financial assets measured at amortised cost		**3,859**	2,949
Credit losses to cover credit risk on loans and advances to customers	16	**(40,341)**	(275,080)
Credit losses of other financial instruments	16	**(5,803)**	(4,585)
Impairment net of reversals of non-financial assets	16	**(49,456)**	(37,586)
Profit/(loss) before share of profit from associates		**33,692**	(166,811)
Share of profit from associates	52	**137**	69
Profit/(loss) before tax		**33,829**	(166,742)
Income tax	17	**(4,161)**	(7,920)
Profit/(loss) after tax for the year		**29,668**	(174,662)
Attributable to:			
Owners of the Company		**27,500**	(171,411)
Non-controlling interests		**2,168**	(3,251)
Profit/(loss) for the year		**29,668**	(174,662)
Basic and diluted profit/(loss) per share attributable to the owners of the Company (€ cent)	18	**0.3**	(1.8)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	**2021 €000**	2020 €000
Profit/(loss) for the year		**29,668**	(174,662)
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)		**(398)**	(6,984)
Transfer to the consolidated income statement on disposal		**-**	(3,653)
		(398)	(10,637)
Foreign currency translation reserve			
(Loss)/profit on translation of net investments in foreign branches and subsidiaries		**(7,881)**	24,551
Profit/(loss) on hedging of net investments in foreign branches and subsidiaries	*21*	**7,797**	(23,756)
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries		**(68)**	84
		(152)	879
Total OCI that may be reclassified in the consolidated income statement in subsequent periods		**(550)**	(9,758)
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net gains/(losses) on investments in equity instruments designated at FVOCI		**789**	(367)
		789	(367)
Property revaluation reserve			
Fair value gain before tax	*25*	**408**	1,550
Deferred tax	*17*	**127**	1,787
		535	3,337
Actuarial gains/(losses) on defined benefit plans			
Remeasurement gains/(losses) on defined benefit plans	*14*	**5,151**	(3,415)
Total OCI not to be reclassified in the consolidated income statement in subsequent periods		**6,475**	(445)
Other comprehensive income/(loss) for the year net of taxation		**5,925**	(10,203)
Total comprehensive income/(loss) for the year		**35,593**	(184,865)
Attributable to:			
Owners of the Company		**33,440**	(181,703)
Non-controlling interests		**2,153**	(3,162)
Total comprehensive income/(loss) for the year		**35,593**	(184,865)

	Notes	2021 €000	2020 €000
Assets			
Cash and balances with central banks	19	**9,230,883**	5,653,315
Loans and advances to banks	19	**291,632**	402,784
Derivative financial assets	21	**6,653**	24,627
Investments	20	**879,005**	1,876,009
Investments pledged as collateral	20	**1,260,158**	37,105
Loans and advances to customers	23	**9,836,405**	9,886,047
Life insurance business assets attributable to policyholders	24	**551,797**	474,187
Prepayments, accrued income and other assets	28	**616,307**	249,960
Stock of property	27	**1,111,604**	1,349,609
Deferred tax assets	17	**265,481**	341,360
Investment properties	22	**117,745**	128,088
Property and equipment	25	**252,130**	272,474
Intangible assets	26	**184,034**	185,256
Investments in associates and joint venture	52	**-**	2,462
Non-current assets and disposal groups held for sale	29	**358,951**	630,931
Total assets		**24,962,785**	21,514,214
Liabilities			
Deposits by banks		**457,039**	391,949
Funding from central banks	30	**2,969,600**	994,694
Derivative financial liabilities	21	**32,452**	45,978
Customer deposits	31	**17,530,883**	16,533,212
Insurance liabilities	32	**736,201**	671,603
Accruals, deferred income, other liabilities and other provisions	34	**362,026**	359,880
Pending litigation, claims, regulatory and other matters	39	**104,108**	123,615
Loan stock	33	**644,928**	272,152
Deferred tax liabilities	17	**46,435**	45,982
Total liabilities		**22,883,672**	19,439,065
Equity			
Share capital	35	**959,794**	959,794
Share premium	35	**1,250**	1,250
Revaluation and other reserves		**234,655**	230,616
Retained earnings	37	**640,980**	639,079
Equity attributable to the owners of the Company		**1,836,679**	1,830,739
Other equity instruments	35	**220,000**	220,000
Total equity excluding non-controlling interests		**2,056,679**	2,050,739
Non-controlling interests		**22,434**	24,410
Total equity		**2,079,113**	2,075,149
Total liabilities and equity		**24,962,785**	21,514,214

Mr. E.G. Arapoglou Chairman

Mr. P. Nicolaou Chief Executive Officer

Mr. N. Sofianos Director

Mrs. E. Livadiotou Executive Director Finance & Legacy

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

	Attributable to the owners of the Company										
	Share capital (Note 35)	Share premium (Note 35)	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**
1 January 2021	959,794	1,250	639,079	79,515	22,894	110,401	17,806	**1,830,739**	220,000	24,410	**2,075,149**
Profit for the year	-	-	27,500	-	-	-	-	**27,500**	-	2,168	**29,668**
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	-	-	32,651	545	391	-	(147)	**33,440**	-	2,153	**35,593**
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	**959,794**	**1,250**	**640,980**	**80,060**	**23,285**	**113,651**	**17,659**	**1,836,679**	**220,000**	**22,434**	**2,079,113**

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

	Attributable to the owners of the Company										
	Share capital (Note 35)	Share premium (Note 35)	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**
1 January 2020	959,794	620,118	227,863	79,286	33,900	102,051	16,927	**2,039,939**	220,000	28,662	**2,288,601**
Loss for the year	-	-	(171,411)	-	-	-	-	**(171,411)**	-	(3,251)	**(174,662)**
Other comprehensive (loss)/income after tax for the year	-	-	(3,415)	3,250	(11,006)	-	879	**(10,292)**	-	89	**(10,203)**
Total comprehensive (loss)/income after tax for the year	-	-	(174,826)	3,250	(11,006)	-	879	**(181,703)**	-	(3,162)	**(184,865)**
Increase in value of in-force life insurance business	-	-	(9,543)	-	-	9,543	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	1,193	-	-	(1,193)	-	**-**	-	-	**-**
Transfer of realised profits on disposal of properties	-	-	3,021	(3,021)	-	-	-	**-**	-	-	**-**
Reduction of share premium (Note 35)	-	(618,868)	618,868	-	-	-	-	**-**	-	-	**-**
Change in the holding of Undertakings for Collective Investments in Transferable Securities (UCITS) Fund	-	-	3	-	-	-	-	**3**	-	-	**3**
Payment of coupon to AT1 holders (Note 35)	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	**-**	-	(1,090)	**(1,090)**
31 December 2020	**959,794**	**1,250**	**639,079**	**79,515**	**22,894**	**110,401**	**17,806**	**1,830,739**	**220,000**	**24,410**	**2,075,149**

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

	Notes	2021 €000	2020 €000
Net cash flow from/(used in) operating activities	*41*	**1,168,292**	(273,503)
Cash flows from investing activities			
Purchases of debt securities and equity securities		**(619,379)**	(575,638)
Proceeds on disposal/redemption of investments in debt and equity securities		**382,888**	557,303
Interest received from debt securities		**27,324**	33,514
Dividend income from equity securities		**1,774**	294
Proceeds on disposal of subsidiaries and associates		**9,535**	53,354
Proceeds on disposal of held for sale portfolios	*29*	**145,030**	13,409
Deposits on held for sale portfolios	*29*	**19,225**	21,100
Purchases of property and equipment	*25*	**(6,287)**	(10,121)
Purchases of intangible assets	*26*	**(16,053)**	(15,129)
Proceeds on disposals of property and equipment and intangible assets		**158**	360
Proceeds on disposals of investment properties and investment properties held for sale		**11,126**	7,230
Net cash (used in)/from investing activities		**(44,659)**	85,676
Cash flow from financing activities			
Payment of AT1 coupon	*35*	**(27,500)**	(27,500)
Net proceeds from funding from central banks	*30*	**2,000,000**	1,000,000
Proceeds from the issue of loan stock (net of costs)		**598,505**	-
Repayments of subordinated loan stock		**(231,596)**	-
Principle elements of lease payments	43	**(7,637)**	(8,626)
Interest on subordinated loan stock		**(33,570)**	(23,329)
Interest on balances with central banks	*8*	**(31,919)**	(18,782)
Dividend paid by subsidiaries to non-controlling interests		**(2,110)**	(1,090)
Net cash from financing activities		**2,264,173**	920,673
Net increase in cash and cash equivalents		**3,387,806**	732,846
Cash and cash equivalents			
1 January		**5,890,135**	5,130,863
Foreign exchange adjustments		**(22,731)**	26,426
Net increase in cash and cash equivalents		**3,387,806**	732,846
31 December	*42*	**9,255,210**	5,890,135

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

1. Corporate information

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

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law.

The Company 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 parent company Bank of Cyprus Holdings Public Limited Company (BOCH), a company incorporated in Ireland, are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE). The Company remains a public company for the purposes of the Cyprus Income Tax Laws.

The Consolidated Financial Statements are available at the Bank of Cyprus Public Company Ltd registered office (51 Stassinos Street, Ayia Paraskevi, 2002 Strovolos, Nicosia, Cyprus) and on the Group's website www.bankofcyprus.com (Group/Investor Relations/Financial Results) (the Group's website).

The Annual Report of Bank of Cyprus Holdings Public Limited Company Group is available on the Group's website.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

Statement of compliance
The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the requirements of the Cyprus Companies Law, Cap.113.

2.2 Accounting policies and changes in accounting policies and disclosures

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

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

2. Summary of significant accounting policies (continued)

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

2.2.1 New and amended standards and interpretations

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

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

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

2.3 Standards and Interpretations that are issued but not yet effective

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards: the amendment permits a subsidiary that applies IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

2.4 Basis of consolidation

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.5 Business combinations

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

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

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

2.6 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.7 Foreign currency translation

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

2.7.1 Transactions and balances

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

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

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

2.7.2 Subsidiary companies and branches

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

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

2.8 Segment reporting

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

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

2.9 Turnover

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

2.10 Revenue from contracts with customers

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

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

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

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

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

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

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

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

2.10.1 Fee and commission income

The Group earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two broad categories:
- fees earned from services that are provided over a certain period of time, such as asset or portfolio management, custody services and certain advisory services; and
- fees earned from point in time services such as executing transactions and brokerage fees (e.g. securities and derivative execution and clearing).

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

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

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

2.10.2 Dividend income

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

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

2.10.3 Rental income

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

2.10.4 Gains on disposal of investment property

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

2.10.5 Gains on disposal of stock of property

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

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

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

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

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

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

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

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

The effective interest rate method

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

2.12 Retirement benefits

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

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

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

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

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

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

2.13 Tax

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

2. Summary of significant accounting policies (continued)

2.13 Tax (continued)

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

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

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

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

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

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

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

2.14 Financial instruments - initial recognition

2.14.1 Date of recognition

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

2.14.2 Initial recognition and measurement of financial instruments

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

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

2. Summary of significant accounting policies (continued)

2.14 Financial instruments - initial recognition (continued)

2.14.2 Initial recognition and measurement of financial instruments (continued)

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

2.14.3 Day 1 profit or loss

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

2.14.4 Measurement categories of financial assets and financial liabilities

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

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

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

2.15 Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

2.15.1 Derivative financial instruments

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

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

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

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

2.15.2 Financial assets measured at amortised cost

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

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

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

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

2. Summary of significant accounting policies (continued)

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

2.15.3 Debt instruments measured at FVOCI

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

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

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

2.15.4 Financial assets or financial liabilities held for trading

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

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

2.15.5 Financial assets or financial liabilities at FVPL

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

2.15.5 Financial assets or financial liabilities at FVPL (continued)

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

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

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

2.15.6 Equity instruments measured at FVOCI

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

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

2.15.7 Loan stock

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

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

2.15.8 Other financial liabilities

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

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

2.16 Reclassification of financial assets and liabilities

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

Financial liabilities are never reclassified.

2. Summary of significant accounting policies (continued)

2.17 Derecognition of financial assets and financial liabilities

2.17.1 Financial assets

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

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

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

A transfer only qualifies for derecognition if either:

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

2.17.2 Financial liabilities

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

2.18 Forborne and modified loans

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets

2.19.1 Overview of ECL principle

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

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

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

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

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

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

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

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

2.19.2 Credit impaired and definition of default

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

As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

- (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
- (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.
- (iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.

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

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

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

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

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

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

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

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

Non-performing forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:
i. The extension of forbearance measures does not lead to the recognition of impairment or default.
ii. A period of one year has passed since the latest of the following events:
   a. The restructuring date
   b. The date the exposure was classified as non-performing
   c. The end of the grace period included in the restructuring arrangements.
iii. Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
iv. No Unlikely-to-Pay criteria exist for the debtor.
v. The debtor has made post-forbearance payments of a non-insignificant amount of capital (different capital thresholds exist according to the facility type).

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

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

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

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

2.19.3 Significant increase in credit risk (SICR)

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

2.19.4 Measurement of ECLs

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

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

The Group calculates ECL using the following three components:

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

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

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

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

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

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

The Company's internal rating process is summarised in Note 45.

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

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

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

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

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

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

2.19.5 Scenarios and scenario weights

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

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

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

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.5 Scenarios and scenario weights (continued)

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

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

2.19.6 ECL measurement period

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

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

2.19.7 Purchased or originated credit impaired financial assets (POCI)

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

2.20 Write-offs

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

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

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

2. Summary of significant accounting policies (continued)

2.20 Write-offs (continued)

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

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

2.21 Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

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

2.22 Offsetting financial instruments

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

2.23 Hedge accounting

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

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

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

2. Summary of significant accounting policies (continued)

2.23 Hedge accounting (continued)

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

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

2.23.1 Fair value hedges

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

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

2.23.2 Cash flow hedges

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

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

2.23.3 Hedges of net investments in foreign operations

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

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

2.24 Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

2.25 Insurance business

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

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

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

2.25.1 Life insurance business

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

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

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

2.25.2 Life insurance in-force business

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

2.25.3 Non-life insurance business

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

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

2.25.4 Investment contracts

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

2.25.5 Liability adequacy test

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

2. Summary of significant accounting policies (continued)

2.26 Repurchase and reverse repurchase agreements

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

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

2.27 Leases - The Group as lessee

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.27 Leases - The Group as lessee (continued)

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

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

2.28 Property and equipment

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.29 Investment properties

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

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

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

2. 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 the Company or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Consolidated Financial Statements as 'Stock of property', reflecting the substance of these transactions.

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

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

2.31 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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:

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

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

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

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

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

2.33 Share capital

Ordinary shares are classified as equity.

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

2.34 Other equity instruments

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

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

2.35 Treasury shares

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

2. Summary of significant accounting policies (continued)

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

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

2.37 Comparative information

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

3. Going concern

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

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

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

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

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

4. Economic and geopolitical environment

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

4. Economic and geopolitical environment (continued)

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

5. Significant and other judgements, estimates and assumptions

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

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

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

5.1 Classification of financial assets

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

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

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

5.2 Calculation of expected credit losses

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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.

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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

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

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

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

31 December 2021

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

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

5.2 Calculation of expected credit losses (continued)

31 December 2020

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

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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

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

The RICS indices, which are considered for the purposes of determining the real estate collateral value on realisation date have been used as the basis to estimate updated market values of properties supplemented by management judgement where necessary given the difficulty in differentiating between short term impacts and long term structural changes and the shortage of market evidence for comparison purposes and are capped to 0% in case of any future projected increase, whereas any future projected decrease is taken into account.

For Stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios: base, adverse and favourable. The base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional either more favourable or more adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario, whereas under the favourable scenario applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures.

For collectively assessed customers the calculation is also the weighted average of three scenarios: base, adverse and favourable.

Assessment of loss given default (LGD)
A factor for the estimation of loss given default (LGD) is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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 the Company's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned.

The credit conversion factor model for revolving products was calibrated in the fourth quarter of 2021, to include additional data points covering the period up to moratorium and in order to be aligned with the behavioural maturity model for revolving facilities. The impact on the ECL for the year ended 31 December 2021 was a release of ECL of €1,790 thousand.

Modelling adjustments
Forward looking models have been developed for ECL parameters PD, EAD, LGD for all portfolios and segments sharing similar characteristics. Model validation (initial and periodic) is performed by the independent validation unit within the Risk Management Division and involves assessment of a model under both quantitative (i.e. stability and performance) and qualitative terms. The frequency and level of rigour of model validation is commensurate to the overall use, complexity and materiality of the models, (i.e. risk tiering). In certain cases, judgement is exercised in the form of management overlay by applying adjustments on the modelled parameters. Governance of these models lies with the Risk Management Division, where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee.

ECL allowances also include off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows. For the collectively assessed off-balance sheet credit exposures, the allowance for provisions is calculated using the Credit Conversion Factor (CCF) model.

During the third quarter of 2021, cure model recalibration was performed mainly to address the low default/cure environment observed in the recent period prior to moratorium and investigate the considered model development period such that is retains the through the cycle nature of the model. The calibration was performed on the most recent changes in definition of default introduced in January 2021 and had an ECL impact of €28 million for the year ended 31 December 2021.

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

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

5.2 Calculation of expected credit losses (continued)

SICR adjustment
Following an assessment performed for SICR for customers that had taken up the moratorium in 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to skewed outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (adjusted for the days past due and arrears elements that did not apply during the moratorium period so as to assess if any customers exhibit severe deterioration/improvement). Additionally, stricter customers' credit ratings thresholds have been applied for customers in the hotels and catering industry sector. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2. At 31 December 2021, this overlay continued to apply only for the customers in the hotel and catering industry. The impact of this overlay resulted in a transfer of loans of €42 million from Stage 1 to Stage 2 and maintaining the classification of €28 million loans in Stage 2 had an impact on the ECL of €91 thousand and €383 thousand respectively for the year ended 31 December 2021. The removal of this overlay from the remaining exposures resulted in a transfer of €109 million exposures from Stage 2 to Stage 1 and an ECL reversal of €0.4 million for the year ended 31 December 2021.

Given the data available since the expiry of the moratorium, any exposures that were assessed as having experienced a SICR in 2020 and were classified to Stage 2 following overlays performed (other than the overlay described in the previous paragraph), were allowed to return to Stage 1, if no SICR was identified by the models. The removal of this overlay led to a transfer back to Stage 1 of €424 million exposures, resulting in the release of ECL of €2 million for the year ended 31 December 2021.

Additionally, exposures that did not participate in the 2020 moratorium but were identified as having experienced a SICR during 2020 and therefore transferred to Stage 2 were allowed to migrate back to Stage 1 if they did not exhibit a SICR as at 30 June 2021. This overlay has been removed and led to a transfer back to Stage 1 of €186 million exposures, resulting in an ECL release of €1 million for the year ended 31 December 2021.

Probability of default and behavioural ratings adjustment
A PD overlay maintained from 2020 in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model-projected and observed 2021 defaults was removed during the third quarter of 2021. This overlay had an isolated ECL impact of €11 million in 2020 and a corresponding ECL release upon its removal during the year ended 31 December 2021.

The PD overlay applied in 2020 relating to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium-biased rating to reflect an improved asset quality, was removed in 2021. This overlay did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating and resulted in an ECL increase of €5 million during 2020. The overlay was removed during the first quarter of 2021 and resulted in an ECL release of €5 million for the year ended 31 December 2021.

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. During 2020, in response to the COVID-19 pandemic, the selection criteria were expanded to include significant Stage 1 exposures within highly impacted sectors to assess potential increase in credit risk and significant exposures which transitioned from Stage 1 to Stage 2 to assess potential indications for unlikeliness to pay. These expanded selection criteria were also applied in the year ended 31 December 2021.

Further details on impairment allowances and related credit information are set out in Note 45.

5. 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, which take into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 27.

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

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 2.36. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigation, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Group will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Group determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the possible loss for such matters can be estimated. Actual results may prove to be significantly higher or lower than the estimated possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 39.

5.5 Tax

The Group, other than in Cyprus, is subject to tax in the countries that it has run-down operations mainly in Greece, Russia and Romania. Estimates are required in determining the provision for taxes at the reporting date. The Group recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

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), the Company 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, the Company had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

For further details on such deferred tax assets refer to Note 17.

5.6 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high.

However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

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 only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 22.

5.7 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Group's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Group's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 14.

5.8 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 2021, are set out in Note 26.

5.9.2 Insurance liabilities

The calculation of liabilities and the choice of assumptions regarding insurance contracts require the management of the Group to make significant estimates.

The assumptions underlying the estimates for each claim are based on past experience, internal factors and conditions, as well as external factors which reflect current market prices and other published information. The assumptions and judgements are determined at the date of valuation of liabilities and are assessed systematically so that the reliability and realistic position can be ensured.

Estimates for insurance contracts are made in two stages. Initially, at the start of the contract, the Group determines the assumptions regarding future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is performed which assesses whether liabilities are adequate according to the most recent estimates.

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 insurance legislation of Cyprus, no assumption is made for policy termination rates in the actuarial valuation.

Further details on insurance liabilities are disclosed in Note 32.

5.10 Exercise of significant influence

The Group determines whether it exercises significant influence on companies in which it has shareholdings of less than 20% if other factors exist that demonstrate significant influence. In performing this assessment it considers its representation in the Board of Directors which gives rise to voting rights of more than 20% and participation in policy-making processes, including participation in decisions about dividends and other distributions.

5.11 Classification of properties

The Group determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally they comprise leased properties which are acquired in exchange of debt and are leased out under operating leases.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 (except from those that are leased out and are classified as investment properties).

5.12 Fair value of properties held for own use and investment properties

The Group's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the fair value is established at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the internationally accepted valuation standards.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparable information, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Further information on inputs used is disclosed in Note 22.

5.13 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.27, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Group's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by the Company 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)

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:

- For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate, based on the horizon used in the Group's financial plan. The current medium term financial plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
- For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.
- For leases with an option for renewal, the Group's past practice regarding the period over which it has typically used properties (whether leased or owned), and its economic reasons for doing so, provide information that is helpful in assessing whether the lessee is reasonably certain to exercise, or not to exercise, an option.

Low value assets
The Group has exercised judgement in determining the threshold of low value assets which was set at €5,000.

Further details on the leases are disclosed in Note 43.

6. Segmental analysis

The Group's activities are mainly concentrated in Cyprus. Cyprus operations are organised into operating segments based on the line of business. As from 2021, the results of the overseas activities of the Group, namely Greece, Romania and Russia, which were previously grouped together and presented into segment 'Overseas', are now presented within segment 'Other', given the size of these operations which are in a run-down mode in the last years. Further, the results of certain small subsidiaries of the Group have been re-allocated from segment 'Other' to different segments based on their key activities as to better align with current management information. The impact of this alignment was not material to the presentation of the individual segments results. Comparative information in analysis by business line, analysis of total revenue and analysis of assets and liabilities were restated to account for these changes.

The operating segments are analysed below:

- The Corporate, Small and medium-sized enterprises and Retail business lines are managing loans and advances to customers. Categorisation of loans per customer group is detailed below.
- Global corporate is managing loans and advances to customers within the large corporate section, the Shipping centre, the International Corporate Lending, the International Syndicate and Project Finance.
- Restructuring and recoveries is the specialised unit which was set up to tackle the Group's loan portfolio quality and manages exposures to borrowers in distress situation through innovative solutions.
- International banking services specialises in the offering of banking services to the international corporate and non-resident individuals, particularly international business companies whose ownership and business activities lie outside Cyprus.
- Wealth management oversees the provision of private banking and wealth management, Market execution and Custody along with Asset Management and Investment Banking. The business line Wealth also includes subsidiary companies of the Group, whose activities relate to investment banking and brokerage, investment holding and management, administration and safekeeping of UCITS units.
- The Real Estate Management Unit manages properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, and executes exit strategies in order to monetise these assets. The business line REMU also includes other subsidiary property companies of the Group.
- Treasury is responsible for liquidity management and for overseeing operations to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity availability.
- The Insurance business line is involved in both life and non-life insurance business.

6. Segmental analysis (continued)

- The business line 'Other' includes central functions of the Company 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.

The Company broadly categorises its loans per customer group, using the following customer sectors:

- Retail – all physical person customers, regardless of the facility amount, and legal entities with facilities from the Company of up to €260 thousand, excluding business property loans.
- SME – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with facilities from the Company in the range of €260 thousand to €6 million and a maximum annual credit turnover of €10 million.
- Corporate – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with available credit lines with the Company in excess of an aggregate principal amount of €6 million or having a minimum annual credit turnover of €10 million. These companies are either local-larger corporations or international companies or companies in the shipping sector (lending also includes direct lending or through syndications).

Management monitors the operating results of each business segment separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit after tax and non-controlling interests. Inter-segment transactions and balances are eliminated on consolidation and are made on an arm's length basis.

Operating segment disclosures are provided as presented to the Group Executive Committee.

Income and expenses associated with each business line are included for determining its performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm's length basis. Income and expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect income and expenses are re-allocated from the central functions to the business lines. For the purposes of the Cyprus analysis by business line, notional tax at the 12.5% Cyprus tax rate is charged/credited to profit or loss before tax of each business line.

The loans and advances to customers, the customer deposits and the related income and expense are generally included in the segment where the business is managed, instead of the segment where the transaction is recorded.

6. **Segmental analysis** (continued)

Analysis by business line

2021	Corporate	Global 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)	50,576	55,589	29,175	77,110	48,138	7,823	747	(3,445)	(52)	22,273	8,682	**296,616**
Net fee and commission income/(expense)	14,634	9,048	9,465	45,537	13,041	54,782	5,592	(179)	(7,616)	1,632	25,860	**171,796**
Net foreign exchange gains/(losses)	534	278	511	1,872	77	5,868	2,814	-	-	4,035	514	**16,503**
Net (losses)/gains on financial instrument transactions and on disposal/dissolution of subsidiaries and associates	-	(113)	-	-	(17,179)	-	(338)	6	(541)	(6,797)	2,915	**(22,047)**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	60,871	-	173	**61,044**
Net losses from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(2,674)	245	-	601	**(1,828)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	12,422	-	-	874	**13,296**
Other income	5	5	12	502	52	3	347	5,874	63	-	7,968	**14,831**
	65,749	64,807	39,163	125,021	44,129	68,476	9,162	12,004	52,970	21,143	47,587	**550,211**
Staff costs	(5,284)	(3,009)	(6,074)	(60,775)	(14,975)	(12,731)	(4,080)	(3,972)	(11,303)	(1,526)	(78,758)	**(202,487)**
Staff costs–voluntary exit plan and other termination benefits	(842)	(363)	(1,470)	(8,464)	(1,911)	(1,724)	(79)	(483)	(1,113)	(178)	481	**(16,146)**
Special levy on deposits and other levies/contributions	(2,294)	(1,165)	(1,802)	(23,197)	(110)	(7,095)	(687)	-	-	-	-	**(36,350)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(18,225)	(18,021)	(16,838)	(73,283)	(23,874)	(9,886)	(3,921)	(17,054)	(9,077)	(9,724)	53,232	**(146,671)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(21,612)	-	-	(1,201)	-	-	(311)	**(23,124)**
	39,104	42,249	12,979	(40,698)	(18,353)	37,040	395	(10,706)	31,477	9,715	22,231	**125,433**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	4,363	2,108	1,058	304	(3,872)	(104)	2	-	-	-	-	**3,859**
Credit (losses)/gains to cover credit risk on loans and advances to customers	1,382	(6,655)	1,967	12,880	(42,098)	804	(307)	-	-	-	(8,314)	**(40,341)**
Credit gains/(losses) of other financial instruments	-	-	-	-	-	-	7	(2,118)	(8)	129	(3,813)	**(5,803)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(47,062)	-	-	(2,394)	**(49,456)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	137	**137**
Profit/(loss) before tax	44,849	37,702	16,004	(27,514)	(64,323)	37,740	97	(59,886)	31,469	9,844	7,847	**33,829**
Income tax	(5,606)	(4,713)	(2,000)	3,439	8,040	(4,717)	(158)	7,255	(4,733)	(1,230)	262	**(4,161)**
Profit/(loss) after tax	39,243	32,989	14,004	(24,075)	(56,283)	33,023	(61)	(52,631)	26,736	8,614	8,109	**29,668**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	(2,168)	**(2,168)**
Profit/(loss) after tax attributable to the owners of the Company	**39,243**	**32,989**	**14,004**	**(24,075)**	**(56,283)**	**33,023**	**(61)**	**(52,631)**	**26,736**	**8,614**	**5,941**	**27,500**

6. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2020 (restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	65,524	66,953	36,579	125,818	26,162	17,410	2,271	(15,075)	(12)	(183)	4,569	**330,016**
Net fee and commission income/(expense)	11,484	7,364	8,570	37,370	8,229	50,222	4,822	(174)	(6,896)	1,735	21,948	**144,674**
Net foreign exchange gains/(losses)	622	220	540	1,856	105	5,686	2,919	-	-	5,545	(958)	**16,535**
Net gains/(losses) on financial instrument transactions and on disposal/dissolution of subsidiaries and associates	-	3,966	-	-	(360)	-	669	2	250	808	(3,614)	**1,721**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	54,744	-	1,319	**56,063**
Net (losses)/gains from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(1,038)	292	-	(753)	**(1,499)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	7,958	-	-	231	**8,189**
Other income	3	3	12	133	118	2	361	8,716	175	-	5,434	**14,957**
	77,633	78,506	45,701	165,177	34,254	73,320	11,042	389	48,553	7,905	28,176	**570,656**
Staff costs	(5,070)	(2,719)	(5,766)	(60,267)	(15,929)	(11,993)	(4,237)	(4,322)	(9,939)	(1,517)	(73,468)	**(195,227)**
Staff costs–voluntary exit plan and other termination benefits	(149)	(79)	(400)	(3,521)	(1,021)	(252)	(30)	(50)	-	(217)	(106)	**(5,825)**
Special levy on deposits and other levies/contributions	(1,952)	(1,241)	(1,451)	(18,769)	(138)	(6,111)	(548)	-	-	-	(3,446)	**(33,656)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(11,695)	(8,214)	(14,646)	(77,840)	(27,784)	(13,332)	(3,364)	(8,913)	(8,808)	(12,211)	13,839	**(172,968)**
Other operating (expenses)/income - advisory and other restructuring costs	-	-	(117)	-	(14,437)	-	-	(1,106)	-	-	171	**(15,489)**
	58,767	66,253	23,321	4,780	(25,055)	41,632	2,863	(14,002)	29,806	(6,040)	(34,834)	**147,491**
Net (losses)/gains on derecognition of financial assets measured at amortised cost	(460)	2,137	692	(916)	1,103	41	147	-	-	-	205	**2,949**
Credit (losses)/gains to cover credit risk on loans and advances to customers	(8,669)	(17,523)	(1,096)	(4,378)	(228,980)	(779)	496	-	-	-	(14,151)	**(275,080)**
Credit losses of other financial instruments	-	-	-	-	-	-	(48)	(412)	(87)	(3,625)	(413)	**(4,585)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(34,328)	-	-	(3,258)	**(37,586)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	69	**69**
Profit/(loss) before tax	49,638	50,867	22,917	(514)	(252,932)	40,894	3,458	(48,742)	29,719	(9,665)	(52,382)	**(166,742)**
Income tax	(6,205)	(6,358)	(2,865)	64	31,616	(5,112)	(678)	5,285	(4,379)	1,208	(20,496)	**(7,920)**
Profit/(loss) after tax	43,433	44,509	20,052	(450)	(221,316)	35,782	2,780	(43,457)	25,340	(8,457)	(72,878)	**(174,662)**
Non-controlling interests-losses	-	-	-	-	-	-	-	-	-	-	3,251	**3,251**
Profit/(loss) after tax attributable to the owners of the Company	**43,433**	**44,509**	**20,052**	**(450)**	**(221,316)**	**35,782**	**2,780**	**(43,457)**	**25,340**	**(8,457)**	**(69,627)**	**(171,411)**

6. **Segmental analysis** (continued)

Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, net foreign exchange gains, net gains/(losses) on financial instrument transactions, insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties, net gains/(losses) on disposal of stock of property and other income. There was no revenue deriving from transactions with a single external customer that amounted to 10% or more of Group revenue.

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	75,871	75,421	42,834	137,180	48,153	64,739	9,927	15,132	59,770	(25,756)	46,940	**550,211**
Inter-segment (expense)/revenue	(10,122)	(10,614)	(3,671)	(12,159)	(4,024)	3,737	(765)	(3,128)	(6,800)	46,899	647	**-**
Total revenue	**65,749**	**64,807**	**39,163**	**125,021**	**44,129**	**68,476**	**9,162**	**12,004**	**52,970**	**21,143**	**47,587**	**550,211**
2020 (restated)												
Revenue from third parties	79,822	84,858	44,666	130,841	83,940	58,921	9,625	14,792	48,078	(15,393)	30,506	**570,656**
Inter-segment (expense)/revenue	(2,189)	(6,352)	1,035	34,336	(49,686)	14,399	1,417	(14,403)	475	23,298	(2,330)	**-**
Total revenue	**77,633**	**78,506**	**45,701**	**165,177**	**34,254**	**73,320**	**11,042**	**389**	**48,553**	**7,905**	**28,176**	**570,656**

Analysis of assets and liabilities

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	2,012,908	2,139,025	1,036,958	4,011,930	703,926	134,596	73,512	1,282,342	1,023,678	11,412,964	1,582,956	**25,414,795**
Inter-segment assets	-	-	-	-	-	-	(12,036)	(16,240)	(20,367)	-	(14,893)	**(63,536)**
	2,012,908	**2,139,025**	**1,036,958**	**4,011,930**	**703,926**	**134,596**	**61,476**	**1,266,102**	**1,003,311**	**11,412,964**	**1,568,063**	**25,351,259**
Assets between Cyprus and overseas operations												**(388,474)**
Total assets												**24,962,785**

6. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

2020 (restated)	Corporate	Global 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	1,918,726	2,043,938	1,079,633	3,798,897	1,354,964	132,900	62,716	1,552,685	935,705	7,736,802	1,364,650	**21,981,616**
Inter-segment assets	-	-	-	-	-	-	(13,154)	(16,751)	(18,334)	-	(17,751)	**(65,990)**
	1,918,726	**2,043,938**	**1,079,633**	**3,798,897**	**1,354,964**	**132,900**	**49,562**	**1,535,934**	**917,371**	**7,736,802**	**1,346,899**	**21,915,626**
Assets between Cyprus and overseas operations												**(401,412)**
Total assets												**21,514,214**

2021	Corporate	Global 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	1,117,148	631,002	866,860	11,051,397	45,994	3,500,183	335,587	13,359	826,816	4,162,943	785,518	**23,336,807**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(63,536)	-	**(63,536)**
	1,117,148	**631,002**	**866,860**	**11,051,397**	**45,994**	**3,500,183**	**335,587**	**13,359**	**826,816**	**4,099,407**	**785,518**	**23,273,271**
Liabilities between Cyprus and overseas operations												**(389,599)**
Total liabilities												**22,883,672**
2020 (restated)												
Liabilities												
Liabilities	1,037,430	607,467	832,576	10,525,819	58,389	3,180,061	309,518	6,394	747,410	1,721,601	880,927	**19,907,592**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(65,990)	-	**(65,990)**
	1,037,430	**607,467**	**832,576**	**10,525,819**	**58,389**	**3,180,061**	**309,518**	**6,394**	**747,410**	**1,655,611**	**880,927**	**19,841,602**
Liabilities between Cyprus and overseas operations												**(402,537)**
Total liabilities												**19,439,065**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 31 and 45.2 and 45.4 respectively.

6. **Segmental analysis** (continued)

Analysis of turnover for the BOC Group

	2021	2020
	€000	€000
Interest income and income similar to interest income	**388,568**	436,727
Fees and commission income	**180,212**	151,091
Net foreign exchange gains	**16,503**	16,535
Gross insurance premiums (Note 12)	**190,432**	176,706
Losses of investment properties and stock of properties	**(35,307)**	(30,903)
Other income	**14,831**	14,957
	755,239	765,113

The analysis of 'Losses of investment properties and stock of properties' is provided in the table below:

	2021	2020
	€000	€000
Net losses from revaluation and disposal of investment properties	**(1,828)**	(1,499)
Net gains on disposal of stock of property (Note 27)	**13,296**	8,189
Impairment of stock of property (Note 16)	**(46,775)**	(37,593)
	(35,307)	(30,903)

Analysis of turnover for the Company

	2021	2020
	€000	€000
Interest income and income similar to interest income	**415,136**	462,584
Fees and commission income	**168,808**	141,247
Net foreign exchange gains	**15,518**	19,631
Losses of investment properties and stock of properties	**(13,967)**	158
Dividend income	**25,205**	25,567
Other income	**4,704**	5,281
	615,404	654,468

The analysis of 'Losses of investment properties and stock of properties is provided i the table below:

	2021	2020
	€000	€000
Net gains/(losses) from revaluation and disposal of investment properties	**214**	(1,043)
Net gains on disposal of stock of property	**10,831**	7,888
Impairment of stock of property (Note 14 of the Company Financial Statements)	**(25,012)**	(6,687)
	(13,967)	158

7. Interest income and income similar to interest income

Interest income

	2021	2020
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**309,299**	355,395
- Loans and advances to banks and central banks	**1,117**	1,467
- Debt securities	**7,574**	10,710
- Other financial assets (Note 28)	**5,335**	-
Debt securities at FVOCI	**12,528**	16,319
Negative interest on funding from central banks	**25,094**	5,306
	360,947	389,197

Income similar to interest income

	2021	2020
	€000	€000
Loans and advances to customers at FVPL	**12,382**	13,216
Derivative financial instruments	**15,239**	34,314
	27,621	47,530

8. Interest expense and expense similar to interest expense

Interest expense

	2021	2020
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**5,707**	14,034
- Funding from central banks and deposits by banks	**1,623**	1,573
- Loan stock	**27,390**	23,329
- Repurchase agreements	**-**	3,784
Negative interest on loans and advances to banks and balances with central banks	**31,919**	18,782
Interest expense on lease liabilities (Note 43)	**121**	489
	66,760	61,991

Expense similar to interest expense

	2021	2020
	€000	€000
Derivative financial instruments	**25,192**	44,720

9. Fee and commission income and expense

Fee and commission income

	2021	2020
	€000	€000
Credit-related fees and commissions	**46,445**	40,782
Other banking commissions	**96,325**	81,105
Fees on servicing loans disposed of under Project Helix 2/Helix	**7,009**	2,170
Mutual funds and asset management fees	**3,896**	3,381
Brokerage commissions	**1,029**	966
Other commissions	**25,508**	22,687
	180,212	151,091

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit-related fees and commissions include commissions from credit card arrangements amounting to €24,810 thousand (2020: €19,806 thousand). Other banking commissions include commissions from payment orders amounting to €27,462 thousand (2020: €26,659 thousand) and account maintenance fees of €23,388 thousand (2020: €20,089 thousand). Liquidity fee is also included within other banking commissions.

Fee and commission expense

	2021	2020
	€000	€000
Banking commissions	**8,013**	5,848
Mutual funds and asset management fees	**278**	274
Brokerage commissions	**125**	295
	8,416	6,417

10. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

11. Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates

	2021	2020
	€000	€000
Trading portfolio:		
- derivative financial instruments	**132**	(747)
Other investments at FVPL:		
- debt securities	**5,534**	(3,779)
- mutual funds	**(829)**	680
- equity securities	**3,139**	794
Net gains on disposal of FVOCI debt securities	**-**	2,865
Net loss on early redemption of subordinated loan stock (Note 33)	**(12,558)**	-
Net (losses)/gains on loans and advances to customers at FVPL (Note 22)	**(17,292)**	3,606
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 21)	**19,878**	(5,205)
- hedged items (Note 21)	**(19,327)**	5,760
Net losses on financial liabilities at FVPL	**-**	(34)
Loss on disposal/dissolution of subsidiaries and associates	**(724)**	(2,219)
	(22,047)	1,721

In April 2021, the Company invited the holders of its €250 million unsecured and subordinated Tier 2 Capital Note (issued in January 2017) to tender it for purchase by the Company at a price of 105.5% plus accrued interest. The Company received valid tenders for approximately €207 million in aggregate nominal amount, all of which were accepted and subsequently repurchased a further €7 million in the open market. As a result, the Company incurred a loss of €12,558 thousand, while at the same time forfeiting the relevant obligation for future coupon payments. Further information is provided in Note 33.

The loss on disposal/dissolution of subsidiaries for 2021 relates mainly to the loss on the disposal of the subsidiary Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC and to the loss on the disposal of the subsidiary CLR Investment Fund Public Ltd (Note 51) and to the loss on the disposal of the associate Apollo Global Equity Fund of Funds Variable Capital Investment Company PLC (Note 52). The loss on disposal/dissolution of subsidiaries for 2020 mainly arises on the agreement signed between the Group's life insurance subsidiary and NN Hellenic Life Insurance Company S.A. for the disposal of the portfolio of the life insurance subsidiary's branch in Greece and the dissolution of the subsidiary Bank of Cyprus (Channel Islands) Ltd.

12. Insurance income net of claims and commissions

	2021			2020		
	Income	**Claims and commissions**	**Insurance income net of claims and commissions**	Income	Claims and commissions	Insurance income net of claims and commissions
	€000	**€000**	**€000**	€000	€000	€000
Life insurance business	**153,351**	**(124,354)**	**28,997**	114,805	(87,544)	27,261
Non-life insurance business	**52,510**	**(20,463)**	**32,047**	51,605	(22,803)	28,802
	205,861	**(144,817)**	**61,044**	166,410	(110,347)	56,063

12. Insurance income net of claims and commissions (continued)

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
Income	**€000**	**€000**	€000	€000
Gross premiums	**113,171**	**77,261**	101,740	74,966
Reinsurance premiums	**(17,084)**	**(35,311)**	(16,143)	(33,749)
Net premiums	**96,087**	**41,950**	85,597	41,217
Change in provision for unearned premiums	**-**	**(649)**	-	-
Total net earned premiums	**96,087**	**41,301**	85,597	41,217
Investment income and other income	**45,766**	**-**	12,594	-
Commissions from reinsurers and other income	**7,784**	**11,209**	7,071	10,388
	149,637	**52,510**	105,262	51,605
Change in value of in-force business before tax (Note 26)	**3,714**	**-**	9,543	-
	153,351	**52,510**	114,805	51,605

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
Claims and commissions	**€000**	**€000**	€000	€000
Gross payments to policyholders	**(51,101)**	**(22,766)**	(49,464)	(26,277)
Reinsurers' share of payments to policyholders	**4,970**	**8,858**	4,455	10,857
Gross change in insurance contract liabilities	**(64,375)**	**1,171**	(29,463)	(2,605)
Reinsurers' share of gross change in insurance contract liabilities	**2,939**	**(1,833)**	1,150	2,198
Commissions paid to agents and other direct selling costs	**(16,787)**	**(5,893)**	(14,222)	(6,976)
	(124,354)	**(20,463)**	(87,544)	(22,803)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the consolidated income statement:

	2021		2020	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
	€000	**€000**	€000	€000
Net (expense)/income from non-linked insurance business assets	**(85)**	**205**	(129)	(34)
Net gains/(losses) on financial instrument transactions and other non-linked insurance business income	**1,114**	**(535)**	(1,077)	836
Staff costs	**(6,357)**	**(6,249)**	(5,312)	(4,813)
Other operating expenses	**(6,851)**	**(2,832)**	(6,934)	(2,591)

13. Other income

	2021	2020
	€000	€000
Dividend income	**1,774**	294
Profit/(loss) on sale and write-off of property and equipment and intangible assets	**7**	(90)
Rental income from investment properties	**4,630**	5,720
Rental income from stock of property	**357**	835
Income from hotel, golf and leisure activities	**2,539**	2,121
Other income	**5,524**	6,077
	14,831	14,957

The income from hotel, golf and leisure activities primarily relates to activities of subsidiaries acquired in debt satisfaction as part of loan restructuring activity.

14. Staff costs

Staff costs

	2021	2020
	€000	€000
Salaries	**160,605**	156,263
Employer's contributions to state social insurance	**28,186**	26,582
Retirement benefit plan costs	**13,696**	12,382
	202,487	195,227
Restructuring costs - voluntary exit plans and other termination benefits	**16,146**	5,825
	218,633	201,052

The number of persons employed by the Group as at 31 December 2021 was 3,438 and includes 49 persons that have accepted the voluntary exit plan (VEP) and left the Group in early 2022 (2020: 3,573).

In December 2021, the Group completed a VEP, through which 102 of the Group's full-time employees were approved to leave at a total cost of €16,146 thousand. In December 2020, the Group proceeded with a targeted voluntary exit plan for its employees in Cyprus, with a cost amounting to €5,825 thousand. In total 27 employees accepted the targeted voluntary exit plan and left the Group in early 2021.

In July 2021, the Company reached an agreement with the Cyprus Union of Bank employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Company and are in line with market best-practice.

During the year ended 31 December 2021 an amount of €1,235 thousand (2020: nil) relating to staff costs has been capitalised as internally developed computer software (Note 26).

14. **Staff costs** (continued)

The following table shows the analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2021 and 2020.

	2021	2020
Corporate	**92**	91
Global Corporate	**69**	67
Small and medium-sized enterprises	**107**	107
Retail	**1,091**	1,127
Restructuring and recoveries	**247**	304
International banking services	**243**	248
Wealth management	**37**	39
Treasury	**23**	23
REMU	**55**	56
Insurance	**203**	189
Other (primarily head office functions)	**1,348**	1,322
Total Cyprus	**3,515**	3,573
United Kingdom	**-**	1
Other countries	**15**	19
	3,530	3,593

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance, the Group operates plans for the provision of additional retirement benefits as described below:

	2021	2020
	€000	€000
Defined benefit plans	**586**	592
Defined contribution plans	**13,110**	11,790
	13,696	12,382

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (88% of total Group employees) is a defined contribution plan. This plan provided for employer contributions of 9% for the period 1 January 2021 to 31 August 2021, revised to 8% from 1 September 2021 (2020: 8%) and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by an Administrative Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded with assets backing the obligations held in separate legal vehicles.

Greece
Following IFRIC's decision in May 2021 about the periods of service to which an entity attributes benefit for a particular defined benefit plan, the Group as at 31 December 2021 does not have any retirement benefits obligation for its employees in Greece, and as a result the accumulated actuarial gains/losses attributable to these plans were derecognised as at 31 December 2021. As at 31 December 2021 and 2020 the remaining retirement benefit obligation in Greece related to Group subsidiaries.

United Kingdom
The Group has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

14. Staff costs (continued)

Other countries
The Group does not operate any retirement benefit plans in Romania and Russia.

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the consolidated balance sheet	**2021 €000**	2020 €000
Liabilities (Note 34)	**1,673**	9,568

Two of the plans have a total funded status surplus of €5,462 thousand (2020: one plan with surplus €2,759 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

14. Staff costs (continued)

The amounts recognised in the consolidated balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2021 and 2020 are presented below:

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2021	93,012	(86,203)	6,809	2,759	**9,568**
Current service cost	533	-	533	-	**533**
Net interest expense/(income)	1,178	(1,125)	53	-	**53**
Total amount recognised in the consolidated income statement	1,711	(1,125)	586	-	**586**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(5,563)	(5,563)	-	**(5,563)**
Actuarial loss from changes in financial assumptions	(2,530)	-	(2,530)	-	**(2,530)**
Demographic assumptions	(170)	-	(170)	-	**(170)**
Experience adjustments	409	-	409	-	**409**
Change in asset ceiling	-	-	-	2,703	**2,703**
Total amount recognised in the consolidated OCI	(2,291)	(5,563)	(7,854)	2,703	**(5,151)**
Exchange differences	5,291	(4,993)	298	-	**298**
Contributions:					
Employer	-	(3,585)	(3,585)	-	**(3,585)**
Plan participants	185	(185)	-	-	**-**
Benefits paid from the plans	(2,827)	2,827	-	-	**-**
Benefits paid directly by the employer	(43)	-	(43)	-	**(43)**
31 December 2021	**95,038**	**(98,827)**	**(3,789)**	**5,462**	**1,673**

14. Staff costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2020	89,726	(83,441)	6,285	2,927	**9,212**
Current service cost	501	-	501	-	**501**
Net interest expense/(income)	1,560	(1,469)	91	-	**91**
Total amount recognised in the consolidated income statement	2,061	(1,469)	592	-	**592**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(6,105)	(6,105)	-	**(6,105)**
Actuarial loss from changes in financial assumptions	9,692	-	9,692	-	**9,692**
Demographic assumptions	(133)	-	(133)	-	**(133)**
Experience adjustments	129	-	129	-	**129**
Change in asset ceiling	-	-	-	(168)	**(168)**
Total amount recognised in the consolidated OCI	9,688	(6,105)	3,583	(168)	**3,415**
Exchange differences	(3,961)	3,587	(374)	-	**(374)**
Contributions:					
Employer	-	(3,277)	(3,277)	-	**(3,277)**
Plan participants	180	(180)	-	-	**-**
Benefits paid from the plans	(4,682)	4,682	-	-	**-**
31 December 2020	**93,012**	**(86,203)**	**6,809**	**2,759**	**9,568**

14. Staff costs (continued)

The actual return on plan assets for year 2021 was a gain of €6,688 thousand (2020: gain of €7,574 thousand).

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used to better match the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2021	2020
Equity securities	**20%**	28%
Debt securities	**48%**	40%
Loans and advances to banks	**15%**	12%
Funds	**17%**	20%
	100%	100%

The assets held by the funded plans include equity securities issued by the Company, the fair value of which as at 31 December 2021 is €57 thousand (2020: €41 thousand).

The Group expects to make additional contributions to defined benefit plans of €3,847 thousand during 2022.

At the end of the reporting period, the average duration of the defined benefit obligation was 18.0 years (2020: 18.5 years).

14. Staff costs (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Group during 2021 and 2020 are set out below:

2021	**Cyprus**	**Greece**	**UK**
Discount rate	**0.88%**	**n/a**	**1.80%**
Inflation rate	**1.50%**	**n/a**	**3.25%**
Future salary increases	**2.00%**	**n/a**	**n/a**
Rate of pension increase	**2.00%**	**n/a**	**3.10%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**n/a**	**22.9 years M 24.3 years F**
2020			
Discount rate	0.33%	0.70%	1.45%
Inflation rate	1.50%	1.50%	2.85%
Future salary increases	2.00%	1.75%	n/a
Rate of pension increase	2.00%	n/a	2.75%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a	n/a
Life expectancy for pensioners at age 65	n/a	n/a	22.5 years M 24.9 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone (Cyprus and Greece) which comprise 16% of the defined benefit obligations, the Group adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 84% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2021 and 2020 is presented below:

Variable	**2021**		2020	
	Change +0.5%	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-8.7%**	**9.4%**	-9.0%	9.7%
Inflation growth rate	**5.5%**	**-5.4%**	6.1%	-5.7%
Salary growth rate	**1.0%**	**-0.9%**	1.1%	-1.1%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**2.9%**	**-2.9%**	2.8%	-2.8%

14. Staff costs (continued)

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

15. Other operating expenses

	2021	2020
	€000	€000
Repairs and maintenance expenses	**33,083**	31,701
Other property-related costs	**12,448**	12,907
Consultancy and other professional services fees	**13,797**	12,409
Insurance	**6,160**	5,740
Advertising and marketing	**9,836**	8,036
Depreciation of property and equipment (Note 25)	**16,313**	19,224
Amortisation of intangible assets (Note 26)	**18,615**	18,263
Communication expenses	**7,254**	6,852
Provisions for pending litigations, claims, regulatory and other matters (Note 39.4)	**(523)**	30,897
Printing and stationery	**1,851**	1,953
Cash transfer expenses	**2,664**	2,526
Other operating expenses	**25,173**	22,460
	146,671	172,968
Advisory and other restructuring costs	**23,124**	15,489
	169,795	188,457

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2021, the Group recognised €255 thousand relating to rent expense for short term leases, included within 'Other property-related costs' (2020: €355 thousand) and €7,520 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2020: €8,855 thousand) (Note 43).

Within total other operating expenses an amount of €734 thousand (2020: €1,037 thousand) relates to investment property that generated rental income.

15. Other operating expenses (continued)

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	2021	2020
	€000	€000
Special levy on deposits of credit institutions in Cyprus and contribution to Single Resolution Fund	**25,145**	24,727
Guarantee fee on annual deferred tax credit (Note 17)	**5,300**	3,445
Contribution to Deposit Guarantee Fund	**5,905**	5,484
	36,350	33,656

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the charge of the Special Levy up to the level of the total annual Special Levy charge.

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

Consultancy and other professional services fees and advisory and other restructuring costs include fees (including taxes) to the independent auditors of the Group, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2021	2020
	€000	€000
Audit of the individual and the Group financial statements	**1,628**	1,602
Other assurance services	**659**	368
Tax compliance and advisory services	**298**	211
Other non-audit services	**78**	385
	2,663	2,566

Other assurance services include fees relating to the interim review.

16. Credit losses of financial instruments and impairment of non-financial assets

	2021	2020
	€000	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers (Note 45.7)	**33,956**	284,969
Recoveries of loans and advances to customers previously written off	**(11,907)**	(20,621)
Changes in expected cash flows	**15,951**	12,866
Financial guarantees and commitments (Notes 45.6.1 and 45.6.2)	**2,341**	(2,134)
	40,341	275,080

Credit losses of other financial instruments		
Amortised cost debt securities (Note 20)	**(32)**	54
FVOCI debt securities (Note 20)	**(91)**	78
Loans and advances to banks (Note 19)	**(5)**	6
Other financial assets (Note 28)	**5,931**	4,447
	5,803	4,585

Impairment net of reversals of non-financial assets		
Stock of property (Note 27)	**46,775**	37,593
Other non-financial assets	**2,681**	(7)
	49,456	37,586

17. Income tax

	2021	2020
	€000	€000
Current tax:		
- Cyprus	**5,202**	3,934
- Overseas	**-**	93
Cyprus special defence contribution	**163**	136
Deferred tax charge	**641**	1,611
Prior years' tax adjustments	**(1,882)**	838
Other tax charges	**37**	1,308
	4,161	7,920

17. Income tax (continued)

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2021 €000	2020 €000
Profit/(loss) before tax	**33,829**	(166,742)
Income tax at the normal tax rates in Cyprus	**4,229**	(20,706)
Income tax effect of:		
- expenses not deductible for income tax purposes	**29,194**	23,899
- income not subject to income tax	**(16,453)**	(11,504)
- differences between overseas income tax rates and Cyprus income tax rates	**2,041**	2,593
- deferred tax charge	**641**	45
- losses on which deferred tax was not recognised	**-**	11,447
- utilisation of prior years' tax losses	**(13,809)**	-
	5,843	5,774
Cyprus special defence contribution	**163**	-
Prior years' tax adjustments	**(1,882)**	838
Other tax charges	**37**	1,308
	4,161	7,920

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2020: 12.5%).

For life insurance business there is a minimum income tax charge of 1.5% on gross premiums. Special defence contribution is payable on rental income at a rate of 3% (2020: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2020: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2021 were: Greece 22% (2020: 24%), Romania 16% (2020: 16%), Russia 20% (2020: 20%) and UK 19% (2020: 19%).

The Group is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Group's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open income tax returns with various income tax authorities and liabilities relating to these open and judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax

The net deferred tax assets arise from:

	2021 €000	2020 €000
Difference between capital allowances and depreciation	**(10,990)**	(10,820)
Property revaluation	**(13,582)**	(14,188)
Investment revaluation and stock of property	**(2,847)**	(2,847)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**265,364**	341,182
Value of in-force life insurance business	**(16,236)**	(15,772)
Other temporary differences	**(2,663)**	(2,177)
Net deferred tax assets	**219,046**	295,378

17. Income tax (continued)

The net deferred tax assets comprise:

	2021 €000	2020 €000
Deferred tax assets	**265,481**	341,360
Deferred tax liabilities	**(46,435)**	(45,982)
Net deferred tax assets	**219,046**	295,378

The deferred tax assets relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	2021 €000	2020 €000
1 January	**295,378**	333,111
Deferred tax recognised in the consolidated income statement	**(641)**	(1,611)
Deferred tax recognised in the consolidated statement of comprehensive income	**127**	1,787
Transfer to current tax receivables following conversion into tax credit	**(75,818)**	(37,909)
31 December	**219,046**	295,378

The Group offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

The analysis of the net deferred tax charge/(credit) recognised in the consolidated income statement is set out below:

	2021 €000	2020 €000
Difference between capital allowances and depreciation	**170**	449
Value of in-force life insurance business	**464**	1,193
Other temporary differences	**7**	(31)
	641	1,611

The analysis of the net deferred tax recognised in other comprehensive income in the consolidated statement of comprehensive income is set out below:

	2021 €000	2020 €000
Timing differences on property revaluation-income	**127**	1,787

During the year ended 31 December 2021 an amount of €479 thousand (2020: nil) that relates to the balance of deferred tax arising from property revaluation, has been transferred from the deferred tax liability - property revaluation to the deferred tax liability - other temporary differences following the respective transfer of the related property from the category 'Property and equipment' (Note 25) to 'Investment properties (Note 22).

Income Tax Law Amendment 28 (I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

The main provisions of the legislation are set out below:
- The amendments allow for the conversion of specific tax losses into tax credits.
- The Law applies only to tax losses transferred following resolution of a credit institution within the framework of ‘The Resolution of Credit and Other Institutions Law’.

17. Income tax (continued)

- The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition. Tax losses in excess of the capped amount could only be utilised in cases involving transfers of tax losses in relation to tax reorganisations, completed before 1 October 2019. Post 1 October 2019, any excess tax losses expired.
- Acquired tax losses are converted into 15 equal annual instalments for credit institutions that will enter into resolution in the future or into 11 equal annual instalments for credit institutions which were in resolution pre 31 December 2017.
- Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
- Any amount of annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
- In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
- In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
- A guarantee fee of 1.5% on annual tax credit is payable annually by the credit institution to the Government.

The Company has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 (the 'Law'), which allow for the conversion of specific tax losses into tax credits and subsequently any such unutilised tax credits into a receivable from the Government, relating to income tax losses transferred to the Company as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which the Company paid a consideration as part of the respective acquisition. Under the Law, the Company could convert up to an amount of €3.3 billion tax losses to tax credits (which led to the creation of DTA amounting to €417 million), with the conversion being based on the tax rate applicable at the time of conversion. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e. by end of 2028.

As a result of the above Law, the Group has deferred tax assets amounting to €265,364 thousand as at 31 December 2021 (2020: €341,182 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is converted to annual tax credit and is reclassified from the DTA to current tax receivables.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13.

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

17. Income tax (continued)

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year. The Group estimates that such increased fees could range up to €5,300 thousand per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. To this respect, an amount of €5,300 thousand (2020: €3,445 thousand) (Note 15) has been recorded during the year ended 31 December 2021, to bring the total amount provided for years 2018-2021 to €21,200 thousand, being the maximum expected increased amount for these years.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

2021	**Total income tax losses**	**Income tax losses for which a deferred tax asset was recognised**	**Income tax losses for which no deferred tax asset was recognised**
	€000	**€000**	**€000**
Expiring within 5 years	**251,448**	**-**	**251,448**
Utilisation in annual instalments up to 2028	**2,122,909**	**2,122,909**	**-**
	2,374,357	**2,122,909**	**251,448**
2020			
Expiring within 5 years	648,401	-	648,401
Utilisation in annual instalments up to 2028	2,729,454	2,729,454	-
	3,377,855	2,729,454	648,401

In relation to the tax losses that were transferred to the Company in 2013, the income tax authorities in Cyprus issued their tax assessments in March and April 2019. On the basis of these assessments the quantum of Laiki Bank tax losses was approximately €5 billion and lower than the initial amount of €7.4 billion estimated in 2013.

The tax losses in excess of the €3.3 billion transferred from Laiki Bank to the Company in March 2013 cannot be utilised by the Company, in line with the March 2019 Law amendments, except in cases where there are transfers arising due to reorganisations made prior to 1 October 2019.

18. Earnings per share

Basic and diluted profit/(loss) per share attributable to the owners of the Company	**2021**	2020
Profit/(loss) for the year attributable to the owners of the Company (€ thousand)	**27,500**	(171,411)
Weighted average number of shares in issue during the year (thousand)	**9,597,945**	9,597,945
Basic and diluted profit/(loss) per share (€ cent)	**0.3**	(1.8)

19. Cash, balances with central banks and loans and advances to banks

	2021 €000	2020 €000
Cash	**142,915**	139,686
Balances with central banks	**9,087,968**	5,513,629
	9,230,883	5,653,315

	2021 €000	2020 €000
Loans and advances to banks	**291,705**	402,862
Allowance for expected credit losses	**(73)**	(78)
	291,632	402,784

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

Gross carrying amount	2021 €000	2020 €000
1 January	**5,513,629**	4,908,487
Net increase	**3,574,339**	673,567
Transfer to disposal groups held for sale (Note 29)	**-**	(68,425)
31 December	**9,087,968**	5,513,629

Balances with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2021 and 2020.

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2021		2020	
	Gross carrying amount €000	**ECL €000**	Gross carrying amount €000	ECL €000
1 January	**402,862**	**(78)**	320,953	(72)
Net (decrease)/increase	**(109,485)**	**-**	83,380	-
Disposal/dissolution of subsidiaries	**-**	**-**	(398)	-
Changes to models and inputs used for ECL calculation (Note 16)	**-**	**5**	-	(6)
Foreign exchange adjustments	**(1,672)**	**-**	(1,073)	-
31 December	**291,705**	**(73)**	402,862	(78)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes as at 31 December 2021 which amount to €166,987 thousand (2020: €158,031 thousand) (Note 42).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 45.12.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

Investments	2021 €000	2020 €000
Investments mandatorily measured at FVPL	**199,194**	207,943
Investments at FVOCI	**259,889**	658,232
Investments at amortised cost	**419,922**	1,009,834
	879,005	1,876,009

The amounts pledged as collateral are shown below:

Investments pledged as collateral	2021 €000	2020 €000
Investments at FVOCI	**488,806**	14,069
Investments at amortised cost	**771,352**	23,036
	1,260,158	37,105

Investments pledged as collateral as at 31 December 2021 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) in March 2021 and June 2021 of a total nominal amount of €2 billion, as further described in Note 30. Encumbered assets are disclosed in Note 47.

The maximum exposure to credit risk for debt securities is disclosed in Note 45.1 and the debt securities price risk sensitivity analysis is disclosed in Note 46.

There were no reclassifications of investments during the years 2021 and 2020.

The credit rating analysis of investments is disclosed in Note 45.12.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2021 €000	2020 €000
Debt and other non-equity securities	**6,034**	19,118
Equity securities	**9,053**	3,277
Mutual funds	**184,107**	185,548
	199,194	207,943
Debt and other non-equity securities		
Banks and other corporations	**6,034**	19,118
Unlisted	**6,034**	19,118
Equity securities		
Listed on the Cyprus Stock Exchange	**-**	2,155
Listed on other stock exchanges	**9,053**	626
Unlisted	**-**	496
	9,053	3,277
Mutual funds		
Listed on other stock exchanges	**88,963**	131,771
Unlisted	**95,144**	53,777
	184,107	185,548

The debt securities which are measured at FVPL are mandatorily classified, because they failed to meet the SPPI criteria.

20. Investments (continued)

The majority of the unlisted mutual funds relate to investments whose underlying assets are listed on stock exchanges and are therefore presented in Level 2 hierarchy in Note 22.

Investments at FVOCI

	2021	2020
	€000	€000
Debt securities	733,080	656,856
Equity securities (including preference shares)	15,615	14,835
Mutual funds	-	610
	748,695	672,301

	2021	2020
Debt securities	€000	€000
Cyprus government	408,708	382,742
Other governments	87,295	41,235
Banks and other corporations	237,077	232,879
	733,080	656,856
Listed on the Cyprus Stock Exchange	-	2,983
Listed on other stock exchanges	733,080	653,873
	733,080	656,856
Geographic dispersion by country of issuer		
Cyprus	408,708	382,742
France	66,116	51,784
Other European Union countries	143,538	90,226
Supranational organisations	-	10,364
Other countries	114,718	121,740
	733,080	656,856

Equity securities		
Listed on the Cyprus Stock Exchange	1,752	1,483
Listed on other stock exchanges	76	81
Unlisted	13,787	13,271
	15,615	14,835

An analysis of the movement of debt instruments before ECL and the changes on the ECL are presented in the table below:

20. Investments (continued)

	2021		2020	
	Gross debt securities	**ECL**	Gross debt securities	ECL
	€000	**€000**	€000	€000
1 January	**657,633**	**(777)**	886,509	(699)
New assets acquired in the year	**116,290**	**-**	61,983	-
Assets derecognised and redeemed in the year (Note 16)	**(34,083)**	**6**	(263,335)	7
Interest accrued and amortisation	**(2,448)**	**-**	(4,170)	-
Foreign exchange adjustments	**14,852**	**-**	(17,410)	-
Changes to models and input used for ECL calculations (Note 16)	**-**	**85**	-	(85)
Changes in fair value	**(18,478)**	**-**	(5,944)	-
31 December	**733,766**	**(686)**	657,633	(777)

All debt securities measured at FVOCI are classified as Stage 1.

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €15,615 thousand at 31 December 2021 and is equal to their fair value (2020: €14,835 thousand).

Equity investments at FVOCI comprise mainly investments in private Cyprus registered companies, acquired through loan restructuring activity and specifically through debt for equity swaps.

Dividend income amounting to €1,774 thousand has been received and recognised for 2021 in other income (2020: €223 thousand).

During the years ended 31 December 2021 and 31 December 2020 no material equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the year.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €11,066 thousand at 31 December 2021 (2020: €12,134 thousand). The fair value loss that would have been recognised in the consolidated income statement during the year ended 31 December 2021 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €97 thousand (2020: gain of €28 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2020: 1.6%-5.0%) per annum and the respective interest income during the year ended 31 December 2021 amounts to €98 thousand (2020: €304 thousand).

20. Investments (continued)

Investments at amortised cost

	2021	2020
	€000	€000
Debt securities	**1,191,274**	1,032,870
Cyprus government	**326,953**	440,983
Other governments	**223,813**	132,267
Banks and other corporations	**431,282**	292,918
European Financial Stability Facility and European Investment Fund	**209,226**	166,702
	1,191,274	1,032,870
Listed on the Cyprus Stock Exchange	**48,463**	318,141
Listed on other stock exchanges	**1,142,811**	714,729
	1,191,274	1,032,870
Geographic dispersion by country of issuer		
Cyprus	**326,953**	440,983
Germany	**67,747**	49,870
UK	**25,043**	33,671
France	**100,388**	25,646
Other European Union countries	**239,781**	184,804
Other countries	**222,136**	135,302
Supranational organisations	**209,226**	162,594
	1,191,274	1,032,870

An analysis of changes in the gross carrying amount (before ECL) is presented in the table below:

	2021			2020		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**984,739**	**48,981**	**1,033,720**	779,770	49,130	828,900
New assets acquired in the year	**503,089**	**-**	**503,089**	513,655	-	513,655
Assets derecognised and redeemed in the year	**(348,151)**	**-**	**(348,151)**	(294,756)	-	(294,756)
Fair value due to hedging relationship	**(2,156)**	**(392)**	**(2,548)**	644	(123)	521
Interest accrued and amortisation	**(4,744)**	**(30)**	**(4,774)**	(2,289)	(26)	(2,315)
Foreign exchange adjustments	**10,756**	**-**	**10,756**	(12,285)	-	(12,285)
31 December	**1,143,533**	**48,559**	**1,192,092**	984,739	48,981	1,033,720

An analysis of changes on the ECL is presented in the table below:

	2021			2020		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(545)**	**(305)**	**(850)**	(320)	(476)	(796)
Assets derecognised or redeemed (Note 16)	**155**	**-**	**155**	12	-	12
Change to models and inputs used for ECL calculation (Note 16)	**(332)**	**209**	**(123)**	(237)	171	(66)
31 December	**(722)**	**(96)**	**(818)**	(545)	(305)	(850)

21. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2021			2020		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**11,344**	**81**	**55**	37,912	834	346
Currency swaps	**991,117**	**4,388**	**1,342**	970,645	4,458	2,832
Interest rate swaps	**21,690**	**86**	**61**	92,305	271	597
Currency options	**83**	**62**	**21**	2,628	72	302
Interest rate caps/floors	**518,950**	**223**	**218**	527,883	83	25
	1,543,184	**4,840**	**1,697**	1,631,373	5,718	4,102
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**700,835**	**1,813**	**30,025**	877,783	18,907	39,720
Net investments - forward exchange rate contracts and currency swaps	**107,193**	**-**	**730**	84,588	2	2,156
	808,028	**1,813**	**30,755**	962,371	18,909	41,876
Total	**2,351,212**	**6,653**	**32,452**	2,593,744	24,627	45,978

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates and exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Group sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 46. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Group converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Group converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 46. In order to eliminate the risk, the Group hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

21. Derivative financial instruments (continued)

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign exchange rates in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

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

The Group applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI.

Hedges of net investments
The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and forward exchange rate contracts.

As at 31 December 2021, deposits and forward and swap exchange rate contracts amounting to nil and €107,193 thousand respectively (2020: €9,988 thousand and €84,588 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €7,797 thousand (2020: loss of €23,756 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and other foreign operations.

	Gains/(losses) attributable to hedged risk		**Hedged in-effectiveness**
2021	**Hedged items**	**Hedging instrument**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	(19,327)	19,878	(551)
Net investments			
-forward exchange rate contracts	(8,422)	8,422	-
Total	**(27,749)**	**28,300**	**(551)**

21. Derivative financial instruments (continued)

2020	Gains/(losses) attributable to hedged risk		Hedged in-effectiveness
	Hedged items	Hedging instrument	
	€000	€000	€000
Derivatives qualifying for hedge accounting			
Fair value hedges			
-interest rate swaps	5,760	(5,205)	(555)
Net investments			
-forward exchange rate contracts	25,236	(25,236)	-
Total	**30,996**	**(30,441)**	**(555)**

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

2021	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	746,432	-	729	-
Net investments - forward and swap exchange rate contracts				
Net assets	-	107,193	-	(730)
Total	**746,432**	**107,193**	**729**	**(730)**

2020				
Derivatives qualifying for hedge accounting				
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	712,925	-	21,084	-
-subordinated loan stock	-	272,152	-	(1,374)
Net investments - forward and swap exchange rate contracts				
Net assets	434	84,154	-	(2,158)
Total	**713,359**	**356,306**	**21,084**	**(3,532)**

For assets hedged using fair value hedges the fixed rate is 2.38% and the floating rate is 0.94% as at 31 December 2021 (2020: 2.35% and 1.03% respectively). For liabilities hedged using fair value hedges, the fixed rate was 9.25% and the floating rate was 8.93% respectively as at 31 December 2020. There were no liabilities hedged using fair value hedges as at 31 December 2021.

21. Derivative financial instruments (continued)

The maturity of the Group's contract amount of the derivatives is presented in the table below:

2021	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	4,923	4,493	1,928	-	-	**11,344**
Currency swaps	875,897	114,852	368	-	-	**991,117**
Interest rate swaps	-	-	6,219	15,471	-	**21,690**
Currency options	83	-	-	-	-	**83**
Interest rate caps/floors	-	-	500,000	-	18,950	**518,950**
	880,903	**119,345**	**508,515**	**15,471**	**18,950**	**1,543,184**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	44,182	41,530	101,465	247,158	266,500	**700,835**
Net investments - forward exchange rate contracts and currency swaps	107,193	-	-	-	-	**107,193**
	151,375	**41,530**	**101,465**	**247,158**	**266,500**	**808,028**
Total	**1,032,278**	**160,875**	**609,980**	**262,629**	**285,450**	**2,351,212**

21. Derivative financial instruments (continued)

2020	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	17,125	15,510	5,277	-	-	**37,912**
Currency swaps	791,644	178,227	774	-	-	**970,645**
Interest rate swaps	44,069	23,970	14,169	10,097	-	**92,305**
Currency options	2,628	-	-	-	-	**2,628**
Interest rate caps/floors	-	-	-	527,883	-	**527,883**
	855,466	**217,707**	**20,220**	**537,980**	**-**	**1,631,373**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	30,358	653,925	193,500	**877,783**
Net investments - forward exchange rate contracts and currency swaps	66,849	17,739	-	-	-	**84,588**
	66,849	**17,739**	**30,358**	**653,925**	**193,500**	**962,371**
Total	**922,315**	**235,446**	**50,578**	**1,191,905**	**193,500**	**2,593,744**

Interest rate benchmark reform
As at 31 December 2021 and 2020 the interest rate benchmarks to which Company's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) in relation to the cash flows of the hedging instruments. The Group has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing Interbank Offered Rate (IBOR) are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships that are subject to the IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Company manages through hedging relationships.

Interest Rate Swaps	**2021**	2020
	€000	€000
Euribor (3-month)	**529,831**	699,831
Libor USD (3-month)	**171,004**	177,952
Total	**700,835**	877,783

As at 31 December 2021, the Group’s assessment regarding the on-going transition to the new risk-free rates (RFRs) indicates that the impact on the hedging relationships and in value terms is not significant. Further details in relation to interest rate benchmark reform are disclosed in Note 46.

22. Fair value measurement

The following table presents the carrying value and fair value of the Group's financial assets and liabilities.

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,230,883**	**9,230,883**	5,653,315	5,653,315
Loans and advances to banks	**291,632**	**289,519**	402,784	402,979
Investments mandatorily measured at FVPL	**199,194**	**199,194**	207,943	207,943
Investments at FVOCI	**748,695**	**748,695**	672,301	672,301
Investments at amortised cost	**1,191,274**	**1,196,753**	1,032,870	1,050,271
Derivative financial assets	**6,653**	**6,653**	24,627	24,627
Loans and advances to customers	**9,836,405**	**9,642,212**	9,886,047	9,687,663
Life insurance business assets attributable to policyholders	**540,827**	**540,827**	462,977	462,977
Financial assets classified as held for sale	**250,370**	**250,370**	561,462	561,462
Other financial assets	**393,464**	**393,464**	102,211	102,211
	22,689,397	**22,498,570**	19,006,537	18,825,749
Financial liabilities				
Funding from central banks and deposits by banks	**3,426,639**	**3,328,987**	1,386,643	1,325,538
Derivative financial liabilities	**32,452**	**32,452**	45,978	45,978
Customer deposits	**17,530,883**	**17,532,995**	16,533,212	16,535,842
Loan stock	**644,928**	**647,774**	272,152	274,414
Other financial liabilities and lease liabilities	**275,519**	**275,519**	282,510	282,510
	21,910,421	**21,817,727**	18,520,495	18,464,282

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Group uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on market observable data.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

22. Fair value measurement (continued)

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA)
The CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and Company's own credit quality respectively.

The Group calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Group and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard LGD assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Group does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments at FVPL, investments at FVOCI and investments at amortised cost
Investments which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data. The rest of the investments are valued using quoted prices in active markets.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk-free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan. The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2021 ranges from 2.34% to 8.50% (2020:1.95%-8.50%).

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company. The fair value of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Deposits by banks and funding from central banks
Deposits by banks and funding from central banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Loan stock
Loan stock issuances are traded in an active market with quoted prices.

Investment properties
The fair value of investment properties is determined using valuations performed by external accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

Owned property
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

22. Fair value measurement (continued)

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

The following table presents the fair value measurement hierarchy of the Group's financial and non-financial assets and liabilities recorded at fair value and financial assets and financial liabilities for which fair value is disclosed, by level of the fair value hierarchy:

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	11,937	**11,937**
Offices and other commercial properties	-	-	55,805	**55,805**
Manufacturing and industrial properties	-	-	28,610	**28,610**
Hotels	-	-	536	**536**
Land (fields and plots)	-	-	20,857	**20,857**
	-	-	117,745	**117,745**
Investment properties held for sale				
Residential	-	-	1,790	**1,790**
Offices and other commercial properties	-	-	2,635	**2,635**
Manufacturing and industrial properties	-	-	896	**896**
	-	-	5,321	**5,321**
Freehold property				
Offices and other commercial properties	-	-	195,666	**195,666**
Freehold property held for sale				
Offices and other commercial properties	-	-	10,408	**10,408**
Loans and advances to customers measured at FVPL	-	-	281,868	**281,868**
Trading derivatives				
Forward exchange rate contracts	-	81	-	**81**
Currency swaps	-	4,388	-	**4,388**
Interest rate swaps	-	86	-	**86**
Currency options	-	62	-	**62**
Interest rate caps/floors	-	223	-	**223**
	-	4,840	-	**4,840**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	1,813	-	**1,813**
	-	1,813	-	**1,813**
Investments mandatorily measured at FVPL	98,016	95,144	6,034	**199,194**
Investments at FVOCI	734,832	-	13,863	**748,695**
	832,848	**101,797**	**630,905**	**1,565,550**
Other financial assets not measured at fair value				
Loans and advances to banks	-	289,519	-	**289,519**
Investments at amortised cost	1,074,144	98,238	24,371	**1,196,753**
Loans and advances to customers	-	-	9,360,344	**9,360,344**
	1,074,144	**387,757**	**9,384,715**	**10,846,616**

22. **Fair value measurement** (continued)

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,647 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €784 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €5,534 thousand as at 31 December 2021, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €553 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 46.

The fair value measurement hierarchy for life insurance business assets attributable to policy holders is disclosed in Note 24.

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	55	-	**55**
Currency swaps	-	1,342	-	**1,342**
Interest rate swaps	-	61	-	**61**
Currency options	-	21	-	**21**
Interest rate caps/floors	-	218	-	**218**
	-	1,697	-	**1,697**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	30,025	-	**30,025**
Net investments-forward exchange rate contracts and currency swaps	-	730	-	**730**
	-	30,755	-	**30,755**
	-	**32,452**	**-**	**32,452**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,950,646	-	**2,950,646**
Deposits by banks	-	378,341	-	**378,341**
Customer deposits	-	-	17,532,995	**17,532,995**
Loan stock	332,310	315,464	-	**647,774**
	332,310	**3,644,451**	**17,532,995**	**21,509,756**

22. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	16,735	**16,735**
Offices and other commercial properties	-	-	57,041	**57,041**
Manufacturing and industrial properties	-	-	35,326	**35,326**
Hotels	-	-	626	**626**
Land (fields and plots)	-	-	18,360	**18,360**
	-	-	128,088	**128,088**
Investment properties held for sale				
Manufacturing and industrial properties	-	-	1,248	**1,248**
Freehold property				
Offices and other commercial properties	-	-	202,146	**202,146**
Freehold property held for sale				
Offices and other commercial properties	-	-	10,408	**10,408**
Loans and advances to customers measured at FVPL	-	-	289,861	**289,861**
Trading derivatives				
Forward exchange rate contracts	-	834	-	**834**
Currency swaps	-	4,458	-	**4,458**
Interest rate swaps	-	271	-	**271**
Currency options	-	72	-	**72**
Interest rate caps/floors	-	83	-	**83**
	-	5,718	-	**5,718**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	18,907	-	**18,907**
Net investments-forward exchange rate contracts and currency swaps	-	2	-	**2**
	-	18,909	-	**18,909**
Investments mandatorily measured at FVPL	134,918	53,347	19,678	**207,943**
Investments at FVOCI	655,813	2,984	13,504	**672,301**
	790,731	**80,958**	**664,933**	**1,536,622**
Other financial assets not measured at fair value				
Loans and advances to banks	-	402,979	-	**402,979**
Investments at amortised cost	695,666	321,612	32,993	**1,050,271**
Loans and advances to customers	-	-	9,397,802	**9,397,802**
	695,666	**724,591**	**9,430,795**	**10,851,052**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,027 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,681 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 20) with a carrying amount of €18,618 thousand as at 31 December 2020, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €1,862 thousand.

22. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	346	-	**346**
Currency swaps	-	2,832	-	**2,832**
Interest rate swaps	-	597	-	**597**
Currency options	-	302	-	**302**
Interest rate caps/floors	-	25	-	**25**
	-	4,102	-	**4,102**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39,720	-	**39,720**
Net investments-forward exchange rate contracts and currency swaps	-	2,156	-	**2,156**
	-	41,876	-	**41,876**
	-	**45,978**	**-**	**45,978**
Other financial liabilities not measured at fair value				
Funding from central banks	-	992,494	-	**992,494**
Deposits by banks	-	333,044	-	**333,044**
Customer deposits	-	-	16,535,842	**16,535,842**
Loan stock	274,414	-	-	**274,414**
	274,414	**1,325,538**	**16,535,842**	**18,135,794**

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets and other financial liabilities and assets classified as held for sale is a close approximation of their fair value and they are categorised as Level 3.

During the year ended 31 December 2021 and 2020 there were no significant transfers between Level 1 and Level 2.

22. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Group requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 assets which are measured at fair value is presented below:

	2021						2020					
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Own use properties held for sale**	**Loans and advances to customers**	**Financial instruments**	Investment properties	Investment properties held for sale	Own use properties	Own use properties held for sale	Loans and advances to customers	Financial instruments
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000	€000
1 January	**128,088**	**1,248**	**202,146**	**10,408**	**289,861**	**33,182**	136,197	-	235,277	-	369,293	38,507
Additions	**2,774**	**-**	**857**	**-**	**-**	**396**	2,649	-	303	-	-	-
Disposals	**(10,425)**	**(1,656)**	**-**	**-**	**-**	**(903)**	(6,674)	-	(159)	-	-	-
Transfers from investment properties/own use properties to non-current assets and disposal groups held for sale (Note 29)	**(5,729)**	**5,729**	**-**	**-**	**-**	**-**	(1,248)	1,248	(10,408)	10,408	-	-
Transfers from own use properties to investment properties (Note 25)	**5,616**	**-**	**(5,616)**	**-**	**-**	**-**	-	-	-	-	-	-
Transfers from/(to) stock of property (Note 27)	**-**	**-**	**-**	**-**	**-**	**-**	74	-	(21,805)	-	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	**-**	**-**	**(18,618)**	-	-	-	-	-	-
Depreciation charge for the year	**-**	**-**	**(2,129)**	**-**	**-**	**-**	-	-	(2,612)	-	-	-
Fair value (losses)/gains	**(2,783)**	**-**	**408**	**-**	**-**	**5,840**	(2,055)	-	1,550	-	-	(4,109)
Net (losses)/gains on loans and advances to customers measured at FVPL (Note 11)	**-**	**-**	**-**	**-**	**(17,292)**	**-**	-	-	-	-	3,606	-
Derecognition of loans	**-**	**-**	**-**	**-**	**(3,083)**	**-**	-	-	-	-	(96,254)	-
Interest on loans (Note 7)	**-**	**-**	**-**	**-**	**12,382**	**-**	-	-	-	-	13,216	-
Foreign exchange adjustments	**204**	**-**	**-**	**-**	**-**	**-**	(855)	-	-	-	-	(1,216)
31 December	**117,745**	**5,321**	**195,666**	**10,408**	**281,868**	**19,897**	128,088	1,248	202,146	10,408	289,861	33,182

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties, investment properties held for sale and own use properties

The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties, investment properties held for sale and own use properties are presented in the tables below:

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2021	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	9,577	€35-€100	€134-€1,370	4.5%-5%	€380-€2,297	€110-€800	89-1,203	19-559	7-48
Greece	4,150	€3-€115	€131-€2,296	0.7%-8.4%	€50-€1,892	€3-€2,437	5,147	51-825	10-49
	13,727								
Offices and other commercial properties									
Cyprus	54,553	€25-€352	€1,172	4%-8%	€498-€6,981	€580-€5,000	152-35,413	16-2,533	9-76
Greece	3,742	€19-€272	€207-€3,615	5.3%-11.3%	€74-€3,615	€258	8,582	6-4,692	17-63
Russia	145	n/a	€107	n/a	€79	€77	1,792-26,046	212-3,288	12-18
	58,440								
Manufacturing and industrial									
Cyprus	21,822	€14-€67	€427	3.5%-7%	€305-€1,646	€550	2,202-15,965	743-7,500	9-37
Greece	7,684	€43	€71-€450	5.2%-10%	€8-€425	€399	57-34,495	349-5,858	12-83
	29,506								
Hotels									
Russia	**536**	n/a	€356	n/a	€356	n/a	n/a	7,436	16
Land (fields and plots)									
Cyprus	17,701	n/a	n/a	n/a	€550	€550-€1,127	2,316-29,398	n/a	n/a
Russia	3,156	n/a	n/a	n/a	€15	€15-€23	58,600-689,000	n/a	n/a
	20,857								
Total	**123,066**								

Analysis of own use properties and own use properties held for sale

Type and country	2021	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	206,074	€24-€277	€580-€1,855	5.8%-6%	€14-€6,164	€70-€2,274	390-598,767	122-11,233	14-78
Total	**206,074**								

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2020	Estimated rental value per 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	13,013	€29-€86	€134-€1,370	n/a	€380-€2,206	€110-€900	89-1,203	19-1,356	6-130
Greece	3,722	€3-€86	€136-€2,132	2.14%-9.91%	€45-€1,455	€3-€1,176	4-5,147	44-825	12-63
	16,735								
Offices and other commercial properties									
Cyprus	52,021	€26-€250	n/a	4%-8%	€550-€7,103	€550-€1,050	150-35,413	16-9,369	10-75
Greece	4,774	€15-€259	€157-€3,483	5.31%-10.07%	€52-€1,842	€19-€259	5-8,582	6-4,692	16-62
Russia	246	n/a	€19-€448	n/a	€10-€153	€2-€70	1,460-26,046	212-15,898	n/a
	57,041								
Manufacturing and industrial									
Cyprus	26,908	€21-€67	€448	5%-6%	€350-€1,602	n/a	1,593-15,965	421-7,340	8-36
Greece	9,627	€1-€37	€80-€603	1.79%-10.57%	€13-€396	€3-€302	56-34,495	349-5,858	11-82
Russia	39	n/a	€8-€357	n/a	€5-€185	€5-€86	2,162-10,500	304-1,246	n/a
	36,574								
Hotels									
Russia	**626**	n/a	€324	n/a	€324	n/a	n/a	7,436	15
Land (fields and plots)									
Cyprus	18,095	n/a	€1,000-€1,250	n/a	€524-€1,002	€524-€1,002	2,316-29,398	n/a	n/a
Greece	49	€1	n/a	6.43%	€12	€12	3,988	n/a	n/a
Russia	216	n/a	n/a	n/a	€13	€13	58,600	n/a	n/a
	18,360								
Total	**129,336**								

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties and own use properties held for sale

Type and country	2020	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	212,554	€23-€277	€750-€1,855	5%-6%	€14-€6,163	€70-€3,171	390-598,767	122-11,233	13-78
Total	**212,554**								

Sensitivity analysis
Most of the Group's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2021	2020
	€000	€000
Gross loans and advances to customers at amortised cost	**9,840,535**	10,400,603
Allowance for ECL for impairment of loans and advances to customers (Note 45.7)	**(285,998)**	(804,417)
	9,554,537	9,596,186
Loans and advances to customers measured at FVPL	**281,868**	289,861
	9,836,405	9,886,047

Loans and advances to customers pledged as collateral are disclosed in Note 47.

Additional analysis and information regarding credit risk and analysis of the allowance for ECL of loans and advances to customers are set out in Note 45.

24. Life insurance business assets attributable to policyholders

	2021	2020
	€000	€000
Equity securities	**1,098**	898
Debt securities	**36,400**	43,064
Mutual funds	**441,410**	378,511
Bank deposits and other receivables	**61,919**	40,504
	540,827	462,977
Property	**10,970**	11,210
	551,797	474,187

Financial assets of life insurance business attributable to policyholders are classified as investments at FVPL.

Bank deposits and other receivables include other financial receivables of €3,079 thousand (2020: €3,074 thousand).

In addition to the above assets, the life insurance subsidiary of the Group holds shares of the Company, as part of the assets attributable to policyholders with a carrying value as at 31 December 2021 of €143 thousand (2020: €101 thousand). Such shares are presented in the Consolidated Financial Statements as treasury shares (Note 35).

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level is presented below:

	Level 1	**Level 2**	**Level 3**	**Total**
2021	**€000**	**€000**	**€000**	**€000**
Equity securities	**1,098**	**-**	**-**	**1,098**
Debt securities	**17,287**	**-**	**19,113**	**36,400**
Mutual funds	**438,258**	**-**	**3,152**	**441,410**
	456,643	**-**	**22,265**	**478,908**
2020				
Equity securities	898	-	-	898
Debt securities	16,778	5,991	20,295	43,064
Mutual funds	374,673	698	3,140	378,511
	392,349	6,689	23,435	422,473

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

24. Life insurance business assets attributable to policyholders (continued)

The movement of financial assets classified as Level 3 is presented below:

	2021	2020
	€000	€000
1 January	**23,435**	25,646
Unrealised losses recognised in the consolidated income statement	**(1,170)**	(2,211)
31 December	**22,265**	23,435

During years 2021 and 2020 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

	Property	Equipment	**Total**
2021	€000	€000	**€000**
Net book value at 1 January	251,023	21,451	**272,474**
Additions	1,546	4,741	**6,287**
Revaluation	408	-	**408**
Transfers to investment properties (Note 22)	(5,616)	-	**(5,616)**
Disposals and write-offs	(7)	(134)	**(141)**
Depreciation charge for the year (Note 15)	(10,489)	(5,824)	**(16,313)**
New leases (Note 43)	1,148	-	**1,148**
Derecognition of RoU assets (Note 43)	(6,117)	-	**(6,117)**
Net book value at 31 December	**231,896**	**20,234**	**252,130**

1 January 2021			
Cost or valuation	305,645	139,495	**445,140**
Accumulated depreciation	(54,622)	(118,044)	**(172,666)**
Net book value	**251,023**	**21,451**	**272,474**

31 December 2021			
Cost or valuation	296,406	141,220	**437,626**
Accumulated depreciation	(64,510)	(120,986)	**(185,496)**
Net book value	**231,896**	**20,234**	**252,130**

25. Property and equipment (continued)

2020			
Net book value at 1 January	267,684	20,370	**288,054**
Additions	1,896	8,225	**10,121**
Revaluation	1,550	-	**1,550**
Transfers to stock of property (Note 27)	(21,805)	-	**(21,805)**
Transfer to non-current assets and disposal groups held for sale (Note 29)	(10,408)	-	**(10,408)**
Re-assessment of RoU Asset (Note 43)	26,936	-	**26,936**
Derecognition of RoU Asset (Note 43)	(2,399)	-	**(2,399)**
Disposals and write-offs	(191)	(160)	**(351)**
Depreciation charge for the year (Note 15)	(12,240)	(6,984)	**(19,224)**
Net book value at 31 December	**251,023**	**21,451**	**272,474**
1 January 2020			
Cost or valuation	317,994	140,681	**458,675**
Accumulated depreciation	(50,310)	(120,311)	**(170,621)**
Net book value	**267,684**	**20,370**	**288,054**
31 December 2020			
Cost or valuation	305,645	139,495	**445,140**
Accumulated depreciation	(54,622)	(118,044)	**(172,666)**
Net book value	**251,023**	**21,451**	**272,474**

The net book value of the Group's property comprises:

	2021	2020
	€000	€000
Freehold property	**195,666**	202,146
Improvements on leasehold property	**2,649**	2,807
RoU asset (Note 43)	**33,581**	46,070
Total	**231,896**	251,023

Freehold property includes land amounting to €78,591 thousand (2020: €81,221 thousand) for which no depreciation is charged.

The Group's policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Group performed revaluations as at 31 December 2020. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

There were no charges against the freehold property of the Group as at 31 December 2021 (2020: the freehold property against which charges existed was transferred to stock of property as at 31 December 2020).

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2021 would have amounted to €134,000 thousand (2020: €135,657 thousand).

26. Intangible assets

2021	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	59,080	126,176	**185,256**
Additions	16,053	-	**16,053**
Increase in value of in-force life insurance business (Note 12)	-	3,714	**3,714**
Disposals and write-offs	(2,374)	-	**(2,374)**
Amortisation charge for the year (Note 15)	(18,615)	-	**(18,615)**
Net book value at 31 December	**54,144**	**129,890**	**184,034**
1 January 2021			
Cost	224,722	126,176	**350,898**
Accumulated amortisation and impairment	(165,642)	-	**(165,642)**
Net book value	**59,080**	**126,176**	**185,256**
31 December 2021			
Cost	236,526	129,890	**366,416**
Accumulated amortisation and impairment	(182,382)	-	**(182,382)**
Net book value	**54,144**	**129,890**	**184,034**

Computer software includes acquired computer software and internally developed computer software.

2020	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	62,313	116,633	**178,946**
Additions	15,129	-	**15,129**
Increase in value of in-force life insurance business (Note 12)	-	9,543	**9,543**
Disposals and write-offs	(99)	-	**(99)**
Amortisation charge for the year (Note 15)	(18,263)	-	**(18,263)**
Net book value at 31 December	**59,080**	**126,176**	**185,256**
1 January 2020			
Cost	209,692	116,633	**326,325**
Accumulated amortisation and impairment	(147,379)	-	**(147,379)**
Net book value	**62,313**	**116,633**	**178,946**
31 December 2020			
Cost	224,722	126,176	**350,898**
Accumulated amortisation and impairment	(165,642)	-	**(165,642)**
Net book value	**59,080**	**126,176**	**185,256**

26. Intangible assets (continued)

Valuation of in-force life insurance business

The actuarial assumptions made to determine the value of in-force life insurance business relate to future mortality, redemptions, level of administration and selling expenses and investment returns. The main assumptions used in determining the value of the in-force business are:

		2021	2020
Discount rate (after tax)		**10.0%**	10.0%
Return on investments		**5.0%**	5.0%
Expense inflation		**3.5%**	3.5%
Mortality assumption*	Smokers	**M: 68% A67/70**	M: 68% A67/70
	Non-Smokers	**M: 48.25% A67/70**	M: 48.25% A67/70
	Smokers	**F: 68% A67/70 rated down by 4 years**	F: 68% A67/70 rated down by 4 years
	Non-Smokers	**F: 48.25% A67/70 rated down by 4 years**	F: 48.25% A67/70 rated down by 4 years

* The Group uses A67/70 UK standard mortality table in setting the mortality assumption, since the Group's own claim experience is not sufficient to allow the development of its own mortality table. To reflect the Group's specific claims experience more accurately, a percentage is applied on the A67/70 UK standard mortality table.

27. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2021 an impairment loss of €46,775 thousand (2020: €37,593 thousand) was recognised in 'Impairment net of reversals of non-financial assets' in the consolidated income statement. At 31 December 2021, stock of €519,978 thousand (2020: €523,927 thousand) is carried at net realisable value. Additionally, at 31 December 2021 stock of property with a carrying amount of €116,987 thousand (2020: €104,149 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

The carrying amount of the stock of property is analysed in the tables below:

	2021 €000	2020 €000
Net book value at 1 January	**1,349,609**	1,377,453
Additions	**34,347**	121,168
Disposals	**(123,520)**	(75,478)
Transfers to investment properties (Note 22)	**-**	(74)
Transfers from own use properties (Note 25)	**-**	21,805
Transfers to disposal group (Note 29)	**(101,978)**	(57,525)
Impairment (Note 16)	**(46,775)**	(37,593)
Foreign exchange adjustments	**(79)**	(147)
Net book value at 31 December	**1,111,604**	1,349,609

27. **Stock of property** (continued)

As at 31 December 2021 there are charges against stock of property of the Group with carrying value €21,015 thousand (2020: €21,805 thousand).

The table below shows the result on the disposal of stock of property in the year:

	2021	2020
	€000	€000
Net proceeds	**136,816**	83,667
Carrying value of stock of property disposed of	**(123,520)**	(75,478)
Net gains on disposal of stock of property	**13,296**	8,189

The carrying value of the stock of property transferred to non-current assets and disposal groups held for sale as at the transfer date (Note 29) amounted to €101,978 thousand.

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2021	**€000**	**€000**	**€000**	**€000**
Residential properties	74,248	18,350	32	**92,630**
Offices and other commercial properties	163,789	19,462	-	**183,251**
Manufacturing and industrial properties	33,170	15,972	43	**49,185**
Hotels	24,619	456	-	**25,075**
Land (fields and plots)	755,663	4,986	814	**761,463**
Total	**1,051,489**	**59,226**	**889**	**1,111,604**

2020	**€000**	**€000**	**€000**	**€000**
Residential properties	144,915	20,214	109	**165,238**
Offices and other commercial properties	189,172	21,302	5,135	**215,609**
Manufacturing and industrial properties	47,647	19,839	49	**67,535**
Hotels	24,684	465	-	**25,149**
Land (fields and plots)	868,615	5,694	1,769	**876,078**
Total	**1,275,033**	**67,514**	**7,062**	**1,349,609**

28. **Prepayments, accrued income and other assets**

	2021	2020
	€000	€000
Financial assets		
Debtors	**36,540**	39,011
Receivable relating to tax	**4,558**	4,706
Deferred purchase payment consideration	**299,766**	-
Other assets	**52,600**	58,494
	393,464	102,211
Non-financial assets		
Reinsurers' share of insurance contract liabilities (Note 32)	**55,323**	53,479
Current tax receivable	**124,267**	48,198
Prepaid expenses	**701**	469
Other assets	**42,552**	45,603
	222,843	147,749
	616,307	249,960

28. Prepayments, accrued income and other assets (continued)

An analysis of changes in the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified method**	**Total**
2021	**€000**	**€000**	**€000**	**€000**	**€000**
1 January	81,508	-	35,031	13,865	**130,404**
Net increase	295,904	-	2,126	406	**298,436**
31 December	**377,412**	**-**	**37,157**	**14,271**	**428,840**

2020					
1 January	102,098	23,779	33,724	14,197	**173,798**
Net (decrease)/increase	(20,590)	(23,779)	1,307	(332)	**(43,394)**
31 December	**81,508**	**-**	**35,031**	**13,865**	**130,404**

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified method**	**Total**
2021	**€000**	**€000**	**€000**	**€000**	**€000**
1 January	-	-	29,372	1,063	**30,435**
Changes to models and inputs used for ECL calculations	2,557	-	2,389	(5)	**4,941**
31 December	**2,557**	**-**	**31,761**	**1,058**	**35,376**

	Stage 1	Stage 2	Stage 3	Simplified method	Total
2020	€000	€000	€000	€000	€000
1 January	-	-	28,464	980	**29,444**
Changes to models and inputs used for ECL calculations	-	-	908	83	**991**
31 December	**-**	**-**	**29,372**	**1,063**	**30,435**

There were no financial assets measured at FVPL as at 31 December 2021 (2020: €2,242 thousand).

On the completion date of the sale of Project Helix 2 (the 'Transaction') as described in Note 29, the Group has recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. The first instalment in the amount of €84,579 thousand was received in December 2021. An amount of €5,335 thousand, which represents the interest income on DPP has been recognised in the Consolidated Income Statement for the year ended 31 December 2021 within 'Interest income-Financial assets at amortised cost-Other financial assets' (Note 7). There are no other conditions attached. An amount of €13,983 thousand which represents the effect of discounting the DPP at the date of derecognition of the loan portfolio was recorded as part of the transaction within 'Credit losses to cover credit risk on loans and advances to customers'. The DPP is classified as Stage 1 as at 31 December 2021.

During 2021, credit losses of €5,931 thousand were recognised in relation to prepayments, accrued income and other financial assets. This includes ECL losses of €4,941 thousand (of which €2,557 thousand relate to 12-months ECL of the DPP), €1,178 thousand write-offs and €188 thousand reversal of impairments. During 2020, credit losses of €991 thousand were recognised in relation to prepayments, accrued income and other financial assets.

29. Non-current assets and disposal groups held for sale

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2021 and 2020:

	2021	2020
	€000	€000
Disposal group 1	**340,622**	-
Disposal group 2	**7,921**	-
Disposal group 3	**-**	387,990
Disposal group 4	**-**	224,476
Disposal group 5	**-**	7,769
Freehold property (Note 25)	**10,408**	10,408
Other exposures held by Serbian subsidiary	**-**	288
	358,951	630,931

	2021		2020		
	Disposal Group 1	**Disposal Group 2**	Disposal Group 3	Disposal Group 4	Disposal Group 5
	€000	**€000**	€000	€000	€000
Gross loans and advances to customers	**543,663**	**12,126**	820,429	488,777	32,049
Allowance for ECL for impairment of loans and advances to customers (Note 45.7)	**(300,608)**	**(4,811)**	(510,310)	(313,628)	(24,280)
	243,055	**7,315**	310,119	175,149	7,769
Stock of property (Note 27)	**92,246**	**606**	32,490	25,035	-
Investment property (Note 22)	**5,321**	**-**	-	1,248	-
Cash (Note 42)	**-**	**-**	45,381	23,044	-
	340,622	**7,921**	387,990	224,476	7,769

Disposal Group 1
Disposal group 1 comprises a portfolio of loans and advances to customers and a property portfolio (comprising stock of property and investment property) known as Project Helix 3 ('Project Helix 3' or the 'Helix 3 Transaction').

In November 2021, the Group reached an agreement for the sale of Project Helix 3 with Pacific Investment Management Company LLC ('PIMCO'). The Group will dispose Project Helix 3 through the transfer of the portfolio to a licensed Cypriot Credit Acquiring Company (the CyCAC) by the Company. The shares of the CyCAC will be subsequently acquired by certain funds affiliated with PIMCO.

The gross consideration for the transaction amounts to approximately €385 million, before transaction and other costs, payable at completion. An amount of €19,225 thousand was received as a deposit shortly after signing of the agreement (Note 34). The gross book value of the loans and advances to customers amounted to €550 million and the carrying value of the property portfolio amounted to €102 million as at 30 September 2021 (the reference date).

The completion of the Helix 3 Transaction is currently estimated to occur in the first half of 2022 and remains subject to a number of conditions, including customary regulatory and other approvals. The disposal group has been classified as held for sale since 30 September 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal Group 2
Disposal group 2 comprises a portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction').

In December 2021, the Group entered into an agreement for the sale of Project Sinope. The gross book value of the loans and advances to customers amounted to €12 million and the carrying value of the stock of properties in Romania amounted to €0,6 million as at 31 December 2021.

29. Non-current assets and disposal groups held for sale (continued)

The completion of the Sinope Transaction is currently estimated to occur in the first half of 2022 and remains subject to the necessary customary approvals. The disposal group has been classified as held for sale as at 31 December 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal groups 3 and 4
Disposal group 3 comprised a portfolio of loans and advances to customers (the 'Portfolio 2A') and other assets (comprising stock of property and cash already received since the reference date of Portfolio 2A being 30 September 2019) known as Project Helix 2A ('Helix 2A'), classified as held for sale on 30 June 2020.

Disposal group 4 comprised a portfolio of loans and advances to customers (the 'Portfolio 2B') and other assets (comprising stock of property, investment property and cash already received since the reference date of Portfolio 2B being 30 September 2019) known as Project Helix 2B ('Helix 2B'), classified as held for sale on 31 December 2020.

In August 2020 and January 2021, the Group reached agreement for the sale of the Portfolio 2A and Portfolio 2B respectively with PIMCO. The Group disposed of Project Helix 2 through the transfer of the portfolios 2A and 2B to a licensed Cypriot Credit Acquiring Company (the CyCAC) by the Company. The shares of the CyCAC were subsequently acquired by certain funds affiliated with PIMCO, the purchaser of Helix 2. The Transaction was completed on 28 June 2021 and as at the date of completion of the sale, the total gross book value of the loans and advances to customers amounted to €1,287 million (net book value €436 million) and the carrying value of the stock of properties amounted to €73 million.

The gross consideration for the transaction amounted to approximately €560 million, of which €165 million had been received in cash by the completion (including deposit received). The remaining amount is payable in four instalments up to December 2025 without any conditions attached of which €85 million were received in December 2021 (Note 28). The consideration reflects adjustments resulting from, inter alia, loan repayments received on the Portfolios since the reference date of 30 September 2019. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios. The net consideration for the transaction after transaction costs and other adjustments upon completion, corresponds to the net book value of the loans and advances to customers and the carrying value of the stock of properties as at the date of completion of the sale.

Disposal group 5
Disposal group 5 comprised loans and advances to customers of Project Helix tail, which related to a portfolio of credit facilities related to Project Helix (a portfolio of loans and advances to customers for which the sale was completed in June 2019) with a carrying value of €7,769 thousand as at 31 December 2020. The disposal group was first classified as held for sale as at 31 December 2019. The Group has reclassified Project Helix tail from 'Non-current assets and disposal groups held for sale' to 'Loans and advances to customers', since 30 June 2021 when the criteria of IFRS 5 were no longer met.

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 45.3.

Freehold property
Freehold property classified as held for sale as at 31 December 2021 and 2020 relates to properties which management is committed to sell and proceeded with an active programme to complete this plan. The disposal is expected to be completed within 12 months from the reporting date. Freehold property classified as held for sale is measured at fair value less cost to sell.

Other exposures held by Serbian subsidiary
The portfolio held by Serbian subsidiary classified as held for sale as at 31 December 2020 related to properties in Serbia. The properties which had a carrying value of €288 thousand, were disposed during the year ended 31 December 2021 for a total consideration of €730 thousand.

30. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2021	2020
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,969,600**	994,694

As at 31 December 2021, ECB funding amounted to €3 billion (2020: €1 billion) borrowed from various TLTRO III operations.

The interest rate that will be applicable to the TLTRO III funding will depend on the eligible net lending during the specified periods laid out in the terms of the ECB operation.

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 will be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently at 0%. For the counterparties whose eligible net lending reaches the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1%. The deposit facility rate is currently minus 0.5%. In calculating the applicable interest the Company follows a discrete approach by applying the estimated interest rate applicable for each period. The Company has exceeded the eligible net lending benchmark applicable for the first period of 24 June 2020 to 23 June 2021 and was entitled to the beneficial rate of minus 1%. Based on internal estimations (subject to confirmation from CBC), the Company has also exceeded the eligible net lending benchmark and therefore expects to be entitled to the beneficial rate of minus 1% for the period June 2021-June 2022.

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to early repay or reduce the amounts borrowed before their final maturity.

Details on encumbered assets related to the above funding facilities are disclosed in Note 47.

31. Customer deposits

	2021	2020
	€000	€000
By type of deposit		
Demand	**9,221,791**	8,149,688
Savings	**2,423,086**	1,970,975
Time or notice	**5,886,006**	6,412,549
	17,530,883	16,533,212
By geographical area		
Cyprus	**11,992,960**	11,391,316
Greece	**1,906,854**	1,890,915
United Kingdom	**713,621**	648,172
Romania	**54,306**	50,160
Russia	**661,820**	592,650
Ukraine	**276,248**	277,631
Belarus	**55,738**	37,074
Other Countries	**1,869,336**	1,645,294
	17,530,883	16,533,212

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

	2021	2020
	€000	€000
By currency		
Euro	**15,736,030**	14,929,662
US Dollar	**1,373,584**	1,199,069
British Pound	**312,918**	288,102
Russian Rouble	**28,539**	28,618
Swiss Franc	**10,865**	9,901
Other currencies	**68,947**	77,860
	17,530,883	16,533,212

	2021	2020
By customer sector	€000	€000
Corporate	**1,117,148**	1,037,430
Global corporate	**631,002**	607,467
SMEs	**866,860**	832,576
Retail	**11,051,397**	10,525,819
Restructuring		
– Corporate	**21,658**	27,889
– SMEs	**13,091**	16,688
– Retail other	**9,862**	10,561
Recoveries		
– Corporate	**1,383**	3,251
International banking services	**3,500,183**	3,180,061
Wealth management	**318,299**	291,470
	17,530,883	16,533,212

32. Insurance liabilities

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**672,973**	**(32,714)**	**640,259**	608,591	(29,775)	578,816
Non-life insurance						
Provision for unearned premiums	**27,565**	**(9,988)**	**17,577**	26,178	(9,250)	16,928
Other liabilities						
Claims outstanding	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302
Unexpired risks reserve	**34**	**-**	**34**	78	-	78
Non-life insurance contract liabilities	**63,228**	**(22,609)**	**40,619**	63,012	(23,704)	39,308
	736,201	**(55,323)**	**680,878**	671,603	(53,479)	618,124

Reinsurers' share of insurance contract liabilities and other reinsurance balances receivable are included in 'Prepayments, accrued income and other assets' (Note 28).

Life insurance contract liabilities

The movement of life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**608,591**	**(29,775)**	**578,816**	579,128	(28,625)	550,503
New business	**28,449**	**(4,297)**	**24,152**	13,811	(3,367)	10,444
Change in existing business	**35,933**	**1,358**	**37,291**	15,652	2,217	17,869
31 December	**672,973**	**(32,714)**	**640,259**	608,591	(29,775)	578,816

Non-life insurance contract liabilities

The movement of non-life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Provisions for unearned premiums	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**26,178**	**(9,250)**	**16,928**	26,656	(9,728)	16,928
Premium income	**77,261**	**(35,311)**	**41,950**	74,966	(33,749)	41,217
Earned premiums	**(75,874)**	**34,573**	**(41,301)**	(75,444)	34,227	(41,217)
31 December	**27,565**	**(9,988)**	**17,577**	26,178	(9,250)	16,928

The provision for unearned insurance and reinsurance premiums represents the portion of premiums that relate to risks that have not yet expired at the reporting date.

32. Insurance liabilities (continued)

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Claims outstanding	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**36,756**	**(14,454)**	**22,302**	34,155	(12,256)	21,899
Amount paid for claims settled in the year	**(22,766)**	**8,858**	**(13,908)**	(26,277)	10,857	(15,420)
Increase in liabilities arising from claims	**21,639**	**(7,025)**	**14,614**	28,878	(13,055)	15,823
31 December	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302
Reported claims	**33,809**	**(11,815)**	**21,994**	34,683	(13,510)	21,173
Incurred but not reported	**1,820**	**(806)**	**1,014**	2,073	(944)	1,129
31 December	**35,629**	**(12,621)**	**23,008**	36,756	(14,454)	22,302

33. Loan stock

			2021		2020	
			€000	**€000**	€000	€000
	Contractual interest rate	**Issuer**	**Nominal value**	**Carrying value**	Nominal value	Carrying value
Subordinated Tier 2 Capital Note - January 2017	9.25% up to 19 January 2022	BOC PCL	**35,605**	**38,561**	250,000	272,152
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	BOCH	**300,000**	**303,812**	-	-
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	BOC PCL	**300,000**	**302,555**	-	-
			635,605	**644,928**	250,000	272,152

BOCH and the Company maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

Subordinated Tier 2 Capital Note - January 2017

In January 2017, the Company issued a €250 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5 year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The note had a maturity date on 19 January 2027. The Company had the option to redeem the note early on 19 January 2022, subject to applicable regulatory consents. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. In April 2021, the Company invited the holders of this note to tender it for purchase by the Company at a price of 105.5% plus accrued interest. The Company received valid tenders of €207 million nominal amount, all of which were accepted. By 31 December 2021, the Company purchased from the open market a further €7 million nominal amount of the notes, which were held by the Company. The Company incurred a cost of €12,558 thousand (Note 11). In December 2021, the Company decided to exercise its option to redeem the remaining €43 million nominal amount outstanding (of which €7 million are held by the Company) of the notes on 19 January 2022 and notified the noteholders accordingly. The full amount was redeemed at par on 19 January 2022.

Subordinated Tier 2 Capital Note - April 2021

In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Notes (the 'Notes') under the EMTN Programme and immediately after, BOCH and the Company entered into an agreement pursuant to which BOCH on lent to the Company the entire €300 million proceeds of the issue of the Notes (the 'T2 Loan') on term substantially identical to the terms and conditions of the Notes issued by BOCH. 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. The Company 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, subject to applicable regulatory consents.

33. Loan stock (continued)

Senior Preferred Notes - June 2021
In June 2021, the Company 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. The Company 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 Company's MREL requirements.

The fair value of the loan stock as at 31 December 2021 is disclosed in Note 22.

34. Accruals, deferred income, other liabilities and other provisions

	2021 €000	2020 €000
Income tax payable and related provisions	**11,163**	8,977
Special defence contribution payable	**462**	971
Retirement benefit plans liabilities (Note 14)	**1,673**	9,568
Provisions for financial guarantees and commitments (Notes 45.6.1 and 45.6.2)	**21,945**	19,658
Liabilities for investment-linked contracts under administration	**33,809**	18,747
Accrued expenses and other provisions	**79,214**	63,697
Deferred income	**16,441**	13,411
Items in the course of settlement	**64,024**	66,217
Lease liabilities (Note 43)	**33,981**	45,955
Advances received for disposal group held for sale (Note 29)	**19,225**	21,100
Other liabilities	**80,089**	91,579
	362,026	359,880

Other liabilities include an amount of €26,476 thousand (2020: €21,176 thousand) relating to the annual guarantee fee for the conversion of DTA into tax credits (Note 17).

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2021 €000	2020 €000
Stage 1	**39**	168
Stage 2	**293**	1,120
Stage 3	**21,613**	18,370
	21,945	19,658

35. Share capital

	2021		2020	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January and 31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

All issued ordinary shares carry the same rights.

There were no changes to the authorised or issued share capital during the year ended 31 December 2021 and 2020.

35. Share capital (continued)

Share premium reserve

2021
There were no changes to the share premium reserve during the year ended 31 December 2021.

2020
The Company, having obtained approval by its shareholders, the ECB and Court of Cyprus implemented a capital reduction process in October 2020, which resulted in a reclassification of €619 million of the Company's share premium balance as distributable reserves (retained earnings). Such reduction of capital did not have any impact on regulatory capital or the total equity position of the Company.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2021 and 2020.

Share-based payments - share options

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

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

Other equity instruments

	2021	2020
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

In December 2018 BOCH issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the BOCH AT1). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH lent to the Company the entire €220 million proceeds of the issue of the BOCH AT1 (the AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH AT1. The AT1 Loan constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2021, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2020: €27,500 thousand). The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. The AT1 Loan 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.

36. Dividends

Based on the 2019 SREP decision which remained in effect during 2021 following relevant communication by the ECB, BOCH and the Company are under a regulatory prohibition for equity dividend distribution, similar to prior years. Following the 2021 SREP decision, BOCH and the Company remain under equity dividend distribution prohibition. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital. No dividends were declared or paid during the years 2021 and 2020.

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

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. The Company had no profits after tax for the relevant year as defined by the Special Defence Contribution Law and as such no payment was made during 2021 and 2020.

38. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management and custody at 31 December 2021 amounted to €1,577,173 thousand (2020: €1,266,399 thousand).

39. Pending litigation, claims, regulatory and other matters

The Group, in the ordinary course of business, is involved in various disputes and legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent restructuring of the Company in 2013 as a result of the bail in Decrees, the Company is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the bail in Decrees. There are also situations where the Group may enter into a settlement agreement. This may occur only if such settlement is in the Company'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.

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters as at 31 December 2021 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

39. Pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims

Investigations and litigation relating to securities issued by the Company
A number of institutional and retail customers have filed various separate actions against the Company alleging that the Company is guilty of misselling in relation to securities issued by the Company 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 the Company 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).

The Company is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be documented that the relevant Company's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties. To date, a number of cases have been tried in Greece. The Company 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 the Company and two cases have been adjudicated against the Company at Areios Pagos (Supreme Court of Greece). Those cases which were decided in favour of the Company ruled in effect that the Company can rely on the defence of frustration (i.e. intervening event out of the control of the Company, in this case Company’s resolution and recapitalisation through the bail in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail in were unforeseeable. The cases that the Company has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has been concluded at all levels in favour of the Company. The two cases that the Company has lost will not be retried and are therefore deemed as concluded.

In Cyprus nine judgments have been issued so far with regards to the Company capital securities. Seven of the said judgments have been issued in favour of the Company (dismissing the plaintiffs’ claims) and two of them against the Company. The Company has filed an appeal with regards to one of the cases where the judgment was issued against it. In four of the seven cases that the Company won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, has now expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation
Depositors
A number of Company's depositors, who allege that they were adversely affected by the bail in, filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against the Company 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. The Company is defending these actions.

The Company has won a case with regards to bail in related litigation in June 2020. The specifics of the case concerned alleged failure to follow instructions prior to the bail in. The plaintiffs have filed an appeal with respect to this judgment.

The Company won the first bail-in decree case in January 2022. The court essentially ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country’s economy. Under the aforementioned circumstances the government could rely on the doctrine of necessity when it imposed the bail-in.

39. Pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

Shareholders
Numerous claims were filed by shareholders in 2013 against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail in Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at the present date, both the Resolution Law and the Bail in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. A number of actions for damages have been filed and are still being filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail in Decrees, or a misapplication of same by the Company (as regards the way and methodology whereby such Decrees have been implemented), or that the Company failed to follow instructions promptly prior to the bail in coming into force. The Company intends to contest all of these claims.

Legal position of the Group
All of the above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Provident fund case
In December 2015, the Bank of Cyprus Employees Provident Fund (the Provident Fund) filed an action against the Company claiming €70 million allegedly owed as part of Company'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 the Company to predict the resolution of this matter, including the timing or any possible impact on the Company.

Employment litigation
Former senior officers of the Company have instituted one claim for unfair dismissal and one claim for Provident Fund entitlements against the Company and the Trustees of the Provident Fund. In July 2021 the claim for Provident Fund entitlements was settled. The Group does not consider that the pending case in relation to unfair dismissal will have a material impact on its financial position.

Additionally, a number of former employees have filed claims against the Company contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Group does not expect that these actions will have a material impact on its financial position.

Swiss Francs loans litigation in Cyprus and the UK
A number of actions have been instituted against the Company by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable law. The Company 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
The Company is the defendant in certain proceedings alleging that the Company 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.

39. Pending litigation, claims, regulatory and other matters (continued)

39.1 Pending litigation and claims (continued)

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to Company's standard policies and procedures allegedly resulting to damages and other losses for the claimants. Further, several other banking claims, where the amounts involved are not as significant, have been assessed by management and appropriate provisions have been taken. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Group. Such matters arise as a result of the Group's activities and management appropriately assesses the facts and the risks of each case accordingly.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. The Company 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 Company's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding Company's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek Government Bonds.

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

Labour Inspection Body of Greece
As for other potential matters involving the exposure of the Company to losses, twelve fines have been imposed by the Labour Inspection Body of Greece in prior years relating to the years prior to 2013, which amount in total to €84 thousand.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
As at 31 December 2021 and 31 December 2020 there were no pending CySEC investigations against the Company.

Central Bank of Cyprus (CBC)
The CBC has carried out certain investigations to assess compliance of the Company 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 the Company 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 the Company. The Company paid for a discounted fine and has filed a recourse against this decision and fine.

39. Pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

Following the investigation and the on-site examination, the CBC concluded with regards to the files and transactions related to years 2015-2018, that the Company was in breach of certain articles of the legislation. In December 2021, a fine of €790 thousand was imposed upon the Company. The Company paid for a discounted fine and has filed a recourse against the decision and the fine.

The CBC had conducted an investigation in the past into Company's issuance of capital securities and concluded that the Company 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 the Company, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon the Company 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 the Company 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. The Company was given the opportunity to express its views with regards to the identified failures and the possible imposition of sanctions. The Company has submitted its views and representations and CBC will decide on the matter.

European Central Bank (ECB) Investigation
In July 2021, the Company was notified in writing by the ECB that, based on an investigation carried out by ECB's investigating unit, the Company is allegedly in breach of an ECB decision of September 2016. The alleged breach relates to the requirement imposed on the Company to seek the prior approval of the ECB for any transfer of capital or liquidity to any subsidiary company. The Company made written submissions about the factual results from the findings and objections raised against it. The submissions and supporting evidence of the Company were taken into consideration by the ECB's investigating unit prior to the submission of its final proposal to the Supervisory Board of the ECB with respect to whether the alleged breach has been committed and as to the level of the penalty, if any. The ECB decided that the Company was in breach of the ECB decision of September 2016 and the breach substantiated the imposition of a penalty. The Governing Council of the ECB informed the Company in February 2022 of its decision to impose an administrative penalty of €575 thousand.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by the Company. The Company is expecting the final conclusion of this matter and has provided for it accordingly.

There was also an allegation concerning Company's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that the Company (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 the Company and the Company 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 Company's position and cancelled the decision as well as the fine imposed upon the Company. 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 the Company. 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 the Company for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against the Company in this case. This investigation is currently at a very early stage to predict its outcome and no formal process has been initiated.

39. Pending litigation, claims, regulatory and other matters (continued)

39.2 Regulatory matters (continued)

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon the Company after concluding an ex officio investigation regarding some terms in both Company's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, the Company has filed a recourse before the Administrative Court which has not yet issued its judgement. The recourse is still pending as at the reporting year end.

In March 2020, the Company 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 the Company to cease the use of a number of terms in the contracts of the Company which will be deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering the Company to undertake measures to remedy the situation. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

In April 2021, the Director of the Consumer Protection Service filed an application for the issuance of a court order against the Company, prohibiting the use of a number of contractual terms included in Company’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.

The Company 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 the Company for which the contract between the Company and the consumer is entered into online via Company’s website.

The Company received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged commercial practice of the Company of promoting a product.

The investigations are currently at a very early stage to predict their outcome.

Cyprus Consumers’ Association (CCA)
In March 2021, the Company 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 Company’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 the Company in 2016 and 2017. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

The new Law on Consumer Protection brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service i.e. power to impose increased fines which are immediately payable. The new Law on Consumer Protection has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters, is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Group. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

39.3 Other matters

Other matters include among others, provisions for various other open examination requests by governmental and other public bodies, legal matters and provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

39. Pending litigation, claims, regulatory and other matters (continued)

39.3 Other matters (continued)

The provisions for pending litigation, claims, regulatory and other matters do not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries as these are included in 'Insurance liabilities'.

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

	Pending litigation and claims (Note 39.1)	Regulatory matters (Note 39.2)	Other matters (Note 39.3)	**Total**
2021	€000	€000	€000	**€000**
1 January	67,439	12,305	43,871	**123,615**
Net increase in provisions including unwinding of discount (Note 15)	2,295	4,964	29,273	**36,532**
Utilisation of provisions	(6,768)	(907)	(39,368)	**(47,043)**
Release of provisions (Note 15)	(5,122)	-	(3,927)	**(9,049)**
Foreign exchange adjustments	-	53	-	**53**
31 December	**57,844**	**16,415**	**29,849**	**104,108**
Provisions expected to be settled within 12 months post reporting date	**15,782**	**1,845**	**2,662**	**20,289**
2020				
1 January	70,075	13,691	24,328	**108,094**
Net increase in provisions including unwinding of discount (Note 15)	24,908	271	21,417	**46,596**
Utilisation of provisions	(12,706)	(1,555)	(1,013)	**(15,274)**
Release of provisions (Note 15)	(14,838)	-	(861)	**(15,699)**
Foreign exchange adjustments	-	(102)	-	**(102)**
31 December	**67,439**	**12,305**	**43,871**	**123,615**
Provisions expected to be settled within 12 months post reporting date	**15,795**	**548**	-	**16,343**

Provisions for pending litigation, claims, regulatory and other matters recorded in the annual consolidated income statement (Note 15) during the year ended 31 December 2021 amounting to credit of €523 thousand (2020: charge of €30,897 thousand), also include an amount of €841 thousand representing an amount recovered from plaintiffs directly recognised in the consolidated income statement (2020: nil).

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

The net decrease of provisions for pending litigation and claims for the year ended 31 December 2021 was primarily driven by the utilisation of provisions as a result of the progressed status of the pending investigations and litigations relating to securities issued by the Company in Greece and updated estimates for provisions required as at 31 December 2021. With regards to other matters, provisions for matters in relation to the disposal process of certain of the Group's operations have been updated on the basis of the Group's assessment and as elements of those processes have progressed.

An increase by 5% in the probability of loss rate for pending litigation and claims (2020: 5%) with all other variables held constant, would lead to an increase in the actual provision by €7,097 thousand at 31 December 2021 (2020: increase by €6,956 thousand).

40. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Group (Note 45.6).

40.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2021 amount to €18,678 thousand (2020: €19,420 thousand).

40.2. Contingent liabilities

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

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable (Note 39.3).

41. Net cash flow from operating activities

	2021	2020
	€000	€000
Profit/(loss) before tax	**33,829**	(166,742)
Adjustments for:		
Credit losses to cover credit risk on loans and advances to customers and net gains on derecognition of financial assets measured at amortised cost	**36,482**	272,131
Depreciation of property and equipment	**16,313**	19,224
Amortisation of intangible assets	**18,615**	18,263
Impairment/(reversal of impairment) of other non-financial assets	**2,681**	(7)
Credit losses of other financial instruments	**5,803**	4,585
Amortisation of discounts/premiums and interest on debt securities	**(20,102)**	(27,029)
(Profit)/loss on sale and write-offs of property and equipment and intangible assets	**(7)**	90
Net gains on disposal of investment properties	**(955)**	(556)
Net losses from revaluation of investment properties	**2,783**	2,055
Dividend income	**(1,774)**	(294)
Net losses on financial liabilities at FVPL	**-**	34
Net gains on disposal of investments in debt securities	**-**	(2,865)
Share of profit from associates	**(137)**	(69)
Loss/(profit) from revaluation of debt securities designated as fair value hedges	**16,779**	(5,239)
Loss on disposal/dissolution of subsidiaries and associates	**724**	2,219
Net gains on disposal of stock of property	**(13,296)**	(8,189)
Impairment of stock of property	**46,775**	37,593
Negative interest on loans and advances to banks and central banks	**31,919**	18,782
Negative interest on funding from central banks	**(25,094)**	(5,306)
Interest on loan stock	**27,390**	23,329
Change in value of in-force life insurance business	**(3,714)**	(9,543)
Interest expense on lease liabilities	**121**	489
Loss from buyback of subordinated loan stock	**12,558**	-
	187,693	172,955
Change in:		
Loans and advances to banks	**(23,955)**	13,648
Deposits by banks	**65,090**	(141,455)
Obligatory balances with central banks	**(8,956)**	2,017
Customer deposits	**997,671**	(158,319)
Life insurance assets and liabilities	**(13,012)**	16,255
Loans and advances to customers measured at amortised cost	**(246,151)**	(118,500)
Loans and advances to customers measured at FVPL	**7,993**	79,432
Other assets	**89,997**	(23,571)
Accrued income and prepaid expenses	**(232)**	747
Other liabilities and pending litigation, claims, regulatory and other matters	**(43,594)**	34,837
Accrued expenses and deferred income	**18,571**	(26,059)
Derivative financial instruments	**4,448**	(6,182)
Investments measured at FVPL	**(2,103)**	(31,837)
Repurchase agreements	**-**	(168,129)
Stock of property	**136,816**	81,917
	1,170,276	(272,244)
Tax paid	**(1,984)**	(1,259)
Net cash flow from/(used in) operating activities	**1,168,292**	(273,503)

41. Net cash flow from operating activities (continued)

Non-cash transactions

2021

Repossession of collaterals
During 2021, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €37,121 thousand (2020: €123,817 thousand) (Note 45.8).

Recognition of RoU asset and lease liabilities
During 2021 the Group recognised RoU assets and corresponding lease liabilities of €1,148 thousand (2020: €24,388 thousand).

Disposal of Project Helix 2
Upon the disposal of Project Helix 2, deferred consideration of €381,567 thousand was recognised (Note 28).

Net cash flow from operating activities - interest and dividends

	2021	2020
	€000	€000
Interest paid	**(119,183)**	(119,321)
Interest received	**437,856**	443,589
Dividends received	**1,774**	294
	320,447	324,562

Changes in liabilities arising from financing activities

	Funding from central banks (Note 30)	Loan stock (Note 33)	**Total**
2021	€000	€000	**€000**
1 January	994,694	272,152	**1,266,846**
Cash flows	1,968,081	333,339	**2,301,420**
Other non-cash movements	6,825	39,437	**46,262**
31 December	**2,969,600**	**644,928**	**3,614,528**

2020			
1 January	-	272,170	**272,170**
Cash flows	981,218	(23,329)	**957,889**
Other non-cash movements	13,476	23,311	**36,787**
31 December	**994,694**	**272,152**	**1,266,846**

Further information relating to the change in lease liabilities is disclosed in Note 43.

42. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	2020
	€000	€000
Cash and non-obligatory balances with central banks	**9,063,896**	5,495,284
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**-**	68,425
Loans and advances to banks with original maturity less than three months	**191,314**	326,426
	9,255,210	5,890,135

42. Cash and cash equivalents (continued)

Analysis of cash and balances with central banks and loans and advances to banks

	2021 €000	2020 €000
Cash and non-obligatory balances with central banks	**9,063,896**	5,495,284
Obligatory balances with central banks (Note 19)	**166,987**	158,031
Total cash and balances with central banks (Note 19)	**9,230,883**	5,653,315

Loans and advances to banks with original maturity less than three months	**191,314**	326,426
Restricted loans and advances to banks	**100,318**	76,358
Total loans and advances to banks (Note 19)	**291,632**	402,784

Restricted loans and advances to banks include collaterals under derivative transactions of €41,068 thousand (2020: €34,032 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

43. Leases

The Group is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are primarily uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Group has the option to extend the tenancy for four further periods of two years each. The Group has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rates of the area and considering the relevant legislation.

Office buildings are leased by the Group for the operation of administrative functions. The basic terms for new lease contracts and the current practice are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2020 the lease liability was remeasured due to changes in future lease payments. During the year ended 31 December 2020 the lease term of existing contracts was re-assessed using the assumptions as detailed in Note 5.13.

The carrying amounts of the Group's RoU assets and lease liabilities and the movement during the year ended 31 December 2021 and the year ended 31 December 2020 is presented in the table below:

2021	**RoU asset (Note 25) €000**	**Lease Liabilities (Note 34) €000**
1 January	**46,070**	**(45,955)**
Depreciation charge for the year (Note 15)	**(7,520)**	**-**
New leases (Note 25)	**1,148**	**(1,148)**
Assets derecognised (Note 25)	**(6,117)**	**5,606**
Interest expense (Note 8)	**-**	**(121)**
Cash outflows-payments	**-**	**7,637**
31 December	**33,581**	**(33,981)**

43. **Leases** (continued)

2020	RoU asset (Note 25)	Lease Liabilities (Note 34)
	€000	€000
1 January	30,388	(29,704)
Assets derecognised (Note 25)	(2,399)	2,399
Depreciation charge for the year (Note 15)	(8,855)	-
Interest expense (Note 8)	-	(489)
Remeasurement of lease liability	26,936	(26,787)
Cash outflows-payments	-	8,626
31 December	**46,070**	**(45,955)**

RoU assets comprised of leases of buildings and are presented within Property, disclosed in Note 25.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 47.

44. Analysis of assets and liabilities by expected maturity

	2021			2020		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,063,896**	**166,987**	**9,230,883**	5,495,284	158,031	5,653,315
Loans and advances to banks	**191,314**	**100,318**	**291,632**	326,426	76,358	402,784
Derivative financial assets	**4,556**	**2,097**	**6,653**	5,556	19,071	24,627
Investments including investments pledged as collateral	**366,420**	**1,772,743**	**2,139,163**	371,953	1,541,161	1,913,114
Loans and advances to customers	**1,018,312**	**8,818,093**	**9,836,405**	1,369,576	8,516,471	9,886,047
Life insurance business assets attributable to policyholders	**14,111**	**537,686**	**551,797**	15,078	459,109	474,187
Prepayments, accrued income and other assets	**140,076**	**476,231**	**616,307**	144,115	105,845	249,960
Stock of property	**267,480**	**844,124**	**1,111,604**	341,698	1,007,911	1,349,609
Deferred tax assets	**37,909**	**227,572**	**265,481**	37,909	303,451	341,360
Property, equipment and intangible assets	**-**	**436,164**	**436,164**	-	457,730	457,730
Investment properties	**32,139**	**85,606**	**117,745**	25,244	102,844	128,088
Investment in associates and joint venture	**-**	**-**	**-**	-	2,462	2,462
Non-current assets and disposal groups held for sale	**358,951**	**-**	**358,951**	630,931	-	630,931
	11,495,164	**13,467,621**	**24,962,785**	8,763,770	12,750,444	21,514,214
Liabilities						
Deposits by banks	**100,530**	**356,509**	**457,039**	82,250	309,699	391,949
Funding from central banks	**2,969,600**	**-**	**2,969,600**	-	994,694	994,694
Derivative financial liabilities	**4,830**	**27,622**	**32,452**	6,805	39,173	45,978
Customer deposits	**6,909,913**	**10,620,970**	**17,530,883**	5,242,058	11,291,154	16,533,212
Insurance liabilities	**91,758**	**644,443**	**736,201**	91,467	580,136	671,603
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**273,989**	**192,145**	**466,134**	258,653	224,842	483,495
Loan stock	**38,561**	**606,367**	**644,928**	172,152	100,000	272,152
Deferred tax liabilities	**937**	**45,498**	**46,435**	-	45,982	45,982
	10,390,118	**12,493,554**	**22,883,672**	5,853,385	13,585,680	19,439,065

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 Loans are classified in the 'Over one year' time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioural analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

45. Risk management - Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group.

The Credit Risk Management department in co-operation with the Credit Risk Control and Monitoring department set the Group's credit disbursement policies and monitor compliance with credit risk policy applicable to each business line and the quality of the Group's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are combined with the methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Group is diversified across the various sectors of the economy. Credit Risk Management determines the prohibitive/high credit risk sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Market Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities. Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

45.1 Maximum exposure to credit risk and collateral and other credit enhancements

Loans and advances to customers
The Credit Risk Management department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Group regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Off-balance sheet exposures
The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee facilities (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

Other financial instruments
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 31 December 2021, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 21. Information about the Group's collaterals under derivative transactions is provided in Note 42.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2021	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**9,087,968**	-	-	-	-	-	-	-	**9,087,968**
Loans and advances to banks (Note 19)	**291,632**	3,490	-	-	-	-	-	3,490	**288,142**
FVPL debt securities (Note 20)	**6,034**	-	-	-	-	-	-	-	**6,034**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,924,354**	-	-	-	-	-	-	-	**1,924,354**
Derivative financial instruments (Note 21)	**6,653**	-	-	-	-	-	-	-	**6,653**
Loans and advances to customers (Note 23)	**9,836,405**	476,390	587,309	140,995	15,150,658	265,660	(7,781,292)	8,839,720	**996,685**
Loans and advances to customers classified as held for sale (Note 29)	**250,370**	85	88	2,954	487,743	36,431	(279,895)	247,406	**2,964**
Debtors (Note 28)	**36,540**	-	-	-	-	-	-	-	**36,540**
Reinsurers' share of insurance contract liabilities (Note 28)	**55,323**	-	-	-	-	-	-	-	**55,323**
Deferred purchase payment consideration (Note 28)	**299,766**	-	-	-	-	-	-	-	**299,766**
Other assets (Note 28)	**57,158**	-	-	-	-	-	-	-	**57,158**
On-balance sheet total	**21,852,203**	**479,965**	**587,397**	**143,949**	**15,638,401**	**302,091**	**(8,061,187)**	**9,090,616**	**12,761,587**
Contingent liabilities									
Acceptances and endorsements	**4,625**	285	-	-	4,334	6	-	4,625	**-**
Guarantees	**609,830**	105,508	4,898	2,555	177,171	391	-	290,523	**319,307**
Commitments									
Documentary credits	**11,264**	729	-	-	5,488	19	-	6,236	**5,028**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,950,665**	28,541	1,006	1,182	420,337	18,976	-	470,042	**1,480,623**
Off-balance sheet total	**2,576,384**	**135,063**	**5,904**	**3,737**	**607,330**	**19,392**	**-**	**771,426**	**1,804,958**
	24,428,587	**615,028**	**593,301**	**147,686**	**16,245,731**	**321,483**	**(8,061,187)**	**9,862,042**	**14,566,545**

45. Risk management - Credit risk (continued)

45.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	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	
2020	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**5,513,629**	-	-	-	-	-	-	-	**5,513,629**
Loans and advances to banks (Note 19)	**402,784**	1,190	-	-	-	-	-	1,190	**401,594**
FVPL debt securities (Note 20)	**19,118**	-	-	-	-	-	-	-	**19,118**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,689,726**	-	-	-	-	-	-	-	**1,689,726**
Derivative financial instruments (Note 21)	**24,627**	-	-	-	-	-	-	-	**24,627**
Loans and advances to customers (Note 23)	**9,886,047**	440,034	582,867	158,765	14,005,567	1,517,072	(7,765,182)	8,939,123	**946,924**
Loans and advances to customers classified as held for sale (Note 29)	**493,037**	806	271	6,121	1,229,782	50,263	(807,942)	479,301	**13,736**
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**68,425**	-	-	-	-	-	-	-	**68,425**
Debtors (Note 28)	**39,011**	-	-	-	-	-	-	-	**39,011**
Reinsurers' share of insurance contract liabilities (Note 28)	**53,479**	-	-	-	-	-	-	-	**53,479**
Other assets (Note 28)	**63,200**	-	-	-	-	-	-	-	**63,200**
On-balance sheet total	**18,253,083**	**442,030**	**583,138**	**164,886**	**15,235,349**	**1,567,335**	**(8,573,124)**	**9,419,614**	**8,833,469**
Contingent liabilities									
Acceptances and endorsements	**4,655**	277	2	-	3,869	507	-	4,655	**-**
Guarantees	**619,530**	110,304	2,305	1,332	123,283	43,154	-	280,378	**339,152**
Commitments									
Documentary credits	**14,866**	1,854	169	-	4,992	815	-	7,830	**7,036**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,986,291**	26,194	643	1,479	372,670	54,996	-	455,982	**1,530,309**
Off-balance sheet total	**2,625,342**	**138,629**	**3,119**	**2,811**	**504,814**	**99,472**	**-**	**748,845**	**1,876,497**
	20,878,425	**580,659**	**586,257**	**167,697**	**15,740,163**	**1,666,807**	**(8,573,124)**	**10,168,459**	**10,709,966**

The contingent liabilities and commitments include exposures relating to loans and advances to customers classified as held for sale amounting to €1,286 thousand (2020: €2,188 thousand), which relate to the Cyprus geographical area.

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. The Group's risk appetite statement imposes stricter concentration limits which are monitored by the Group.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented below.

The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies. Loans and advances to customers are presented separately for countries with high concentration and all other countries with low concentration are presented within 'Other countries' as per Group policy.

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	3,351	146	**981,887**
Manufacturing	303,372	179	-	-	1,212	25,674	**330,437**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	2,108	646	58	**522,853**
Real estate	959,891	125,123	1,950	11,443	-	49,293	**1,147,700**
Private individuals	4,379,843	9,185	121,260	1,057	37,315	73,997	**4,622,657**
Professional and other services	543,424	1,007	5,516	875	16,492	35,142	**602,456**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	15,778	113	**2,044,406**
Global corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	2,047	4,701	2,345	**1,050,334**
Retail							
- housing	3,068,097	3,466	47,742	629	4,513	26,819	**3,151,266**
- consumer, credit cards and other	884,231	1,101	760	126	237	2,232	**888,687**
Restructuring							
- corporate	60,446	-	526	-	32	1,213	**62,217**
- SMEs	69,501	-	338	-	-	340	**70,179**
- retail housing	80,730	152	3,058	-	392	752	**85,084**
- retail other	32,611	14	132	-	3	238	**32,998**
Recoveries							
- corporate	35,010	-	-	589	219	256	**36,074**
- SMEs	30,505	-	2,557	2	3,699	2,554	**39,317**
- retail housing	109,945	382	45,158	167	9,254	18,213	**183,119**
- retail other	54,959	30	4,356	4	1,557	1,304	**62,210**
International banking services	76,314	2,402	15,211	138	18,639	23,214	**135,918**
Wealth management	36,854	1,334	547	-	-	6,395	**45,130**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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

2020 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,922,810	8,949	94	605	18,913	2,760	**1,954,131**
Global corporate	1,344,983	163,153	41,334	35,546	9,308	302,734	**1,897,058**
SMEs	1,081,773	708	2,881	2,393	4,361	2,337	**1,094,453**
Retail							
- housing	2,862,802	3,052	57,627	623	6,051	25,622	**2,955,777**
- consumer, credit cards and other	884,151	1,286	1,507	196	256	2,061	**889,457**
Restructuring							
- corporate	165,162	-	532	-	-	5,323	**171,017**
- SMEs	98,931	-	883	-	97	240	**100,151**
- retail housing	143,540	182	3,600	130	377	1,591	**149,420**
- retail other	79,618	202	118	-	8	18	**79,964**
Recoveries							
- corporate	30,961	-	9	4,949	1	257	**36,177**
- SMEs	57,559	9	3,154	2,643	8,079	3,770	**75,214**
- retail housing	374,056	326	70,621	160	11,947	27,952	**485,062**
- retail other	337,500	34	6,108	4	304	1,890	**345,840**
International banking services	68,923	2,905	18,262	4	21,169	24,075	**135,338**
Wealth management	25,001	764	-	-	-	5,779	**31,544**
	9,477,770	**181,570**	**206,730**	**47,253**	**80,871**	**406,409**	**10,400,603**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

45. Risk management - Credit risk (continued)

45.2 Credit risk concentration of loans and advances to customers (continued)

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

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2021 of €100,039 thousand (2020: €85,424 thousand).

The loan and advances to customers reported within 'Other countries' as at 31 December 2021 include exposures of €3,6 million in Ukraine (2020: €4,8 million).

45. Risk management - Credit risk (continued)

45.3 Credit risk concentration of loans and advances to customers classified as held for sale

Economic activity, geographical and business line concentrations of Group loans and advances to customers at amortised cost classified as held for sale are presented in the table below.

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,395	-	-	**13,970**
Private individuals	369,182	1,070	55	804	4,087	**375,198**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,441	-	32	**10,473**
SMEs	-	-	231	-	-	**231**
Retail						
- housing	153	-	-	-	-	**153**
- consumer, credit cards and other	2	-	-	-	-	**2**
Restructuring						
- corporate	374	-	-	-	-	**374**
- SMEs	5,301	-	-	-	-	**5,301**
- retail housing	23,769	501	-	-	34	**24,304**
- retail other	12,702	-	-	-	-	**12,702**
Recoveries						
- corporate	8,090	-	1,111	-	-	**9,201**
- SMEs	17,923	1	343	766	381	**19,414**
- retail housing	238,791	566	-	38	3,210	**242,605**
- retail other	230,561	6	-	-	462	**231,029**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	137,088	-	-	-	-	**137,088**
Manufacturing	49,724	84	305	-	560	**50,673**
Hotels and catering	30,266	-	496	-	29	**30,791**
Construction	151,907	-	8	26	76	**152,017**
Real estate	68,685	-	-	-	314	**68,999**
Private individuals	712,742	1,423	16,225	10,004	14,969	**755,363**
Professional and other services	85,933	199	62	1,093	192	**87,479**
Other sectors	58,845	-	-	-	-	**58,845**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

45. Risk management - Credit risk (continued)

45.3 Credit risk concentration of loans and advances to customers classified as held for sale (continued)

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

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers classified as held for sale for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

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

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,354	1,721,231	576,873	159,755	**9,946,213**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,695**	**1,699,180**	**573,343**	**149,317**	**9,840,535**
Cyprus	**7,418,432**	**1,699,180**	**545,327**	**149,317**	**9,812,256**
Other Countries	**263**	**-**	**28,016**	**-**	**28,279**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,681,481	2,148,946	1,380,926	335,852	**10,547,205**
Residual fair value adjustment on initial recognition	(72,591)	(25,815)	(9,376)	(38,820)	**(146,602)**
Gross loans at amortised cost	**6,608,890**	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**
Cyprus	**6,608,309**	**2,123,131**	**1,306,992**	**297,032**	**10,335,464**
Other countries	**581**	**-**	**64,558**	**-**	**65,139**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

Loans and advances to customers classified as held for sale

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,132	476,538	96,209	**574,879**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,459**	**79,255**	**555,789**
Cyprus	**-**	**2,075**	**463,774**	**79,255**	**545,104**
Other countries	**-**	**-**	**10,685**	**-**	**10,685**
	-	**2,075**	**474,459**	**79,255**	**555,789**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,177	21,801	1,138,587	221,365	**1,387,930**
Residual fair value adjustment on initial recognition	(41)	397	(7,650)	(39,381)	**(46,675)**
Gross loans at amortised cost	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**
Cyprus	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

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

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

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,569,699	430,865	22,357	21,485	**2,044,406**
Global corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	812,211	215,012	12,522	10,589	**1,050,334**
Retail					
- housing	2,769,274	320,473	49,633	11,886	**3,151,266**
- consumer, credit cards and other	732,154	116,983	23,361	16,189	**888,687**
Restructuring					
- corporate	6,092	35,613	14,255	6,257	**62,217**
- SMEs	14,016	16,417	34,083	5,663	**70,179**
- retail housing	3,075	15,528	62,934	3,547	**85,084**
- retail other	1,409	5,701	24,838	1,050	**32,998**
Recoveries					
- corporate	-	-	29,600	6,474	**36,074**
- SMEs	-	-	35,685	3,632	**39,317**
- retail housing	-	-	154,469	28,650	**183,119**
- retail other	114	-	51,672	10,424	**62,210**
International banking services	92,193	40,715	2,775	235	**135,918**
Wealth management	43,908	781	-	441	**45,130**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,519,663	362,199	37,635	34,634	**1,954,131**
Global corporate	1,393,025	367,147	102,881	34,005	**1,897,058**
SMEs	740,305	325,412	17,731	11,005	**1,094,453**
Retail					
- housing	2,223,620	651,980	68,644	11,533	**2,955,777**
- consumer, credit cards and other	588,339	251,022	33,095	17,001	**889,457**
Restructuring					
- corporate	29,108	64,706	60,719	16,484	**171,017**
- SMEs	13,263	25,167	54,003	7,718	**100,151**
- retail housing	2,475	13,599	127,558	5,788	**149,420**
- retail other	943	4,047	71,910	3,064	**79,964**
Recoveries					
- corporate	-	-	29,431	6,746	**36,177**
- SMEs	-	-	65,287	9,927	**75,214**
- retail housing	-	-	404,337	80,725	**485,062**
- retail other	221	13	288,374	57,232	**345,840**
International banking services	76,160	49,222	9,767	189	**135,338**
Wealth management	21,768	8,617	178	981	**31,544**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

Loans and advances to customers classified as held for sale
The following table presents the Group's gross loans and advances to customers at amortised cost classified as held for sale as at 31 December 2021 and 2020, by staging and business line concentration.

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Global Corporate	-	-	10,470	3	**10,473**
SMEs	-	-	231	-	**231**
Retail					
- housing	-	-	153	-	**153**
- consumer, credit cards and other	-	-	2	-	**2**
Restructuring					
- corporate	-	-	374	-	**374**
- SMEs	-	718	3,842	741	**5,301**
- retail housing	-	804	22,113	1,387	**24,304**
- retail other	-	553	11,543	606	**12,702**
Recoveries					
- corporate	-	-	8,507	694	**9,201**
- SMEs	-	-	17,653	1,761	**19,414**
- retail housing	-	-	204,956	37,649	**242,605**
- retail other	-	-	194,615	36,414	**231,029**
	-	**2,075**	**474,459**	**79,255**	**555,789**

2020 (restated)	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
SMEs	-	-	-	3	**3**
Retail					
- housing	-	40	-	-	**40**
- consumer, credit cards and other	-	2	21	-	**23**
Restructuring					
- corporate	-	975	62,946	1,036	**64,957**
- SMEs	3,442	9,882	67,664	4,334	**85,322**
- retail housing	2,414	9,882	53,327	2,829	**68,452**
- retail other	280	1,417	26,665	1,018	**29,380**
Recoveries					
- corporate	-	-	73,449	12,664	**86,113**
- SMEs	-	-	325,082	51,862	**376,944**
- retail housing	-	-	296,934	45,684	**342,618**
- retail other	-	-	224,849	62,554	**287,403**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines, as disclosed in Notes 45.2 and 45.3.

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

The movement of the gross loans and advances to customers at amortised cost by staging, including the loans and advances to customers classified as held for sale, is presented in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,615,026	2,145,329	2,502,487	479,016	**11,741,858**
Transfers to stage 1	1,053,432	(1,051,363)	(2,069)	-	**-**
Transfers to stage 2	(575,203)	657,895	(82,692)	-	**-**
Transfers to stage 3	(15,136)	(35,918)	51,054	-	**-**
Foreign exchange and other adjustments	15	1	3,994	(2)	**4,008**
Write offs	(518)	(843)	(252,976)	(40,657)	**(294,994)**
Interest accrued and other adjustments	136,340	104,182	119,123	31,535	**391,180**
New loans originated or purchased and drawdowns of existing facilities	1,614,893	85,901	4,046	11,481	**1,716,321**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)	(1,399,395)	(190,449)	(192,441)	(76,968)	**(1,859,253)**
Changes to contractual cash flows due to modifications	(2,351)	3,461	(14,942)	(2,119)	**(15,951)**
Disposal of Helix 2 portfolio	(8,408)	(16,941)	(1,087,782)	(173,714)	**(1,286,845)**
31 December	**7,418,695**	**1,701,255**	**1,047,802**	**228,572**	**10,396,324**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,945,045	1,504,188	3,172,423	560,371	**12,182,027**
Transfers to stage 1	551,657	(528,094)	(23,563)	-	**-**
Transfers to stage 2	(1,180,335)	1,319,619	(139,284)	-	**-**
Transfers to stage 3	(20,831)	(28,251)	49,082	-	**-**
Foreign exchange and other adjustments	10	(2)	(4,951)	4	**(4,939)**
Write offs	(1,496)	(805)	(359,257)	(36,872)	**(398,430)**
Interest accrued and other adjustments	132,740	65,383	202,795	39,674	**440,592**
New loans originated or purchased and drawdowns of existing facilities	1,157,886	42,276	41,778	183	**1,242,123**
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(971,374)	(224,760)	(321,136)	(72,354)	**(1,589,624)**
Changes to contractual cash flows due to modifications	1,724	(4,225)	(2,998)	1,133	**(4,366)**
Disposal of Velocity 2 portfolio	-	-	(112,402)	(13,123)	**(125,525)**
31 December	**6,615,026**	**2,145,329**	**2,502,487**	**479,016**	**11,741,858**

For revolving facilities, overdrafts and credit cards the net positive change in balance by stage excluding write-offs is reported in 'New loans originated' and the net negative change is reported in 'Loans derecognised or repaid'.

45. Risk management - Credit risk (continued)

45.4 Analysis of loans and advances to customers by staging (continued)

The movement of gross loans and advances to customers at amortised cost, in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including loans and advances to customers classified as held for sale, are presented in the tables below:

	Corporate	**Global corporate**	**Retail**
2021	**€000**	**€000**	**€000**
1 January	1,935,306	1,858,337	3,844,562
Transfers in/(out of) business line	39,690	(2,854)	(2,808)
Write offs	(106)	(2,005)	(1,704)
Interest accrued	60,360	70,644	89,885
New loans originated or purchased	471,370	435,512	628,425
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(477,348)	(410,840)	(519,142)
Changes to contractual cash flows due to modifications not resulting in derecognition	(644)	(918)	890
31 December	**2,028,628**	**1,947,876**	**4,040,108**

	Corporate	Global corporate	Retail
2020	€000	€000	€000
1 January	1,953,170	1,845,777	3,688,137
Transfers (out of)/in business line	(3,162)	22,046	(11,783)
Interest accrued, foreign exchange and other adjustments	52,673	24,402	90,158
Write offs	(1,165)	(19,191)	(4,026)
New loans originated or purchased	319,385	261,281	508,773
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(380,501)	(271,581)	(428,755)
Changes to contractual cash flows due to modifications not resulting in derecognition	(5,094)	(4,397)	2,058
31 December	**1,935,306**	**1,858,337**	**3,844,562**

45.5 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of the Company. These portfolios are Corporate, Retail and SMEs. Corporate and SME clients include legal entities. Retail includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower's behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months default rates (PDs) are calculated per rating. These default rates are assumed to be the 12 month probability of default for the scored borrowers. The following table maps PD bands to various risk levels for corporate, retail and SME exposures.

Unrated loans for corporate are assessed using the Group's in-house behavioural scorecard model for corporate legal entities. Unrated loans for retail include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

New customers for corporate and SME legal entities and new lending for retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

The IFRS 9 PD models were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations (before the COVID-19 pandemic) and incorporate the latest scorecard models.

Overall there is an evident decrease both across ratings and portfolios PDs due to the release of PD overlays related to the COVID-19 pandemic and the 9-month moratorium that took place in 2020.

2021		12-month PD	
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	1.38	0.80	0.36
2	2.20	0.79	0.75
3	2.37	1.68	2.22
4	3.42	3.24	7.70
5	5.32	6.24	12.96
6	5.82	10.04	17.87
7	11.89	27.14	36.63

2020		12-month PD	
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	3.77	2.24	0.82
2	5.93	2.37	1.66
3	6.30	4.15	4.32
4	9.22	7.48	11.75
5	13.65	13.14	21.80
6	15.08	22.44	29.92
7	29.50	53.47	63.00

Lower rating exposures demonstrate a better capacity to meet financial commitments, with lower probability of default, whereas higher rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost which are managed in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of the Company.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	371,648	9,550	**381,198**	713,090	65,056	**778,146**
Rating 2	124,963	1,120	**126,083**	269,133	53,533	**322,666**
Rating 3	689,030	43,870	**732,900**	610,596	119,729	**730,325**
Rating 4	729,502	119,522	**849,024**	471,544	178,093	**649,637**
Rating 5	578,247	289,389	**867,636**	708,462	219,873	**928,335**
Rating 6	167,752	307,445	**475,197**	130,600	98,869	**229,469**
Rating 7	8,680	129,996	**138,676**	9,767	19,187	**28,954**
Unrated	120,016	106,826	**226,842**	34,075	140,432	**174,507**
New customers	386,841	49,745	**436,586**	221,325	2,588	**223,913**
	3,176,679	**1,057,463**	**4,234,142**	**3,168,592**	**897,360**	**4,065,952**
Total Stage 3 and POCI			**191,972**			**398,726**
			4,426,114			**4,464,678**

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	795,577	37,566	**833,143**	693,768	96,548	**790,316**
Rating 2	965,269	34,373	**999,642**	743,838	136,888	**880,726**
Rating 3	756,588	53,053	**809,641**	615,175	163,727	**778,902**
Rating 4	562,838	81,779	**644,617**	432,447	211,631	**644,078**
Rating 5	224,332	80,133	**304,465**	141,377	133,226	**274,603**
Rating 6	114,346	105,725	**220,071**	83,489	143,947	**227,436**
Rating 7	27,568	101,290	**128,858**	46,760	114,183	**160,943**
Unrated	-	2,681	**2,681**	-	2,715	**2,715**
New customers	292,088	15,808	**307,896**	269,584	15,502	**285,086**
	3,738,606	**512,408**	**4,251,014**	**3,026,438**	**1,018,367**	**4,044,805**
Total Stage 3 and POCI			**462,865**			**1,075,211**
			4,713,879			**5,120,016**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	183,001	12,159	**195,160**	133,876	29,345	**163,221**
Rating 2	181,836	29,316	**211,152**	150,155	58,282	**208,437**
Rating 3	43,425	16,911	**60,336**	50,690	33,370	**84,060**
Rating 4	15,454	18,447	**33,901**	15,347	28,751	**44,098**
Rating 5	8,260	16,252	**24,512**	8,195	18,347	**26,542**
Rating 6	5,793	8,019	**13,812**	4,456	15,392	**19,848**
Rating 7	3,249	6,496	**9,745**	2,301	12,125	**14,426**
Unrated	-	18,198	**18,198**	-	9,241	**9,241**
New customers	62,129	3,511	**65,640**	48,259	2,551	**50,810**
	503,147	**129,309**	**632,456**	**413,279**	**207,404**	**620,683**
Total Stage 3 and POCI			**45,560**			**168,808**
			678,016			**789,491**

Loans and advances to customers classified as held for sale

An analysis of gross loans and advances to customers classified as held for sale, as per the internal rating system of the Company is disclosed in the tables below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 3	-	-	**-**	31	193	**224**
Rating 5	-	-	**-**	-	363	**363**
Rating 6	-	-	**-**	-	106	**106**
Unrated	-	-	**-**	-	485	**485**
	-	**-**	**-**	**31**	**1,147**	**1,178**
Total Stage 3 and POCI			**64,759**			**267,609**
			64,759			**268,787**

45. Risk management - Credit risk (continued)

45.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	-	-	**-**	23	70	**93**
Rating 2	-	-	**-**	105	70	**175**
Rating 3	-	-	**-**	108	43	**151**
Rating 4	-	111	**111**	568	583	**1,151**
Rating 5	-	-	**-**	942	1,985	**2,927**
Rating 6	-	98	**98**	126	3,749	**3,875**
Rating 7	-	1,464	**1,464**	2,585	11,460	**14,045**
New customers	-	-	**-**	-	58	**58**
	-	**1,673**	**1,673**	**4,457**	**18,018**	**22,475**
Total Stage 3 and POCI			**400,861**			**801,289**
			402,534			**823,764**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 2	-	55	**55**	161	-	**161**
Rating 3	-	-	**-**	19	8	**27**
Rating 4	-	326	**326**	65	226	**291**
Rating 5	-	1	**1**	50	146	**196**
Rating 6	-	-	**-**	760	156	**916**
Rating 7	-	20	**20**	593	2,497	**3,090**
	-	**402**	**402**	**1,648**	**3,033**	**4,681**
Total Stage 3 and POCI			**87,849**			**244,023**
			88,251			**248,704**

45.6 Contingent liabilities and commitments

The Group enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

45.6.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2021	€000	€000	€000	**€000**
Exposures				
1 January	208,410	363,019	52,756	**624,185**
Transfers to stage 1	151,638	(151,638)	-	**-**
Transfers to stage 2	(18,674)	22,983	(4,309)	**-**
Transfers to stage 3	(143)	(1,548)	1,691	**-**
Net increase/(decrease)	91,232	(96,492)	(4,470)	**(9,730)**
31 December	**432,463**	**136,324**	**45,668**	**614,455**

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.1 Contingent liabilities (continued)

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposures				
1 January	430,293	159,924	98,683	**688,900**
Transfers to stage 1	6,146	(5,376)	(770)	**-**
Transfers to stage 2	(187,975)	217,131	(29,156)	**-**
Transfers to stage 3	(4)	(4,011)	4,015	**-**
Net increase/(decrease)	(40,050)	(4,649)	(20,016)	**(64,715)**
31 December	**208,410**	**363,019**	**52,756**	**624,185**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	42	695	18,370	**19,107**
Transfers to stage 1	14	(14)	-	**-**
Transfers to stage 2	(13)	(273)	286	**-**
(Credit)/charge for the year*	(23)	(284)	2,957	**2,650**
31 December	**20**	**124**	**21,613**	**21,757**
Individually assessed	12	32	21,613	**21,657**
Collectively assessed	8	92	-	**100**
	20	**124**	**21,613**	**21,757**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	21	70	21,904	**21,995**
Transfers to stage 1	10	(8)	(2)	**-**
Transfers to stage 2	(200)	305	(105)	**-**
Transfers to stage 3	-	(3,500)	3,500	**-**
Charge/(credit) for the year*	211	3,828	(6,927)	**(2,888)**
31 December	**42**	**695**	**18,370**	**19,107**
Individually assessed	12	287	18,366	**18,665**
Collectively assessed	30	408	4	**442**
	42	**695**	**18,370**	**19,107**

* The charge for the year mainly relates to changes to inputs and net exposure.

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of the Company is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	121,750	1,223	**122,973**	18,551	52,371	**70,922**
Rating 2	13,327	93	**13,420**	24	8,050	**8,074**
Rating 3	45,371	670	**46,041**	12,172	59,503	**71,675**
Rating 4	25,513	2,185	**27,698**	2,532	37,000	**39,532**
Rating 5	42,183	31,791	**73,974**	3,184	70,690	**73,874**
Rating 6	11,720	3,809	**15,529**	2,228	18,556	**20,784**
Rating 7	1,410	432	**1,842**	-	164	**164**
Unrated	29,487	60,193	**89,680**	30,678	79,731	**110,409**
New customers	75,832	-	**75,832**	85,153	2,830	**87,983**
	366,593	**100,396**	**466,989**	**154,522**	**328,895**	**483,417**
Total Stage 3			**35,207**			**44,625**
			502,196			**528,042**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	30,241	78	**30,319**	22,858	3,407	**26,265**
Rating 2	7,949	1,217	**9,166**	5,667	2,790	**8,457**
Rating 3	1,592	223	**1,815**	1,540	590	**2,130**
Rating 4	365	111	**476**	430	254	**684**
Rating 5	42	6	**48**	53	178	**231**
Rating 6	3	-	**3**	18	122	**140**
Rating 7	554	32	**586**	163	1,871	**2,034**
Unrated	-	21,316	**21,316**	-	10,390	**10,390**
New customers	25,124	65	**25,189**	23,159	170	**23,329**
	65,870	**23,048**	**88,918**	**53,888**	**19,772**	**73,660**
Total Stage 3			**9,781**			**7,692**
			98,699			**81,352**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Unrated	-	12,880	**12,880**	-	14,352	**14,352**
	-	**12,880**	**12,880**	**-**	**14,352**	**14,352**
Total Stage 3			**680**			**439**
			13,560			**14,791**

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,146,962	775,164	79,031	**2,001,157**
Transfers to stage 1	417,291	(416,743)	(548)	**-**
Transfers to stage 2	(52,799)	52,799	-	**-**
Transfers to stage 3	(358)	(1,165)	1,523	**-**
Net (decrease)/increase	(14,015)	2,515	(27,728)	**(39,228)**
31 December	**1,497,081**	**412,570**	**52,278**	**1,961,929**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,291,393	508,861	132,854	**1,933,108**
Transfers to stage 1	133,657	(132,525)	(1,132)	**-**
Transfers to stage 2	(399,593)	413,026	(13,433)	**-**
Transfers to stage 3	(1,280)	(2,753)	4,033	**-**
Net increase/(decrease)	122,785	(11,445)	(43,291)	**68,049**
31 December	**1,146,962**	**775,164**	**79,031**	**2,001,157**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	126	425	-	**551**
Transfers to stage 1	9	(9)	-	**-**
Transfers to stage 2	(32)	63	(31)	**-**
(Credit)/charge for the year*	(84)	(310)	31	**(363)**
31 December	**19**	**169**	**-**	**188**
Individually assessed	7	80	-	**87**
Collectively assessed	12	89	-	**101**
	19	**169**	**-**	**188**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	30	87	-	**117**
Transfers to stage 1	34	(34)	-	**-**
Transfers to stage 2	(128)	168	(40)	**-**
(Credit)/charge for the year*	190	204	40	**434**
31 December	**126**	**425**	**-**	**551**
Individually assessed	36	111	-	**147**
Collectively assessed	90	314	-	**404**
	126	**425**	**-**	**551**

*The charge in the year mainly relates to changes to inputs.

45. Risk management - Credit risk (continued)

45.6 Contingent liabilities and commitments (continued)

45.6.2 Commitments (continued)

The credit quality of commitments, as per the internal rating system of the Company is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	256,764	8,352	**265,116**	241,799	28,308	**270,107**
Rating 2	41,484	3,397	**44,881**	19,069	57,360	**76,429**
Rating 3	128,429	10,627	**139,056**	64,983	74,480	**139,463**
Rating 4	58,322	10,107	**68,429**	30,570	57,489	**88,059**
Rating 5	58,708	82,198	**140,906**	27,382	50,681	**78,063**
Rating 6	12,239	16,047	**28,286**	3,093	16,443	**19,536**
Rating 7	154	1,627	**1,781**	28	61	**89**
Unrated	26,441	103,918	**130,359**	19,947	118,931	**138,878**
New customers	26,296	20,402	**46,698**	92,936	398	**93,334**
	608,837	**256,675**	**865,512**	**499,807**	**404,151**	**903,958**
Total Stage 3			**22,553**			**50,700**
			888,065			**954,658**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	234,443	22,597	**257,040**	204,597	43,683	**248,280**
Rating 2	40,913	17,522	**58,435**	44,967	21,932	**66,899**
Rating 3	12,254	3,988	**16,242**	12,287	10,000	**22,287**
Rating 4	3,027	2,900	**5,927**	3,585	5,402	**8,987**
Rating 5	2,270	1,748	**4,018**	1,168	2,635	**3,803**
Rating 6	235	523	**758**	385	756	**1,141**
Rating 7	77	262	**339**	125	807	**932**
Unrated	-	17,465	**17,465**	-	12,301	**12,301**
New customers	11,073	459	**11,532**	8,710	618	**9,328**
	304,292	**67,464**	**371,756**	**275,824**	**98,134**	**373,958**
Total Stage 3			**24,001**			**20,607**
			395,757			**394,565**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	244,760	29,865	**274,625**	179,709	99,239	**278,948**
Rating 2	115,852	10,877	**126,729**	58,949	58,456	**117,405**
Rating 3	55,987	12,732	**68,719**	25,306	46,873	**72,179**
Rating 4	30,358	7,642	**38,000**	14,508	28,034	**42,542**
Rating 5	8,553	8,621	**17,174**	4,893	16,434	**21,327**
Rating 6	4,095	6,756	**10,851**	2,422	9,759	**12,181**
Rating 7	711	2,984	**3,695**	199	4,036	**4,235**
Unrated	-	7,926	**7,926**	-	7,567	**7,567**
New customers	123,636	1,028	**124,664**	85,345	2,481	**87,826**
	583,952	**88,431**	**672,383**	**371,331**	**272,879**	**644,210**
Total Stage 3			**5,724**			**7,724**
			678,107			**651,934**

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale

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

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
1 January	22,619	49,127	1,376,412	204,477	**1,652,635**
Transfers to stage 1	18,228	(17,818)	(410)	-	**-**
Transfers to stage 2	(2,361)	15,825	(13,464)	-	**-**
Transfers to stage 3	(430)	(1,462)	1,892	-	**-**
Impact on transfer between stages during the year*	(11,600)	(7,088)	4,781	(605)	**(14,512)**
Foreign exchange and other adjustments	-	-	2,362	-	**2,362**
Write offs	(518)	(843)	(252,895)	(40,657)	**(294,913)**
Interest (provided) not recognised in the income statement	-	-	41,812	6,658	**48,470**
New loans originated or purchased*	4,152	-	-	233	**4,385**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)*	(632)	(464)	(26,886)	(770)	**(28,752)**
Write offs*	281	318	6,282	(19)	**6,862**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(10,259)	2,943	66,324	10,295	**69,303**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(826)	1,647	(1,889)	(2,262)	**(3,330)**
Disposal of Helix 2 portfolio	(3,197)	(12,802)	(725,525)	(109,569)	**(851,093)**
31 December	**15,457**	**29,383**	**478,796**	**67,781**	**591,417**
Individually assessed	6,661	14,476	78,045	7,427	**106,609**
Collectively assessed	8,796	14,907	400,751	60,354	**484,808**
	15,457	**29,383**	**478,796**	**67,781**	**591,417**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 16).

The main driver for the impairment loss for the year ended 31 December 2021 is due to additional net credit losses recorded of approximately €13 million on NPEs as part of the Group's de-risking activities (including additional ECL charge for Helix 2 disposal and ECL release on Helix 3 portfolio) and the impact of the updated macroeconomic scenarios across all stages of approximately €8 million. There has been also a net ECL charge of approximately €26 million following the cure model recalibration performed in the third quarter of 2021, partially offset by the release of approximately €20 million ECL following the removal of overlays brought forward from 2020.

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
1 January	16,665	25,380	1,555,339	206,166	**1,803,550**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	7,017	(191)	**7,686**
Foreign exchange and other adjustments	-	-	(4,133)	(81)	**(4,214)**
Write offs	(1,496)	(807)	(359,255)	(36,872)	**(398,430)**
Interest (provided) not recognised in the income statement	-	-	68,919	9,939	**78,858**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,560)	(4,206)	**(34,340)**
Write offs*	1,032	812	30,650	6,509	**39,003**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	224,710	34,648	**262,952**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,376,412**	**204,477**	**1,652,635**
Individually assessed	5,801	10,715	89,655	6,967	**113,138**
Collectively assessed	16,818	38,412	1,286,757	197,510	**1,539,497**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

The analysis of credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by business line is presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2021	€000	€000	€000	€000	**€000**
Corporate	5,131	6,851	18,163	750	**30,895**
Global corporate	4,204	6,511	28,539	734	**39,988**
SMEs	1,653	3,242	8,151	276	**13,322**
Retail					
- housing	1,615	2,868	7,045	317	**11,845**
- consumer, credit cards and other	2,674	4,434	8,223	1,002	**16,333**
Restructuring					
- corporate	40	1,397	5,015	2,292	**8,744**
- SMEs	79	1,139	13,970	884	**16,072**
- retail housing	3	708	20,005	775	**21,491**
- retail other	14	1,049	16,583	806	**18,452**
Recoveries					
- corporate	-	-	21,374	3,518	**24,892**
- SMEs	-	-	26,338	2,045	**28,383**
- retail housing	-	-	152,596	27,732	**180,328**
- retail other	-	-	152,691	26,643	**179,334**
International banking services	33	1,181	102	6	**1,322**
Wealth management	11	3	1	1	**16**
	15,457	**29,383**	**478,796**	**67,781**	**591,417**

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

2020 (restated)	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,652	6,003	21,811	624	**32,090**
Global corporate	4,375	5,600	38,758	1,076	**49,809**
SMEs	2,352	4,263	7,182	363	**14,160**
Retail					
- housing	4,616	6,947	12,259	437	**24,259**
- consumer, credit cards and other	3,551	7,731	9,741	925	**21,948**
Restructuring					
- corporate	286	4,014	55,586	2,863	**62,749**
- SMEs	2,114	6,683	49,512	3,519	**61,828**
- retail housing	1,398	6,020	73,348	3,197	**83,963**
- retail other	195	1,197	52,051	2,239	**55,682**
Recoveries					
- corporate	-	-	65,917	10,452	**76,369**
- SMEs	-	-	245,825	35,644	**281,469**
- retail housing	-	-	373,743	67,590	**441,333**
- retail other	3	-	368,793	75,064	**443,860**
International banking services	67	658	1,707	5	**2,437**
Wealth management	10	11	179	479	**679**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by staging and business line concentration for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Restructuring					
- corporate	286	3,993	58,438	3,294	**66,011**
- SMEs	2,383	9,979	62,891	3,802	**79,055**
- retail housing	401	1,742	51,358	2,034	**55,535**
- retail other	923	2,200	57,810	2,688	**63,621**
Recoveries					
- corporate	-	-	96,183	22,286	**118,469**
- SMEs	-	-	254,462	31,585	**286,047**
- retail housing	-	-	360,331	66,721	**427,052**
- retail other	3	-	343,302	68,158	**411,463**
	3,996	**17,914**	**1,284,775**	**200,568**	**1,507,253**

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The movement of the ECL allowance for the loans and advances to customers in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including ECL allowance for loans and advances to customers held for sale, is presented in the table below:

	Corporate	Global corporate	Retail
2021	**€000**	**€000**	**€000**
1 January	16,582	26,080	45,730
Transfer in/(out of) the business line	1,648	(482)	(4,440)
Write offs	(106)	(2,005)	(1,704)
Interest (provided) not recognised in the income statement	267	2,381	934
New loans originated or purchased*	1,018	747	1,847
Loans derecognised or repaid (excluding write offs)*	82	(1,706)	(971)
Write offs*	1	(8)	449
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(2,192)	2,614	(6,779)
Changes to contractual cash flows due to modifications not resulting in derecognition*	638	9,942	(1,097)
Impact on transfer between stages during the year*	(2,218)	(5,419)	(5,754)
31 December	**15,720**	**32,144**	**28,215**

	Corporate	Global corporate	Retail
2020	**€000**	**€000**	**€000**
1 January	15,354	33,982	49,257
Transfer out of the business line	(1,170)	(1,909)	(7,706)
Write offs	(1,165)	(19,191)	(4,026)
Interest (provided) not recognised in the income statement	197	1,052	620
New loans originated or purchased*	620	2,568	1,456
Loans derecognised or repaid (excluding write offs)*	(907)	1,976	(932)
Write offs*	16	769	2,178
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	911	7,196	2,530
Changes to contractual cash flows due to modifications not resulting in derecognition*	327	(1,340)	1,313
Impact on transfer between stages during the year*	2,512	977	1,040
Disposal of Velocity 2 portfolio	(113)	-	-
31 December	**16,582**	**26,080**	**45,730**

Credit losses of loans and advances to customers as at 31 December 2021 and 2020 include credit losses relating to loans and advances to customers classified as held for sale as presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
31 December 2021	**-**	**710**	**262,706**	**42,003**	**305,419**
31 December 2020	3,260	12,254	721,470	111,234	**848,218**

During the year ended 31 December 2021 the total non-contractual write-offs recorded by the Group amounted to €268,560 thousand (2020: €294,932 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is €984,329 thousand (2020: €1,062,224 thousand).

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

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

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

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

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

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

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

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

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

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Group (excluding the loans and advances to customers classified as held for sale) with reference date 31 December 2021 and 2020.

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The Group has altered for the purpose of sensitivity analysis the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2021	2020
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**3,610**	3,599
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(3,626)**	(3,658)
Increase the expected recovery period by 1 year	**8,000**	21,904
Decrease the expected recovery period by 1 year	**(7,421)**	(18,746)
Increase the collateral realisation haircut by 5%	**19,063**	42,769
Decrease the collateral realisation haircut by 5%	**(16,906)**	(36,934)
Increase in the PDs of stages 1 and 2 by 20%	**8,190**	8,718
Decrease in the PDs of stages 1 and 2 by 20%	**(8,011)**	(7,824)

The increase/(decrease) on ECL, per stage, for loans and advances to customers at amortised cost is further presented in the table below:

	Stage 1	Stage 2	Stage 3	**Total**
2021	€000	€000	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	384	413	2,813	**3,610**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(351)	(461)	(2,814)	**(3,626)**
Increase the expected recovery period by 1 year	434	1,402	6,164	**8,000**
Decrease the expected recovery period by 1 year	(401)	(1,323)	(5,697)	**(7,421)**
Increase the collateral realisation haircut by 5%	1,215	3,742	14,106	**19,063**
Decrease the collateral realisation haircut by 5%	(1,004)	(3,266)	(12,636)	**(16,906)**
Increase in the PDs of stages 1 and 2 by 20%*	2,687	5,503	-	**8,190**
Decrease in the PDs of stages 1 and 2 by 20%*	(2,882)	(5,129)	-	**(8,011)**

	Stage 1	Stage 2	Stage 3	**Total**
2020	€000	€000	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	176	322	3,101	**3,599**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(133)	(422)	(3,103)	**(3,658)**
Increase the expected recovery period by 1 year	412	1,100	20,392	**21,904**
Decrease the expected recovery period by 1 year	(352)	(893)	(17,501)	**(18,746)**
Increase the collateral realisation haircut by 5%	1,176	2,810	38,783	**42,769**
Decrease the collateral realisation haircut by 5%	(973)	(2,431)	(33,530)	**(36,934)**
Increase in the PDs of stages 1 and 2 by 20%*	480	8,238	-	**8,718**
Decrease in the PDs of stages 1 and 2 by 20%*	(783)	(7,041)	-	**(7,824)**

*The impact on the ECL includes also the transfer between stages of the loans and advances to customers following the increase/ decrease in the PD.

45. Risk management - Credit risk (continued)

45.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	2021	**2021**	2020	2020
	€000	**€000**	€000	€000
Corporate	**1,365**	**(1,272)**	867	(792)
Global corporate	**2,194**	**(1,976)**	1,567	(1,287)
SMEs	**724**	**(627)**	764	(653)
Retail				
- housing	**1,838**	**(1,545)**	3,066	(2,612)
- consumer, credit cards and other	**718**	**(653)**	848	(684)
Restructuring				
- corporate	**551**	**(558)**	1,007	(1,186)
- SMEs	**956**	**(858)**	1,255	(978)
- retail housing	**1,079**	**(972)**	3,629	(3,146)
- retail other	**458**	**(420)**	1,918	(1,707)
Recoveries				
- corporate	**748**	**(760)**	1,206	(988)
- SMEs	**1,114**	**(940)**	1,174	(895)
- retail housing	**5,541**	**(4,889)**	10,086	(9,043)
- retail other	**1,503**	**(1,233)**	14,929	(12,539)
International banking services	**273**	**(202)**	451	(423)
Wealth management	**1**	**(1)**	2	(1)
	19,063	**(16,906)**	42,769	(36,934)

45.8 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2021 and 2020 by taking possession of collateral held as security, was as follows:

	2021	2020
	€000	€000
Residential property	**10,100**	33,059
Commercial and other property	**27,021**	90,758
	37,121	123,817

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2021 amounted to €1,274,961 thousand (2020: €1,484,292 thousand).

The disposals of repossessed assets during 2021 amounted to €209,961 thousand (2020: €81,840 thousand).

45. Risk management - Credit risk (continued)

45.9 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Group's loans and advances at amortised cost.

Gross loans at amortised cost	**2021** **€000**	2020 €000
Euro	**9,294,950**	9,833,176
US Dollar	**372,263**	344,446
British Pound	**93,369**	91,213
Russian Rouble	**16,329**	14,957
Romanian Lei	**-**	344
Swiss Franc	**61,336**	108,198
Other currencies	**2,288**	8,269
	9,840,535	10,400,603

Loans and advances to customers classified as held for sale

The following table presents the currency concentration of the Group's loans and advances at amortised cost classified as held for sale.

Gross loans at amortised cost	**2021** **€000**	2020 €000
Euro	**533,190**	1,285,894
US Dollar	**700**	7,023
British Pound	**230**	709
Swiss Franc	**18,184**	42,964
Other currencies	**3,485**	4,665
	555,789	1,341,255

45.10 Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (e.g. provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest).

45. Risk management - Credit risk (continued)

45.10 Forbearance (continued)

For an account to qualify for rescheduling it must meet certain criteria including that the customer must be considered to be viable. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory agreements or orders.

The forbearance characteristic contributes in two specific ways for the calculation of lifetime ECL for each individual facility. Specifically, it is taken into consideration in the scorecard development where if this characteristic is identified as statistically significant it affects negatively the rating of each facility. It also contributes in the construction through the cycle probability of default and cure curves, where when feasible a specific curve for the forborne products is calculated and assigned accordingly.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower’s financing (financial restructuring).

Restructuring options may be of a short or long term nature or a combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:
- Suspension of capital or capital and interest: Granting to the borrower a grace period in the payment of capital (i.e. during this period only interest is paid) or capital and interest, for a specific period of time.
- Reduced payments: decrease of the amount of repayment instalments over a defined short term period in order to accommodate the borrower’s new cash flow position.
- Arrears and/or interest capitalisation: forbearance by capitalisation of the arrears and of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.

Long-term restructuring solutions can include the following:
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or on time sale of assets mainly real estate to reduce borrowing.
- Modification of existing terms of previous decisions: In the context of the new sustainable settlement / restructuring solution, review any terms of previous decisions that may not be met.
- Consolidation / Refinancing of Existing Facilities: In cases where the borrower maintains several separate loans with different collateral, they can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collateral.
- Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace / reduce the current account limit.
- Split and freeze: the customer’s debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is ‘frozen’ for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Liquidation Collateral: An agreement between the Company and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
- Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
- Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.

45. Risk management - Credit risk (continued)

45.10 Forbearance (continued)

- Debt/equity swaps: partial set off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Group and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Group and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

Stage 2 and Stage 3 loans that were forborne during the year amounted to €707,190 thousand (2020: €44,823 thousand). Their related modification loss amounted to €23,243 thousand (2020: €10,133 thousand). In 2020, amount of forbearances executed were significantly lower due to the moratorium being in place (the modification mainly relates to credit-related reasons).

Customers classified as Stage 2 and Stage 3 as at 31 December 2020, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2021 amount to €540,712 thousand (2020: €364,238 thousand) and their corresponding ECL amount to €1,268 thousand (2020: €2,842 thousand).

Previously classified Stage 2 and Stage 3 customers that had facilities modified during the year and are classified as Stage 1 at 31 December 2021 amount to €110,303 thousand (2020: €347,966 thousand) and their corresponding ECL amount to €233 thousand (2020: €2,732 thousand). In 2020 the modification for the majority of these facilities reflects the modification due to moratorium.

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €126,972 thousand (2020: €109,663 thousand) and their corresponding ECL amounts to €5,250 thousand (2020: €2,591 thousand) as at 31 December 2021.

45.11 Rescheduled loans and advances to customers

The below table presents the movement of the Group's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale. The rescheduled loans related to loans and advances classified as held for sale as at 31 December 2021 amounts to €245,452 thousand (2020: €754,795 thousand).

	2021	2020
	€000	€000
1 January	**1,981,825**	2,502,933
New loans and advances rescheduled in the year	**741,116**	75,539
Loans no longer classified as rescheduled and repayments	**(484,039)**	(485,042)
Write off of rescheduled loans and advances	**(110,471)**	(130,321)
Interest accrued on rescheduled loans and advances	**72,292**	53,634
Foreign exchange adjustments	**1,907**	(4,094)
Derecognition of Helix 2/Velocity 2 portfolios	**(733,448)**	(30,824)
31 December	**1,469,182**	1,981,825

The classification as forborne loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

The below tables present the Group's rescheduled loans and advances to customers by staging, economic activity and business line classification excluding those classified as held for sale, as well as ECL allowances and tangible collateral held for such rescheduled loans.

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

	2021	2020
	€000	€000
Stage 1	**6,883**	199,193
Stage 2	**828,849**	242,493
Stage 3	**348,385**	686,944
POCI	**39,613**	98,400
	1,223,730	1,227,030

As described in Note 2.19.3, in 2021 the Group introduced the granting of forbearance measures as a criterion of SICR.

Fair value of collateral

	2021	2020
	€000	€000
Stage 1	**6,751**	161,449
Stage 2	**782,843**	225,402
Stage 3	**275,882**	550,358
POCI	**37,824**	88,925
	1,103,300	1,026,134

The fair value of collateral presented above has been computed based to the extent that the collateral mitigates credit risk.

Credit risk concentration

	2021	2020
By economic activity	**€000**	€000
Trade	**52,714**	87,815
Manufacturing	**16,217**	31,353
Hotels and catering	**259,534**	46,145
Construction	**164,871**	69,188
Real estate	**196,522**	101,489
Private individuals	**414,463**	763,723
Professional and other services	**96,714**	94,385
Other sectors	**22,695**	32,932
	1,223,730	1,227,030

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

	2021	2020 (restated)
By business line	**€000**	€000
Corporate	**276,684**	68,413
Global corporate	**357,490**	114,822
SMEs	**106,362**	58,753
Retail		
- housing	**138,753**	222,078
- consumer, credit cards and other	**47,006**	70,923
Restructuring		
- corporate	**21,836**	76,197
- SMEs	**35,890**	61,392
- retail housing	**66,608**	115,436
- retail other	**20,561**	48,253
Recoveries		
- corporate	**19,796**	18,040
- SMEs	**14,382**	34,980
- retail housing	**81,318**	216,418
- retail other	**22,478**	106,205
International banking services	**14,159**	14,015
Wealth management	**407**	1,105
	1,223,730	1,227,030

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	6,461	255,488	14,735	-	**276,684**
Global corporate	-	303,823	53,667	-	**357,490**
SMEs	-	96,654	5,736	3,972	**106,362**
Retail					
- housing	381	97,548	38,276	2,548	**138,753**
- consumer, credit cards and other	41	29,578	16,181	1,206	**47,006**
Restructuring					
- corporate	-	6,941	8,882	6,013	**21,836**
- SMEs	-	8,705	23,410	3,775	**35,890**
- retail housing	-	13,500	49,746	3,362	**66,608**
- retail other	-	5,047	15,088	426	**20,561**
Recoveries					
- corporate	-	-	17,503	2,293	**19,796**
- SMEs	-	-	12,402	1,980	**14,382**
- retail housing	-	-	70,951	10,367	**81,318**
- retail other	-	-	19,313	3,165	**22,478**
International banking services	-	11,565	2,495	99	**14,159**
Wealth management	-	-	-	407	**407**
	6,883	**828,849**	**348,385**	**39,613**	**1,223,730**

45. Risk management - Credit risk (continued)

45.11 Rescheduled loans and advances to customers (continued)

2020 (restated)	Stage 1	Stage 2	Stage 3	POCI	Total
By business line	€000	€000	€000	€000	**€000**
Corporate	19,359	26,319	20,618	2,117	**68,413**
Global corporate	69,789	18,908	26,125	-	**114,822**
SMEs	23,041	22,750	11,504	1,458	**58,753**
Retail					
- housing	55,086	108,175	54,892	3,925	**222,078**
- consumer, credit cards and other	17,391	27,694	22,962	2,876	**70,923**
Restructuring					
- corporate	6,162	13,186	41,857	14,992	**76,197**
- SMEs	4,856	9,483	41,234	5,819	**61,392**
- retail housing	2,284	9,302	100,443	3,407	**115,436**
- retail other	475	2,906	43,446	1,426	**48,253**
Recoveries					
- corporate	-	-	13,308	4,732	**18,040**
- SMEs	-	-	27,600	7,380	**34,980**
- retail housing	-	-	183,999	32,419	**216,418**
- retail other	-	-	89,402	16,803	**106,205**
International banking services	750	3,770	9,376	119	**14,015**
Wealth management	-	-	178	927	**1,105**
	199,193	**242,493**	**686,944**	**98,400**	**1,227,030**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the rescheduled loans and advances to customers by staging and business line concentration for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

2020	Stage 1	Stage 2	Stage 3	POCI	Total
By business line	€000	€000	€000	€000	**€000**
Restructuring					
- corporate	6,162	13,406	49,380	14,856	**83,804**
- SMEs	5,993	14,556	31,049	6,776	**58,374**
- retail housing	1,388	4,350	93,962	2,612	**102,312**
- retail other	234	2,565	52,588	1,401	**56,788**
Recoveries					
- corporate	-	-	8,238	7,440	**15,678**
- SMEs	-	-	42,885	4,769	**47,654**
- retail housing	-	-	176,025	32,891	**208,916**
- retail other	-	-	87,162	16,233	**103,395**
	13,777	**34,877**	**541,289**	**86,978**	**676,921**

ECL allowance

	2021	2020
	€000	€000
Stage 1	**8**	4,317
Stage 2	**13,349**	9,729
Stage 3	**120,345**	287,188
POCI	**10,218**	37,888
	143,920	339,122

45. Risk management - Credit risk (continued)

45.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2021	2020
	€000	€000
Aaa - Aa3	**105,759**	165,489
A1 - A3	**84,629**	89,692
Baa1 - Baa3	**3,333**	45,641
Ba1 - Ba3	**9,095,864**	5,517,033
B1 - B3	**19,160**	13,830
Caa - C	**6,078**	5,309
Unrated	**37,474**	45,672
Other receivables from banks	**27,303**	33,747
	9,379,600	5,916,413

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 19).

Debt securities
Investments in debt securities are analysed as follows:

	2021	2020
Moody's rating	**€000**	€000
Aaa - Aa3	**836,676**	727,289
A1 - A3	**254,956**	98,397
Baa1 - Baa3	**78,301**	26,047
Ba1 - Ba3	**735,663**	823,724
Unrated	**24,792**	33,387
	1,930,388	1,708,844
Issued by:		
- Cyprus government	**735,663**	823,725
- Other governments	**311,108**	173,502
- Banks and other corporations	**883,617**	711,617
	1,930,388	1,708,844
Classified as:		
Investments mandatorily measured at FVPL	**6,034**	19,118
Investments at FVOCI	**733,080**	656,856
Investments at amortised cost	**1,191,274**	1,032,870
	1,930,388	1,708,844

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2021	€000	€000	€000	€000
Aaa - Aa3	235,297	595,845	-	595,845
A1 - A3	57,757	197,199	-	197,199
Baa1 - Baa3	31,318	46,983	-	46,983
Ba1 - Ba3	408,708	278,491	48,463	326,954
Unrated	-	24,293	-	24,293
	733,080	**1,142,811**	**48,463**	**1,191,274**

45. Risk management - Credit risk (continued)

45.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2020	€000	€000	€000	€000
Aaa - Aa3	244,767	463,904	-	463,904
A1 - A3	28,347	70,050	-	70,050
Baa1 - Baa3	1,000	25,047	-	25,047
Ba1 - Ba3	382,742	392,306	48,676	440,982
Unrated	-	32,887	-	32,887
	656,856	**984,194**	**48,676**	**1,032,870**

46. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions.

Interest rate risk is measured mainly using the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis where the assets, liabilities and off-balance sheet items, are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated.

Interest rate risk is managed through a 1 Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the net interest income. There are different limits for the Euro and the US Dollar.

Sensitivity analysis
The table below sets out the impact on the Group's net interest income, over a one year period, from reasonably possible changes in the interest rates of the main currencies using the assumption of the prevailing market risk policy for the current and the comparative year:

46. Risk management - Market risk (continued)

Currency	Interest Rate Scenario	Impact on Net Interest Income in €000	
		2021 (50 bps for Euro and 60 bps for US Dollar)	2020 (50 bps for Euro and 60 bps for US Dollar)
All	Parallel up	35,677	27,592
All	Parallel down	(28,235)	(23,627)
All	Steepening	(19,944)	(15,184)
All	Flattening	25,546	22,494
All	Short up	33,182	26,310
All	Short down	(28,169)	(22,790)
Euro	Parallel up	34,484	26,093
Euro	Parallel down	(26,230)	(21,042)
Euro	Steepening	(17,866)	(12,898)
Euro	Flattening	25,153	21,424
Euro	Short up	32,200	24,886
Euro	Short down	(25,208)	(20,267)
US Dollar	Parallel up	1,193	1,499
US Dollar	Parallel down	(2,005)	(2,585)
US Dollar	Steepening	(2,078)	(2,286)
US Dollar	Flattening	393	1,070
US Dollar	Short up	982	1,424
US Dollar	Short down	(2,961)	(2,523)

46. **Risk management - Market risk** (continued)

The table below sets out the impact on the Group's equity, from reasonably possible changes in the interest rates under various interest rate scenarios for the Euro and the US Dollar in line with the EBA guidelines.

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**2021 (50 bps for Euro and 60 bps for US Dollar)**	**2020 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	(14,964)	174
All	Parallel down	23,698	42,736
All	Steepening	(9,300)	50,082
All	Flattening	8,986	51,093
All	Short up	3,616	6,044
All	Short down	6,273	47,392
Euro	Parallel up	(18,080)	(1,760)
Euro	Parallel down	60,603	90,207
Euro	Steepening	(7,836)	101,292
Euro	Flattening	17,714	101,893
Euro	Short up	2,234	8,897
Euro	Short down	26,386	99,812
US Dollar	Parallel up	6,232	3,867
US Dollar	Parallel down	(6,604)	(2,367)
US Dollar	Steepening	(1,464)	(564)
US Dollar	Flattening	258	293
US Dollar	Short up	4,998	3,191
US Dollar	Short down	(6,920)	(2,514)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified at FVOCI.

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
2021	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**1,219**	**(739)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**(782)**	**739**

46. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
	€000	**€000**
2020		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	686	(541)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	1,496	541

Interest rate benchmark reform
The LIBOR and the EURIBOR (collectively referred to as IBORs) are the subject of international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently from the past or cease to exist entirely or have other consequences that cannot be predicted.

Regarding LIBOR reform, regulators and industry working groups have identified alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative of the underlying market they intended to measure:
- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

In October 2021, the European Commission designated a statutory replacement rate for certain settings of CHF LIBOR.

On 16 November 2021, the Financial Conduct Authority of the United Kingdom (UK FCA)confirmed that they would permit the temporary use of the synthetic GBP and JPY LIBOR in all legacy LIBOR contracts, other than cleared derivatives that have not been changed at or ahead of end-31 December 2021. Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances.

The Company established a project to manage the transition to alternative interest rate benchmarks with the Director of Treasury as the project owner and with oversight from a dedicated Benchmark Steering Committee. The main divisions involved in the project at the highest level are the Legal Department, Treasury, Risk Management, Finance, Information Technology (IT), Operations and the business lines. The Assets and Liabilities Committee (ALCO) monitors the project on a regular basis.

During 2021, the Group has been actively preparing for the transition to alternative rates, including the assessment of appropriate fallback provisions for LIBOR linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to be published or no longer be representative of the underlying market they intended to measure. The most significantly impacted areas and the risks arising from IBORs' transition to alternative interest rate benchmarks are: updating systems and processes affected from the transition, reviewing and amending legal IBORs' referencing contracts, negotiation of revised legal documents with customers, development of new products, impact on risk management processes and systems, market risk profile changes due to IBOR transition, and financial and accounting matters including among other, hedge accounting issues. During 2021, the Group continued to work on technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transition to alternative reference rates (RFRs) in line with official sector expectations and milestones. The Group will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

For the legacy non-cleared derivatives exposures, the Group has adhered to the International Swaps and Derivatives Association (ISDA) protocol which came into effect in January 2021, while for cleared derivatives, the Company will adopt the market wide standardised approach to be followed by the relevant clearing house.

46. Risk management - Market risk (continued)

The Group proactively engaged with its customer base and market counterparties for the amendment of substantially all impacted LIBOR contracts (other than contracts referencing USD LIBOR) by 31 December 2021 for transitioning to alternative rates. Those legacy credit facilities in CHF for which the contract was not amended by the first interest period commencing in 2022 ('tough legacy'), have been transitioned to the statutory rate provided by EU legislation. The Group has also made the necessary arrangements to transition its tough legacy GBP and JPY credit facilities to alternative rates by notifying its customer base accordingly and reserving the right to use a statutory rate provided by EU legislation in case such a rate is nominated in the future. New RFR lending products have also been introduced and adopted across the Group's key currencies. The Group continues to engage with counterparties to transition residual exposures, in line with regulatory guidance. This effort will continue until the transition of USD LIBOR contracts concludes by the end of June 2023.

The following table summarises the significant non derivative exposures impacted by interest rate benchmark reform as at 31 December 2021 and 31 December 2020:

2021	**EURIBOR**	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,863,052	92,819	364,113	26,727	1,627	**5,348,338**
Investments	24,371	-	-	-	-	**24,371**
Loans and advances to banks	87,569	18,341	87,397	4,984	10,261	**208,552**
Total	**4,974,992**	**111,160**	**451,510**	**31,711**	**11,888**	**5,581,261**
Non-derivative financial liabilities						
Deposits by banks	151,051	113	7,658	-	503	**159,325**
Total	**151,051**	**113**	**7,658**	**-**	**503**	**159,325**

2020	**EURIBOR**	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,463,730	89,523	331,684	36,967	4,102	**4,926,006**
Investments	32,993	-	-	-	-	**32,993**
Loans and advances to banks	69,405	1,858	69,326	4,968	9,420	**154,977**
Total	**4,566,128**	**91,381**	**401,010**	**41,935**	**13,522**	**5,113,976**
Non-derivative financial liabilities						
Deposits by banks	154,435	1,110	1,074	-	4,668	**161,287**
Total	**154,435**	**1,110**	**1,074**	**-**	**4,668**	**161,287**

EURIBOR is in compliance with the EU Benchmarks Regulation and can continue to be used as a benchmark interest rate for existing and new contracts. The Group therefore, does not consider that Group's exposure to EURIBOR is affected by the BMR reform as at 31 December 2021 and 2020.

For derivatives in hedging relationships subject to IBOR reform refer to Note 21.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In order to manage currency risk, the ALCO has approved open position limits for the total foreign exchange positions. The foreign exchange position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market Risk.

The Group does not maintain a currency trading book.

46. Risk management - Market risk (continued)

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

2021	Change in foreign exchange rate %	Impact on profit/loss after tax €000	Impact on equity €000
US Dollar	**+10**	**1,253**	**-**
Russian Rouble	**+25**	**2,571**	**34,656**
Romanian Lei	**+10**	**-**	**340**
Swiss Franc	**+5**	**420**	**-**
British Pound	**+10**	**(70)**	**-**
Japanese Yen	**+10**	**67**	**-**
Other currencies	**+10**	**138**	**-**
US Dollar	**-10**	**(1,025)**	**-**
Russian Rouble	**-25**	**(1,543)**	**(20,793)**
Romanian Lei	**-10**	**-**	**(278)**
Swiss Franc	**-5**	**(380)**	**-**
British Pound	**-10**	**57**	**-**
Japanese Yen	**-10**	**(55)**	**-**
Other currencies	**-10**	**(113)**	**-**

2020	Change in foreign exchange rate %	Impact on profit/loss after tax €000	Impact on equity €000
US Dollar	+15	4,032	-
Russian Rouble	+25	2,594	27,556
Romanian Lei	+10	-	133
Swiss Franc	+10	1,923	-
British Pound	+10	389	(1,110)
Japanese Yen	+10	118	-
Other currencies	+10	13	-
US Dollar	-15	(2,980)	-
Russian Rouble	-25	(1,556)	(16,534)
Romanian Lei	-10	-	(109)
Swiss Franc	-10	(1,422)	-
British Pound	-10	(318)	909
Japanese Yen	-10	(96)	-
Other currencies	-10	(11)	-

The impact on equity arises mainly from the impact of hedging instruments used to hedge part of the net assets of the subsidiaries. At Group level, there is an approximately equal and opposite impact on equity from the revaluation of the net assets of the foreign operations of the Group.

46. Risk management - Market risk (continued)

Price risk

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

Investments in equities are outside the Group's risk appetite but may be acquired in the context of delinquent loan workouts. The Group monitors the current portfolio mostly acquired by the Group as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts, with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Group as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Group, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Group.

The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	Impact on profit/loss before tax	Impact on equity
2021	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+20**	**-**	**645**
Athens Exchange	**+30**	**257**	**-**
New York Exchange	**+20**	**1,626**	**-**
Other stock exchanges and unlisted	**+65**	**46**	**3,721**
Non-listed (Real Estate)	**+25**	**-**	**1,666**
Cyprus Stock Exchange	**-25**	**(1)**	**(806)**
Athens Exchange	**-35**	**(300)**	**-**
New York Exchange	**-25**	**(2,033)**	**-**
Other stock exchanges and unlisted	**-80**	**(57)**	**(4,579)**
Non-listed (Real Estate)	**-10**	**-**	**(666)**

	Change in index	Impact on profit/loss before tax	Impact on equity
2020	**%**	**€000**	**€000**
Cyprus Stock Exchange	+20	447	294
Athens Exchange	+30	188	-
Other stock exchanges and unlisted	+20	140	2,670
Cyprus Stock Exchange	-20	(447)	(294)
Athens Exchange	-30	(188)	-
Other stock exchanges and unlisted	-20	(140)	(2,670)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 31 December 2021 was A3 (2020: Baa1). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2021 was Aa2 (2020: Aa1). Further information on ratings of debt securities is disclosed in Note 45.12.

46. Risk management - Market risk (continued)

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Group.

The table below indicates how the profit/loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on Monte Carlo conditional value-at-risk (cVaR) analysis which is a risk measure used to evaluate market risks and it is derived by averaging the worst case loss scenarios, with a confidence level of 99%, performed on a bond level, for the year ended 31 December 2021, and based on observations of changes in credit risk over the past years for the year ended 31 December 2020.

	Impact on profit/loss before tax	Impact on equity
2021	**€000**	**€000**
Up scenario:		
Aa3 and above rated bonds	**2,383**	**4,093**
A3 and above rated bonds	**2,722**	**2,627**
Baa3 and above rated bonds	**31**	**4,183**
Cyprus Government bonds	**-**	**22,758**
Down scenario:		
Aa3 and above rated bonds	**(2,383)**	**(4,093)**
A3 and above rated bonds	**(2,722)**	**(2,627)**
Baa3 and above rated bonds	**(31)**	**(4,183)**
Cyprus Government bonds	**-**	**(22,758)**

	Impact on profit/loss before tax	Impact on equity
2020	**€000**	**€000**
+3.0% for Aa3 and above rated bonds	2,627	7,287
+3.5% for A3 and above rated bonds	905	981
+4.0% for Baa3 and above rated bonds	51	39
+4.3% for Cyprus Government bonds	-	16,322
-3.0% for Aa3 and above rated bonds	(2,627)	(7,287)
-3.5% for A3 and above rated bonds	(905)	(981)
-4.0% for Baa3 and above rated bonds	(51)	(39)
-4.3% for Cyprus Government bonds	-	(16,322)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of other non-equity investments held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	Impact on profit/loss before tax	Impact on equity
2021	**%**	**€000**	**€000**
Other (non-equity instruments)	**+20**	**1,107**	**-**
Other (non-equity instruments)	**-25**	**(1,384)**	**-**
2020			
Other (non-equity instruments)	+25	4,596	-
Other (non-equity instruments)	-25	(4,596)	-

Property price risk

A significant part of the Group's loan portfolio is secured by real estate the majority of which is located in Cyprus. Furthermore, the Group holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Group primarily as stock of properties and some are held as investment properties.

46. Risk management - Market risk (continued)

Property risk is the risk that the Group's business and financial position will be affected by adverse changes in the demand for, and prices of, real estate, or by regulatory capital requirements relating to increased charges with respect to the stock of properties held.

47. Risk management - Liquidity and funding risk

Liquidity Risk
Liquidity risk is the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

Management and structure

The Board of Directors sets the Group's Liquidity Risk Appetite which defines the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews at frequent intervals the liquidity position of the Group.

The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity risk across the Group.

The Treasury Division is responsible for liquidity management at Group level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored daily by Market Risk, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market Risk reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.

(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.

(iv) Early warning indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.

(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.

(vi) Recovery Plan: the Group has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Group to be adequately prepared to respond to stressed conditions and restore the Group's liquidity position.

47. Risk management - Liquidity and funding risk (continued)

Monitoring process

Daily
The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. The historical summary results of this report are made available to ALCO and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Group. The stress test assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International Banking Services deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month's mismatch.

Market Risk also prepares a monthly liquidity report which is submitted to the ECB. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of the Company and describes the measures implemented and to be implemented in the short term to improve liquidity position if needed.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

47. Risk management - Liquidity and funding risk (continued)

Annually
The Group prepares on an annual basis its report on ILAAP. The ILAAP report provides a holistic view of the Group's liquidity adequacy under normal and stress conditions. Within ILAAP, the Group evaluates its liquidity risk in the context of established policies, processes for the identification, measurement, management and monitoring of liquidity risk implemented by the institution.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the extended ALCO. The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is tested annually. The LCP, which forms part of the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the Board Risk Committee for approval. The approved Liquidity Policy is notified to the SSM.

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), enforced in June 2021, with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

Funding risk

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory ones (e.g. MREL).

Main sources of funding

As at 31 December 2021 the Group's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. Wholesale funding is also becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021 and the issuance of senior preferred debt of €300 million in June 2021.

With respect to TLTRO III operations, the Company borrowed in March 2021 an amount of €1,700 million and in June 2021 another €300 million, having previously borrowed in June 2020 €1,000 million under the TLTRO III, given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID-19 aid package. As a result, at 31 December 2021 the carrying value of the ECB funding was €2,970 million (2020: €995 million).

As at 31 December 2021, the wholesale funding nominal amount was €856 million. This includes funding raised from the wholesale debt capital markets of €220 million AT1 issued in December 2018, €300 million new Tier 2 issued in April 2021, €36 million remaining outstanding from the Tier 2 issued in January 2017 and €300 million senior preferred debt issued in June 2021. In January 2022, the Company redeemed the remaining €36 million outstanding of the Tier 2 issued in January 2017.

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable. Certain subsidiaries have a recommendation from their regulator to exercise caution and prudence regarding dividend distributions and to consider the impact of COVID-19 on their operating models, solvency, liquidity and financial position.

47. Risk management - Liquidity and funding risk (continued)

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 31 December 2021 and 2020 are summarised below:

	2021	2020
	€000	€000
Cash and other liquid assets	**102,463**	78,831
Investments	**1,260,158**	37,105
Loans and advances	**3,126,803**	2,842,941
	4,489,424	2,958,877

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond. The increase in cash and other liquid assets presented as encumbered assets during the year ended 31 December 2021 was driven mainly by the cash encumbered for derivatives and for trade finance transactions.

As at 31 December 2021, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The increase in the investments presented as encumbered assets during the year ended 31 December 2021 was driven by the pledging of additional debt securities to the ECB for obtaining funding through the TLTRO III in March 2021 and June 2021.

Loans and advances indicated as encumbered as at 31 December 2021 and 2020, are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,007 million as at 31 December 2021 (2020: €1,017 million) in Cyprus, pledged as collateral for the covered bond issued by the Company in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2021 housing loans of a nominal amount of €2,091 million (2020: €1,827 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 30).

The Company 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, the Company has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 28 May 2021, the terms of the covered bonds were amended to extend the maturity date to 12 December 2026 and set the interest rate to 3 months Euribor plus 1.25% on a quarterly basis. The covered bonds are listed on the Luxemburg Bourse. The covered bonds have a conditional Pass Through structure. All the bonds are held by the Company. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks include balances of €36,571 thousand as at 31 December 2021 (2020: €44,220 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €71,321 thousand as at 31 December 2021 (2020: €88,963 thousand).

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

47. Risk management - Liquidity and funding risk (continued)

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

Loan stock is classified in the relevant time band according to the remaining contractual maturity or the call date.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
Amounts of commitments and contingent liabilities are included in the time band on the basis of their remaining contractual maturities.

In the case of undrawn facilities the Group has the right to cancel them upon relevant notice to the customers and hence included in the 'On demand and up to one month' time band.

47. Risk management - Liquidity and funding risk (continued)

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	9,186,073	17,427	23,827	1,997	1,579	**9,230,903**
Loans and advances to banks	197,258	4,921	1,882	69,213	18,358	**291,632**
Investments at FVPL	193,160	-	-	-	6,034	**199,194**
Loans and advances to customers	998,098	216,897	689,990	3,282,030	4,649,390	**9,836,405**
Fair value of derivative assets	4,187	322	46	314	1,784	**6,653**
Non-trading investments	44,715	52,105	247,055	1,126,177	469,917	**1,939,969**
Financial assets classified as held for sale	227,195	8	451	1,606	21,110	**250,370**
Other assets	80,803	1,785	4,443	304,915	1,518	**393,464**
	10,931,489	**293,465**	**967,694**	**4,786,252**	**5,169,690**	**22,148,590**
Financial liabilities						
Deposits by banks	59,987	16,568	26,426	193,160	170,983	**467,124**
Funding from central banks	-	-	-	2,931,762	-	**2,931,762**
Customer deposits	13,135,377	1,836,665	2,545,487	16,523	-	**17,534,052**
Loan stock	38,898	-	27,375	109,500	706,875	**882,648**
Fair value of derivative liabilities	2,249	836	1,746	11,925	15,696	**32,452**
Lease liabilities	607	1,160	5,213	19,641	8,018	**34,639**
Other liabilities	178,701	20,922	30,737	6,582	3,342	**240,284**
	13,415,819	**1,876,151**	**2,636,984**	**3,289,093**	**904,914**	**22,122,961**
Net financial (liabilities)/assets	**(2,484,330)**	**(1,582,686)**	**(1,669,290)**	**1,497,159**	**4,264,776**	**25,629**

47. Risk management - Liquidity and funding risk (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,606,343	18,276	25,430	1,886	1,380	**5,653,315**
Loans and advances to banks	322,874	3,229	249	76,358	74	**402,784**
Investments at FVPL	207,383	-	-	60	500	**207,943**
Loans and advances to customers	1,349,563	198,647	783,138	3,176,677	4,378,022	**9,886,047**
Fair value of derivative assets	4,857	522	178	19,018	52	**24,627**
Non-trading investments	4,737	28,209	300,124	1,089,668	282,433	**1,705,171**
Financial assets classified as held for sale	470,112	773	2,756	9,046	78,775	**561,462**
Other assets	74,148	15,255	8,110	2,678	2,020	**102,211**
	8,040,017	**264,911**	**1,119,985**	**4,375,391**	**4,743,256**	**18,543,560**
Financial liabilities						
Deposits by banks	40,311	24,966	19,375	166,712	148,593	**399,957**
Funding from central banks	-	-	-	979,666	-	**979,666**
Customer deposits	11,846,823	1,916,872	2,717,157	58,496	-	**16,539,348**
Loan stock	23,125	-	-	92,500	296,250	**411,875**
Fair value of derivative liabilities	4,930	998	877	23,138	16,035	**45,978**
Lease liabilities	815	1,374	6,193	26,364	11,320	**46,066**
Other liabilities	179,006	20,473	27,571	5,281	2,691	**235,022**
	12,095,010	**1,964,683**	**2,771,173**	**1,352,157**	**474,889**	**18,657,912**
Net financial (liabilities)/assets	**(4,054,993)**	**(1,699,772)**	**(1,651,188)**	**3,023,234**	**4,268,367**	**(114,352)**

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	420,866	55,956	1,498	-	-	**478,320**
Contractual amounts payable	(416,841)	(55,707)	(1,475)	-	-	**(474,023)**
	4,025	**249**	**23**	**-**	**-**	**4,297**
Financial liabilities						
Contractual amounts receivable	576,053	63,521	798	-	-	**640,372**
Contractual amounts payable	(577,555)	(63,992)	(813)	-	-	**(642,360)**
	(1,502)	**(471)**	**(15)**	**-**	**-**	**(1,988)**

47. Risk management - Liquidity and funding risk (continued)

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,599	2,306	720	-	-	**4,625**
Guarantees	134,280	94,065	247,402	107,768	26,315	**609,830**
Commitments						
Documentary credits	2,007	4,024	3,127	946	1,160	**11,264**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,950,665	-	-	-	-	**1,950,665**
	2,088,551	**100,395**	**251,249**	**108,714**	**27,475**	**2,576,384**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	504,655	36,127	3,193	-	-	**543,975**
Contractual amounts payable	(499,949)	(35,502)	(3,148)	-	-	**(538,599)**
	4,706	**625**	**45**	**-**	**-**	**5,376**
Financial liabilities						
Contractual amounts receivable	565,613	175,348	2,858	-	-	**743,819**
Contractual amounts payable	(570,353)	(175,907)	(2,888)	-	-	**(749,148)**
	(4,740)	**(559)**	**(30)**	**-**	**-**	**(5,329)**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,801	1,542	312	-	-	**4,655**
Guarantees	101,769	105,057	264,089	123,140	25,475	**619,530**
Commitments						
Documentary credits	2,482	5,591	4,957	676	1,160	**14,866**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,986,291	-	-	-	-	**1,986,291**
	2,093,343	**112,190**	**269,358**	**123,816**	**26,635**	**2,625,342**

48. Risk management - Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is largely random and therefore unpredictable.

48. Risk management - Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are largely random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating.

Life insurance contracts
The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes, pandemics and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the careful use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The Group uses an analysis based on its embedded value which provides a comprehensive framework for the evaluation and management of risks faced, the understanding of earnings volatility and operational planning. The table below shows the sensitivity of the embedded value to assumption changes that substantially affect the results:

	2021	2020
Changes in embedded value	**€000**	€000
Change in unit growth +0.25%	**123**	97
Change in expenses +10%	**(3,925)**	(2,451)
Change in lapsation rates +10%	**(1,298)**	(480)
Change in mortality rates +10%	**(9,367)**	(6,457)

The variables above are not linear. In each sensitivity calculation for changes in key economic variables, all other assumptions remain unchanged except when they are directly affected by the revised economic conditions.

Changes to key non–economic variables do not incorporate management actions that could be taken to mitigate effects, nor do they take account of consequential changes in policyholder behaviour. In each sensitivity calculation all other assumptions are therefore unchanged.

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

While the magnitude of these sensitivities will, to a large extent, reflect the size of closing embedded value, each variable will have a different impact on different components of the embedded value. In addition, other factors such as the intrinsic cost and time value of options and guarantees, the proportion of investments between equities and bonds and the type of business written, including for example, the extent of with–profit business versus non–profit business and to the extent to which the latter is invested in matching assets, will also have a significant impact on sensitivities.

48. Risk management - Insurance risk (continued)

Non-life insurance contracts
Non-life insurance business is concentrated in Cyprus and the main claims during 2021 and 2020 related to fire and natural forces and other damage to property, motor vehicle liability and general liability.

Risks under these policies are usually covered for a period of 12 months, with the exception of the goods in transit class that covers shorter periods and the contractors all risks class that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are based on experts' estimates and facts known at the balance sheet date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements in the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on experience and market trends, taking into consideration claims handling costs, inflation and claim numbers for each accident year. Also, external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The risk of a non-life insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, their severity and their evolution from one period to the next.

The main risks for the non-life insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from non-life insurance contracts is also mitigated by the following measures: adherence to strict underwriting policies, strict review of all claims occurring, immediate review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

49. Capital management

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

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

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

49. Capital management (continued)

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

The Group and the Company have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to Capital Requirements Regulation (CRR), CRD IV and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and EuroLife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated UCITS management company of the Group, BOC Asset Management Ltd complies with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements.

Additional information on regulatory capital is disclosed in 'Additional Risk and Capital Management Disclosures' included in the Annual Financial Report and in the 'Pillar III Disclosures Report 2021 (unaudited)', which is published on the Group's website.

50. Related party transactions

Aggregate amounts outstanding at year end and additional transactions

	2021	2020	**2021**	2020
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Group's net assets per director	**12**	9	**148**	98
Loans and advances to other key management personnel and connected persons			**2,380**	21,870
Total loans and advances as at 31 December			**2,528**	21,968
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,364**	2,515
- connected persons			**164**	19,453
			2,528	21,968
Interest income for the year			**394**	710
Commission income for the year			**1**	3
Insurance premium income for the year			**367**	257
Subscriptions and insurance expenses for the year			**377**	461
Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,687**	2,017
- connected persons			**2,254**	2,801
			4,941	4,818
Interest expense on deposits for the year			**-**	3
Accruals and other liabilities as at 31 December with entity providing key management personnel services			**1,199**	2,013
Staff costs, consultancy and restructuring expenses with entity providing key management personnel services			**9,980**	10,087

The above table does not include year-end balances for members of the Board of Directors and their connected persons who resigned during the year.

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €133 thousand as at 31 December 2021 (2020: €57 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €573 thousand as at 31 December 2021 (2020: €3,007 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons using forced-sale values for tangible collaterals and assigning no value to other types of collaterals, at 31 December 2021 amounted to €774 thousand (2020: €1,197 thousand).

At 31 December 2021 the Group has a deposit of €2,891 thousand (2020: €4,081 thousand) with Piraeus Bank SA, in which Mr Arne Berggren is a non-executive Director. The Group has also provided certain indemnities to Piraeus Bank SA as part of the disposal of Kyprou Leasing SA in 2015.

50. Related party transactions (continued)

During the year ended 31 December 2021 premiums of €152 thousand (2020: €26 thousand) and claims of €19 thousand (2020: €15 thousand) were paid between the members of the Board of Directors of the Company and their connected persons and the insurance subsidiaries of the Group.

There were no other transactions during the year ended 31 December 2021 and the year ended 31 December 2020 with connected persons of the current members of the Board of Directors or with any members who resigned during the year.

Connected persons include spouses, minor children and companies in which directors/other key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties include entities providing key management personnel services to the Company.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions including interest rates with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Company's employees and their connected persons on the same terms as those of customers.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2021	2020
Director emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**801**	708
Termination benefits	**-**	450
Employer's contributions	**43**	49
Retirement benefit plan costs	**68**	55
	912	1,262
Other key management personnel emoluments		
Salaries and other short-term benefits	**3,234**	3,363
Employer's contributions	**274**	241
Retirement benefit plan costs	**181**	155
Total other key management personnel emoluments	**3,689**	3,759
Total	**4,601**	5,021

Fees and benefits are included for the period that they serve as members of the Board of Directors.

The termination benefits of the executive directors relate to compensation paid to an executive director who left the Group on 31 October 2020. The retirement benefit plan costs relate to contributions paid for defined contribution plan.

50. Related party transactions (continued)

Executive Directors
The salaries and other short-term benefits of the Executive Directors are analysed as follows:

	2021	2020
	€000	€000
Panicos Nicolaou (Chief Executive Officer)	**715**	506
Christodoulos Patsalides (First Deputy Chief Executive Officer - resigned on 31 October 2020)	**-**	202
Eliza Livadiotou (Executive Director Finance & Legacy - appointed on 6 October 2021, following ECB approval)	**86**	-
	801	708

The retirement benefit plan costs for 2021 amounting to €68 thousand (2020: €55 thousand) relate to Mr Panicos Nicolaou €61 thousand (2020: €40 thousand), Mrs Eliza Livadiotou €7 thousand since the date of her appointment on 6 October 2021 and for 2020 Dr Christodoulos Patsalides up to the date of his resignation €15 thousand.

Non-executive Directors

Non-executive director fees are reflected as an expense of BOCH and as a result no non-executive director fees are disclosed. However, these are recharged by the holding company back to the Company and the recharge cost is included within 'Other operating expenses'.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the management team who report directly to the Chief Executive Officer or to the Deputy Chief Executive Officer. Mrs Eliza Livadiotou has been appointed as member of the Board of Directors from 6 October 2021 and her emoluments from that date onwards are disclosed within the Executive Directors emoluments above.

51. Group companies

The main subsidiary companies and branches included in the Consolidated Financial Statements of the Group, their registered office, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2021 are:

Company	**Country**	**Activities**	**Percentage holding (%)**
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	100
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking and brokerage	100
BOC Asset Management Ltd	Cyprus	Management administration and safekeeping of UCITS Units	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

51. Group companies (continued)

In addition to the above companies, as at 31 December 2021 the Company had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Edilia Properties Ltd, Limoro Properties Ltd, Samilo Properties Ltd, Jalimo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Prodino Properties Ltd, Alezia Properties Ltd, Stevolo Properties Ltd and Zenoplus Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2021 the Company had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2021 the Company had 100% shareholding in BOC Terra AIF V.C.I Plc which is a real estate alternative investment fund.

At 31 December 2021 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Alepar Properties Ltd, Cramonco Properties Ltd, Monata Properties Ltd, Aktilo Properties Ltd, Aparno Properties Ltd, Enelo Properties Ltd, Stormino Properties Ltd, Lomenia Properties Ltd, Vertilia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Romaland Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

51. Group companies (continued)

The Company also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Folimo Properties Ltd, Paneuropean Ltd, Philiki Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC IV Ltd and Steparco Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

Restructuring of its investment banking and brokerage activities

On 19 November 2020, the Group proceeded with a restructuring of its investment banking and brokerage activities through the acquisition by CISCO of LCP Holdings and Investments Public Ltd and CLR Investment Fund Public Ltd. This was achieved by an increase in the share capital of CISCO to the Company in exchange of the shares held by the Company in both companies. In particular, 67% of LCP Holdings and Investments Public Ltd and 20% in CLR Investment Fund Public Ltd were owned by CISCO as at 31 December 2020. In January 2021, CISCO also proceeded with the acquisition of BOC Asset Management Ltd from the Company. The above restructuring did not have an impact on the results of the Group.

Dissolution and disposal of subsidiaries

As at 31 December 2021, the following subsidiaries were in the process of dissolution or in the process of being struck off: Renalandia Properties Ltd, Crolandia Properties Ltd, Fantasio Properties Ltd, Demoro Properties Ltd, Elosis Properties Ltd, Polkima Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Fairford Properties Ltd, Salecom Ltd, Sylvesta Properties Ltd, Fledgego Properties Ltd, Bocaland Properties Ltd, Tantora Properties Ltd, Selilar Properties Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd and Battersee Real Estate SRL.

Frozenport Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, BC Romanoland Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Corner LLC, Leasing Finance LLC, Omiks Finance LLC, Trecoda Real Estate SRL, Commonland Properties Ltd, Melgred Properties Ltd and Romaland Properties SRL were dissolved during the year ended 31 December 2021. Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd), Jongeling Properties Ltd, Kedonian Properties Ltd, Mikosa Properties Ltd, Vemoto Properties Ltd, Subworld Properties Ltd, Intelamon Properties Ltd, Rofeno Properties Ltd, Belvesi Properties Ltd, Icazo Properties Ltd, Lasteno Properties Ltd, Orzo Properties Ltd, Andaz Properties Ltd, CYCMC III Ltd and CLR Investment Fund Public Ltd and subsequently its indirect holding in CLR's subsidiaries (Europrofit Capital Investors Public Ltd, Axxel Ventures Ltd and CLR Private Equity Ltd) were disposed of during the year ended 31 December 2021.

Acquisitions and disposals of subsidiaries

During the years 2021 and 2020 there were no acquisitions of subsidiaries.

During the year ended 31 December 2021, the Group disposed of its 100% shareholding in Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC and recorded a loss on disposal of €458 thousand in the consolidated income statement for the year ended 31 December 2021 (Note 11). In addition, the Group proceeded with the disposal of its 20% shareholding in CLR Investment Fund Public Ltd in October 2021. The disposal resulted in a loss of €66 thousand, which has been recognised in the consolidated income statement for the year ended 31 December 2021 (Note 11).

There were no material disposals of subsidiaries during the year ended 31 December 2020.

52. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	Percentage holding (%)	Type of investment	2021	2020
			€000	€000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	-	Associate	-	2,462
Aris Capital Management LLC	30.0	Associate	-	-
Rosequeens Properties Limited	33.3	Associate	-	-
Rosequeens Properties SRL	33.3	Associate	-	-
Tsiros (Agios Tychon) Ltd	50.0	Joint Venture	-	-
Fairways Automotive Holdings Ltd	45.0	Associate	-	-
			-	2,462

The carrying values of the investments in associates and joint venture are considered to be fully impaired and their value has been restricted to zero.

Share of pre-tax profit from associates

	2021	2020
	€000	€000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	137	69
	137	69

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
In March 2021 the Group completed the sale of its entire holding of 34.2% of the UCITS of Apollo. The Group considered that it exercised significant influence over Apollo even though no Board representation existed, because due to its UCITS holdings, it possessed the power to potentially appoint members of the Board of Directors. During the year ended 31 December 2021, an amount of €137 thousand was recognised in the consolidated income statement as the Group's share of profit from Apollo. The loss on the sale of the investment in associate amounted to €97 thousand and has been recognised in 'Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' (Note 11) during the year ended 31 December 2021.

53. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for year 2021:

	Total operating income/(expense)	**Average number of employees**	**Profit/(loss) before tax**	**Accounting tax expense/(income) on profit/(loss)**	**Corporation tax paid/(refunded)**	**Public subsidies received**
Country	**€000**		**€000**	**€000**	**€000**	**€000**
Cyprus	547,353	3,515	41,808	5,535	4,031	-
Russia	(30)	4	(5,724)	-	-	-
Romania	(518)	5	(942)	-	9	-
Greece	3,406	6	(1,313)	(1,933)	(1,974)	-
Total	**550,211**	**3,530**	**33,829**	**3,602**	**2,066**	**-**

Total operating income/(expense), profit/(loss) before tax and accounting tax expense/(income) on profit/(loss) are prepared on the same basis as the figures reported elsewhere in these financial statements.

The activities of Group companies by geographical area are disclosed in Note 51.

Total operating income/(expense): comprises net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions, gains/(losses) from revaluation and disposal of investment properties, gains/(losses) on disposal of stock of property and other income.

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2021.

Profit/(loss) before tax: profit/(loss) before tax represents profits/(losses) after the deduction of inter-segment revenues/(expenses).

Accounting tax expense/(income) on profit/(loss): includes corporation tax and Cyprus special defence contribution. Deferred tax charge for the year is excluded.

Corporation tax paid/(refunded) includes actual payments made during 2021 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution.

54. Events after the reporting period

Ukrainian crisis

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

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

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

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

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

Voluntary exit plan by JCC Payment Systems Ltd

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

Subordinated Tier 2 Capital Note - January 2017

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

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Limited

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Bank of Cyprus Public Company Limited (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 46 to 232 and comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of 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 among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

- Overall group materiality: €16.5 million, which represents approximately 0.9% of the Group's net assets as presented on the consolidated balance sheet by line item 'Equity attributable to the owners of the Company'.

- We audited the complete financial information of 3 components, all in Cyprus, assessed as significant components.
- In addition, for components not assessed as significant, audit work over specific financial statement lines was performed.
- Our audit scope addressed approximately 97% of the Group's revenues and approximately 97% of the Group's total assets.

We have identified the following key audit matters:

- Impairment of loans and advances to customers.
- Going concern.
- Litigation provisions and regulatory and other claims.
- Valuation of stock of properties.
- Privileged user access.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	€16.5 million.
How we determined it	Based on approximately 0.9% of the Group's net assets as presented on the consolidated balance sheet by line item 'Equity attributable to the owners of the Company'.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark, because in our view, it is reflective of the Group's Common Equity Tier 1 ("CET1") capital position, which is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements. We chose 0.9%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €800 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Bank of Cyprus Public Company Limited is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of Bank of Cyprus Public Company Limited.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into separate units, with the most significant being the Banking and the Insurance operations, both of which operate primarily in Cyprus. The Banking operations comprise one component, being Bank of Cyprus Public Company Limited. The Insurance operations comprise two components, being EuroLife Limited and General Insurance of Cyprus Limited. Full scope audit procedures were performed in respect of these components.

For other group business reporting units additional substantive audit procedures were carried out over specific financial statement lines in order to achieve the desired appropriate audit evidence. The consolidated financial statements are a consolidation of all the reporting units.

Taken together, our audit scope addressed approximately 97% of the Group's revenues and approximately 97% of the Group's total assets.

Where the work was performed by component auditors, we as group auditors determined the level of involvement we needed to have in the audit work of those components 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. Our involvement in that work included, amongst others, the instructing of the component auditors with respect to matters pertaining to the risk assessment process as well as our review of detailed memorandums prepared by the component auditors delineating the results of audit procedures performed. Further, on the basis of frequent communications with component audit teams in relation to the nature, timing and extent of the work impacting the Group audit opinion we ensured that our audit plan was appropriately executed. The group consolidation and consolidated financial statement disclosures are audited by the group engagement team.

By performing the procedures above at component level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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;	We understood and evaluated the overall control framework and tested the design and operating effectiveness of key controls across processes relevant to the calculation of ECL. We tested the completeness and accuracy of data inputs to the ECL model on a sample basis. We read and considered the minutes of the Joint Audit & Risk committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk committee. We assessed the appropriateness of the key assumptions used in the methodologies and models developed by the Group and their compliance with the requirements of IFRS 9. We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the criteria used to allocate loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered residual staging overlays, in particular those applied by management with respect to COVID 19 impacted customers, where applicable.

- 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 tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator "challenger model", on the basis of which an independent point ECL estimate was developed and compared against the Group's own calculation.

We evaluated the Group's individual assessments for a sample of material Stage 3 exposures for compliance with the Group's policies, developments during 2021 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records.

We considered the impact on the Group's ECL charge of expected realisation through disposals of certain loan portfolios comprising primarily Stage 3 loans and determined whether the related ECL charge is reasonable.

We compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, upturn, downturn scenarios to publicly available information. We also considered the reasonableness of management's downturn and upturn assumptions in conjunction with the scenario weightings applied by management.

We evaluated the appropriateness of the Group's disclosures particularly in relation to significant judgements and estimates.

We concluded that the methodologies and judgments used by management in determining the ECL charge were reasonable, that the ECL provisions recognised were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.

Going concern	
Refer to Note 3 “Going Concern” to the consolidated financial statements. The Directors have determined that it is appropriate to prepare the consolidated financial statements using the going concern assumption and that no material uncertainties exist relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern. In making their assessment, the Directors have considered a period of at least twelve months from the date of approval of the consolidated financial statements. We considered the Group’s assessment of its capital and liquidity position at 31 December 2021 including the improvements noted by management since 31 December 2020. Management has considered two prospective macroeconomic scenarios and then assessed the resulting Group capital and liquidity ratios for comparison against regulatory requirements. The development of these scenarios requires considerable management judgement. Particular consideration has been given to assessing any residual impact of COVID-19 as well as recent geopolitical developments pertaining to the Russian invasion of Ukraine. We determined this to be a key audit matter due to the ongoing focus on the capital adequacy for the Group and the judgements and assumptions underlying the delivery of the Group’s Financial Plan.	We obtained the Directors’ going concern assessment and assessed whether events and conditions exist that create material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. We read correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Group, as well as other correspondence such as the findings of the ECB’s Supervisory Review and Evaluation Process (SREP) which determines the Group’s required Regulatory ratios. We considered the Group’s 4 year Financial Plan approved by the Board in February 2022. We compared the Group’s CET1 and other capital and liquidity ratios as included in management’s going concern assessment versus regulatory reporting submissions of the Group. We evaluated the Group’s assessment of the impact of the projected macroeconomic scenarios on its liquidity and capital ratios for the period of assessment. In particular, we: • Considered the Group’s models used to develop projected future operating results, cash flows and estimates of assets and liabilities and challenged the assumptions underlying them by reference to past experience. • Assessed the Group’s development of alternative (base and adverse) macroeconomic scenarios by reference to internal and external forecasts for the performance of the Cypriot economy over the next two years. • Considered the Group’s estimates with respect to projected liquidity, in the context of liquidity stress testing. • Assessed the Group’s estimation of the expected ECL impact on the customer loan portfolio and the valuation of property assets held as collateral and their consistency with the macroeconomic scenarios under consideration.

	We evaluated and stress-tested the Group's assessment of the possible impact of recent geopolitical developments pertaining to the Russia Ukraine conflict on the Group's forecast capital positions. We also evaluated the disclosures made in the consolidated financial statements and assessed whether they reflected the basis of the conclusions of the Directors' assessment. We concluded that the judgements made by the Directors in preparing the consolidated financial statements on a going concern basis 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 2.36 "Provisions for pending litigation, claims regulatory and other matters" within Note 2 "Summary of significant accounting policies", Note 5.4 "Provisions for pending litigation, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 39 "Pending litigation, claims, regulatory and other matters", to the consolidated financial statements. The Group is subject to various legal claims, investigations and other proceedings. Provisions for pending litigation, claims, regulatory and other matters for the Group amounted to €104 million as at 31 December 2021. Management together with the Group's compliance and legal departments and where necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for each individual case and assess the probability of economic outflow from the Group. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters requires a significant level of judgement by management. The judgements relate to the probability of	We obtained an understanding of and evaluated the design of controls relevant to the recognition and measurement of litigation provisions and regulatory and other claims. We tested the operating effectiveness of controls we wished to rely on. We evaluated management's assessment of a risk based sample of individual cases, including whether an economic outflow was assessed as probable. We assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary, we confirmed case facts and judgements directly with external legal advisors. For cases where economic outflow was assessed as probable by management, and therefore a provision recorded, we recalculated the provision and performed sensitivity analysis on key assumptions used by management. We understood the basis of management's collective provisions, in circumstances where these are applied, assessed the key assumptions used by reference to past experience and recalculated provisions booked. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified

obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	legal cases or relevant developments in current cases. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2021. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Valuation of 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 properties". The Group has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property at the lower of their cost or net realisable value in accordance with IAS 2. Valuations obtained from reputable external valuers are a key input to determine the appropriate carrying amount. We have determined this to be a key audit matter in light of the large volume of properties held, the carrying value of these properties of €1.112 million at 31 December 2021, and the uncertainty around market conditions when estimating the carrying amount.	We evaluated the overall control framework relevant to repossessed properties and tested the design and operating effectiveness of key controls around their valuation. We focused on the key inputs and assumptions underlying the valuation of the properties accounted for in accordance with IAS 2. We evaluated the competence, capability and objectivity of management's external experts (property valuers). For a sample of external valuation reports, we assessed the methodology and assumptions used with the assistance of PwC valuation experts. For a sample of properties recognised during the year, we tested "cost" by reference to signed "debt-for-asset" agreements entered into with Group borrowers, and we tested the "net realisable value" by reference to external valuation reports. We performed look-back procedures by comparing the price achieved for disposals

	during 2021 to the carrying amounts for those assets at 31 December 2020. We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards. We concluded that the judgements and estimates used by management in determining the carrying amount of stock of properties were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Privileged user access 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 the applications and underlying data are made in an appropriate manner and to mitigate the risk of potential fraud or error. We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data and we performed extensive procedures due to the nature of the legacy systems in place.	With the assistance of PwC IT audit specialists, we obtained an understanding of the Group's IT environment and evaluated and tested the design and operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting. Where deficiencies in privileged user access controls were identified, we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we: • Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to validate the completeness of access rights within the Group's user access tool that supports the management of user access, for the provision, deprovision, and recertification of privileged access; • Extracted the list of privileged users on the Group's data warehouse and considered the appropriateness of access during 2021; • Extracted the list of developers from the production IT systems and release tools for those applications where system

	functionality is managed in-house and reviewed the appropriateness of developer access; • 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.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Definitions and explanations on Alternative Performance Measures Disclosures, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the consolidated financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 March 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

29 March 2022

Financial Statements 2021

Contents *Page*

Income Statement
for the year ended 31 December 2021

	Notes	**2021** €000	2020 €000
Turnover*		**615,404**	654,468
Interest income	*6*	**363,552**	390,740
Income similar to interest income	*6*	**51,584**	71,844
Interest expense	*7*	**(66,431)**	(61,362)
Expense similar to interest expense	*7*	**(25,192)**	(44,720)
Net interest income		**323,513**	356,502
Fee and commission income	*8*	**168,808**	141,247
Fee and commission expense	*8*	**(13,219)**	(10,091)
Net foreign exchange gains	*9*	**15,518**	19,631
Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	*10*	**(63,057)**	(29,715)
Dividend income from subsidiaries and associates	*22*	**25,205**	25,567
Net gains/(losses) from revaluation and disposal of investment properties		**214**	(1,043)
Net gains on disposal of stock of property	*26*	**10,831**	7,888
Other income	*11*	**4,704**	5,281
		472,517	515,267
Staff costs	*12*	**(195,568)**	(180,248)
Special levy on deposits and other levies/contributions	*13*	**(36,350)**	(33,656)
Other operating expenses	*13*	**(146,147)**	(166,170)
		94,452	135,193
Net gains on derecognition of financial assets measured at amortised cost		**3,859**	2,949
Credit losses to cover credit risk on loans and advances to customers	*14*	**(35,203)**	(274,163)
Credit losses of other financial instruments	*14*	**(10,163)**	(8,744)
Impairment net of reversals of non-financial assets	*14*	**(32,595)**	(17,588)
Profit/(loss) before tax		**20,350**	(162,353)
Income tax	*15*	**(169)**	(818)
Profit/(loss) after tax for the year		**20,181**	(163,171)
Basic and diluted profit/(loss) per share (€ cent)	*16*	**0.21**	(1.7)

* The Company's turnover as presented on the Income statement is analysed in Note 6 of the Consolidated Financial Statements of the Bank of Cyprus Group.

	Notes	**2021** €000	2020 €000
Profit/(loss) for the year		**20,181**	(163,171)
Other comprehensive income (OCI)			
OCI that may be reclassified in the income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net losses on investments in debt instruments measured at fair value through OCI (FVOCI)		**(42)**	(6,891)
Transfer to the income statement on disposal		**-**	(3,653)
		(42)	(10,544)
Foreign currency translation reserve			
Profit/(loss) on translation of net investments in foreign branches and subsidiaries		**457**	(564)
Total OCI that may be reclassified in the income statement in subsequent periods		**415**	(11,108)
OCI not to be reclassified in the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net gains on investments in equity instruments designated at FVOCI		**437**	73
Property revaluation reserve			
Fair value gain before tax	*24*	**468**	1,054
Deferred tax	*15*	**134**	2,057
		602	3,111
Actuarial gains/(losses) on the defined benefit plans			
Remeasurement gains/(losses) on defined benefit plans	*12*	**3,764**	(2,655)
Total OCI not to be reclassified in the income statement in subsequent periods		**4,803**	529
Other comprehensive income/(loss) for the year net of taxation		**5,218**	(10,579)
Total comprehensive income/(loss) for the year		**25,399**	(173,750)

	Notes	2021 €000	2020 €000
Assets			
Cash and balances with central banks	17	**9,230,717**	5,653,143
Loans and advances to banks	17	**247,693**	361,278
Derivative financial assets	19	**6,653**	24,627
Investments	18	**670,040**	1,663,226
Investments pledged as collateral	18	**1,260,158**	37,105
Loans and advances to customers	21	**9,835,534**	9,882,154
Balances with Group companies	22	**667,725**	740,931
Prepayments, accrued income and other assets	27	**499,438**	130,365
Stock of property	26	**513,289**	678,426
Deferred tax assets	15	**265,364**	341,182
Investment properties	20	**34,125**	47,438
Property and equipment	24	**207,464**	220,881
Intangible assets	25	**41,846**	46,254
Investments in associates	23	**-**	2,191
Investments in subsidiaries	48	**91,218**	97,609
Non-current assets and disposal groups held for sale	28	**338,630**	618,987
Total assets		**23,909,894**	20,545,797
Liabilities			
Deposits by banks		**451,960**	388,693
Funding from central banks	29	**2,969,600**	994,694
Derivative financial liabilities	19	**32,452**	45,978
Customer deposits	30	**17,530,883**	16,533,212
Balances with Group companies	22	**67,929**	71,806
Accruals, deferred income, other liabilities and other provisions	32	**270,903**	276,407
Pending litigation, claims, regulatory and other matters	37	**97,104**	116,611
Loan stock	31	**644,928**	272,152
Deferred tax liabilities	15	**20,435**	20,443
Total liabilities		**22,086,194**	18,719,996
Equity			
Share capital	33	**959,794**	959,794
Revaluation and other reserves		**72,541**	71,032
Retained earnings	35	**571,365**	574,975
Other equity instruments	33	**220,000**	220,000
Total equity		**1,823,700**	1,825,801
Total liabilities and equity		**23,909,894**	20,545,797

Mr. E.G. Arapoglou Chairman

Mr. P. Nicolaou Chief Executive Officer

Mr. N. Sofianos Director

Mrs. E. Livadiotou Executive Director Finance & Legacy

	Attributable to shareholders of the Company							
	Share capital (Note 33)	Share premium (Note 33)	Retained earnings (Note 35)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 33)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2021	959,794	-	574,975	56,597	17,700	(3,265)	220,000	**1,825,801**
Profit for the year	-	-	20,181	-	-	-	-	**20,181**
Other comprehensive income after tax for the year	-	-	3,764	602	395	457	-	**5,218**
Total comprehensive income after tax for the year	-	-	23,945	602	395	457	-	**25,399**
Transfer of realised profits on disposal of investments	-	-	(55)	-	55	-	-	**-**
Payment of coupon to AT1 holders (Note 33)	-	-	(27,500)	-	-	-	-	**(27,500)**
31 December 2021	**959,794**	**-**	**571,365**	**57,199**	**18,150**	**(2,808)**	**220,000**	**1,823,700**

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

	Attributable to shareholders of the Company							
	Share capital (Note 33)	Share premium (Note 33)	Retained earnings (Note 35)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 33)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2020	959,794	618,868	146,412	56,507	28,171	(2,701)	220,000	**2,027,051**
Loss for the year	-	-	(163,171)	-	-	-	-	**(163,171)**
Other comprehensive (loss)/income after tax for the year	-	-	(2,655)	3,111	(10,471)	(564)	-	**(10,579)**
Total comprehensive (loss)/income after tax for the year	-	-	(165,826)	3,111	(10,471)	(564)	-	**(173,750)**
Transfer of realised profits on disposal of properties	-	-	3,021	(3,021)	-	-	-	**-**
Reduction of share premium (Note 33)	-	(618,868)	618,868	-	-	-	-	**-**
Payment of coupon to AT1 holders (Note 33)	-	-	(27,500)	-	-	-	-	**(27,500)**
31 December 2020	**959,794**	**-**	**574,975**	**56,597**	**17,700**	**(3,265)**	**220,000**	**1,825,801**

	Notes	2021 €000	2020 €000
Net cash flow from/(used in) operating activities	*39*	**1,143,905**	(319,651)
Cash flows from investing activities			
Purchases of debt securities and equity securities		**(619,380)**	(573,648)
Proceeds on disposal/redemption of investments in debt and equity securities		**379,298**	557,303
Interest received from debt securities		**27,324**	33,514
Dividend income received		**25,577**	25,790
Proceeds on disposal of subsidiaries and associates		**8,323**	53,354
Proceeds on disposal of held for sale portfolio		**145,030**	13,409
Deposits on held for sale portfolios	*32*	**19,225**	21,100
Purchases of property and equipment	*24*	**(4,216)**	(7,188)
Purchases of intangible assets	*25*	**(12,944)**	(12,722)
Proceeds on disposals of investment properties and investment properties held for sale		**9,236**	4,940
Proceeds on disposals of property and equipment and intangible assets		**110**	337
Net cash (used in)/from investing activities		**(22,417)**	116,189
Cash flow from financing activities			
Net proceeds from funding from central banks	*29*	**2,000,000**	1,000,000
Proceeds from the issue of loan stock (net of costs)		**598,505**	-
Repayments of subordinated loan stock		**(231,596)**	-
Interest on subordinated loan stock		**(33,570)**	(23,329)
Interest on balances with central banks	*7*	**(31,919)**	(18,782)
Principle elements of lease payments	*41*	**(6,877)**	(7,962)
Payment of AT1 coupon	*33*	**(27,500)**	(27,500)
Net cash from financing activities		**2,267,043**	922,427
Net increase in cash and cash equivalents		**3,388,531**	718,965
Cash and cash equivalents			
1 January		**5,848,457**	5,099,877
Foreign exchange adjustments		**(25,883)**	29,615
Net increase in cash and cash equivalents		**3,388,531**	718,965
31 December	*40*	**9,211,105**	5,848,457

Details on the non-cash transactions are presented in Note 39.

1. Corporate information

Bank of Cyprus Public Company Limited (the Company) is the holding company of the Bank of Cyprus Group (the Group). The principal activities of the Company involve the provision of banking, financial services and management and disposal of property predominately acquired in exchange of debt.

The Company 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 Company is subject to joint supervision by the ECB and the CBC for the purposes of its prudential requirements.

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law.

The shares of the parent company Bank of Cyprus Holdings Public Limited Company (BOCH), a company incorporated in Ireland, are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE). The Company remains a public company for the purposes of the Cyprus Income Tax Laws.

The financial statements are available at the Bank of Cyprus Public Company Ltd registered office (51 Stassinos Street, 2002 Strovolos, Nicosia, Cyprus) and on the Group's website http://www.bankofcyprus.com (Group/Investor Relations/Financial Results).

The Annual Report of Bank of Cyprus Holdings Public Limited Company Group is available on the website http://www.bankofcyprus.com (Group/Investor Relations/Financial Results).

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

Presentation of the Financial Statements
The 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 Company 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 42.

The Financial Statements include the branch of the Company in Greece.

Statement of compliance
The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Company Law, Cap. 113.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures

The accounting policies adopted in preparing the Financial Statements of the Company are consistent with those adopted in preparing the Consolidated Financial Statements of the Group, a summary of which is presented in Note 2 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021.

In addition the following policies are adopted:

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

The Company periodically evaluates the recoverability of the investment in subsidiary companies whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows of the subsidiaries or material adverse changes in the economic or political stability of the country that the subsidiaries operate, which may indicate that the carrying amount of the investment in subsidiary companies is not recoverable. If facts and circumstances indicate that investment in subsidiary companies may be impaired, the recoverable amount of each subsidiary would be compared to the carrying amount of the investment in the subsidiary in the Company's financial statements to determine if impairment of the investment is necessary. An impairment loss is recognised equal to the excess of the carrying amount of the investment in the subsidiary over its recoverable amount.

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 2.2.1 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021.

2.3 Comparative information

Comparative information was restated in relation to the presentation of 'credit risk concentration of loans and advances to customers' as detailed in Notes 43.2, 43.3, 43.4, 43.7 and 43.11.

The above restatements did not have an impact on the results for the year or the equity of the Company.

3. Going concern

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

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

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

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

3. Going concern (continued)

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

4. Economic and geopolitical environment

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

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

5. Significant and other judgements, estimates and assumptions

The preparation of the 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 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 Company based its assumptions and estimates on parameters available when the 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 Company. 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 5.10.

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

5.1 Classification of financial assets

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

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

The Company 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 Company's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies.

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

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

Assessment of significant increase in credit risk (SICR)
IFRS 9 does not include a definition of significant increase in credit risk. The Company 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 Company uses a PD at origination incorporating behavioural information (score cards) whereas, for the corporate portfolio, the Company 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 Company determines the ECL, which is a probability weighted amount, by evaluating a range of possible outcomes. Management uses forward looking scenarios and assesses the suitability of weights used. These are based on management's assumptions taking into account macroeconomic, market and other factors. Changes in these assumptions and in other external factors could significantly impact ECL. Macroeconomic inputs and weights per scenario are monitored by the Economic Research Department and are based on internal model analysis after considering external market data supplemented by expert judgement.

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

5.2 Calculation of expected credit losses (continued)

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

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

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

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Group as at 31 December 2021 and 2020 respectively. The Company uses three different economic scenarios in the calculation of default probabilities and provisions. The Company 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 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021. This reflects the management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Despite the more positive outlook for 2022 and the continued recovery, given the added uncertainties and downside risks in the global economy as well as the local economy, especially in view of inflation uncertainties and added geopolitical risks, management decided to maintain an elevated weight on the adverse scenario.

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

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

5.2 Calculation of expected credit losses (continued)

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

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 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021. Hence management has decided to keep the weight of the adverse scenario to 30%, and correspondingly keep a reduced weight of the favourable scenario to 20%.

31 December 2021

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

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

5.2 Calculation of expected credit losses (continued)

31 December 2020

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

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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

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

The RICS indices, which are considered for the purposes of determining the real estate collateral value on realisation date have been used as the basis to estimate updated market values of properties supplemented by management judgement where necessary given the difficulty in differentiating between short-term impacts and long-term structural changes and the shortage of market evidence for comparison purposes and are capped to 0% in case of any future projected increase, whereas any future projected decrease is taken into account.

For Stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios: base, adverse and favourable. The base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional either more favourable or more adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario, whereas under the favourable scenario applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures.

For collectively assessed customers the calculation is also the weighted average of three scenarios: base, adverse and favourable.

Assessment of loss given default (LGD)
A factor for the estimation of loss given default (LGD) is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

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

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

5.2 Calculation of expected credit losses (continued)

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

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

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment including cases where no specific model has been developed.

The above assumptions are also influenced by the ongoing regulatory dialogue the Company 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 the Company's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned.

The credit conversion factor model for revolving products was calibrated in the fourth quarter of 2021, to include additional data points covering the period up to moratorium and in order to be aligned with the behavioural maturity model for revolving facilities. The impact on the ECL for the year ended 31 December 2021 was a release of ECL of €1,790 thousand.

Modelling adjustments
Forward looking models have been developed for ECL parameters PD, EAD, LGD for all portfolios and segments sharing similar characteristics. Model validation (initial and periodic) is performed by the independent validation unit within the Risk Management Division and involves assessment of a model under both quantitative (i.e. stability and performance) and qualitative terms. The frequency and level of rigour of model validation is commensurate to the overall use, complexity and materiality of the models, (i.e. risk tiering). In certain cases, judgement is exercised in the form of management overlay by applying adjustments on the modelled parameters. Governance of these models lies with the Risk Management Division, where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee.

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)

During the third quarter of 2021, cure model recalibration was performed mainly to address the low default/cure environment observed in the recent period prior to moratorium and investigate the considered model development period such that is retains the through the cycle nature of the model. The calibration was performed on the most recent changes in definition of default introduced in January 2021 and had an ECL impact of €28 million for the year ended 31 December 2021.

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

SICR adjustment
Following an assessment performed for SICR for customers that had taken up the moratorium in 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to skewed outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (adjusted for the days past due and arrears elements that did not apply during the moratorium period so as to assess if any customers exhibit severe deterioration/improvement). Additionally, stricter customers' credit ratings thresholds have been applied for customers in the hotels and catering industry sector. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2. At 31 December 2021, this overlay continued to apply only for the customers in the hotel and catering industry. The impact of this overlay resulted in a transfer of loans of €42 million from Stage 1 to Stage 2 and maintaining the classification of €28 million loans in Stage 2 had an impact on the ECL of €91 thousand and €383 thousand respectively for the year ended 31 December 2021. The removal of this overlay from the remaining exposures resulted in a transfer of €109 million exposures from Stage 2 to Stage 1 and an ECL reversal of €0.4 million for the year ended 31 December 2021.

Given the data available since the expiry of the moratorium, any exposures that were assessed as having experienced a SICR in 2020 and were classified to Stage 2 following overlays performed (other than the overlay described in the previous paragraph), were allowed to return to Stage 1, if no SICR was identified by the models. The removal of this overlay led to a transfer back to Stage 1 of €424 million exposures, resulting in the release of ECL of €2 million for the year ended 31 December 2021.

Additionally, exposures that did not participate in the 2020 moratorium but were identified as having experienced a SICR during 2020 and therefore transferred to Stage 2 were allowed to migrate back to Stage 1 if they did not exhibit a SICR as at 30 June 2021. This overlay has been removed and led to a transfer back to Stage 1 of €186 million exposures, resulting in an ECL release of €1 million for the year ended 31 December 2021.

Probability of default and behavioural ratings adjustment
A PD overlay maintained from 2020 in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model-projected and observed 2021 defaults was removed during the third quarter of 2021. This overlay had an isolated ECL impact of €11 million in 2020 and a corresponding ECL release upon its removal during the year ended 31 December 2021.

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

5.2 Calculation of expected credit losses (continued)

The PD overlay applied in 2020 relating to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium biased rating to reflect an improved asset quality, was removed in 2021. This overlay did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating and resulted in an ECL increase of €5 million during 2020. The overlay was removed during the first quarter of 2021 and resulted in an ECL release of €5 million for the year ended 31 December 2021.

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. During 2020, in response to the COVID-19 pandemic, the selection criteria were expanded to include significant Stage 1 exposures within highly impacted sectors to assess potential increase in credit risk and significant exposures which transitioned from Stage 1 to Stage 2 to assess potential indications for unlikeliness to pay. These expanded selection criteria were also applied in the year ended 31 December 2021.

Further details on impairment allowances and related credit information are set out in Note 43.

5.3 Stock of property - estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, which take into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 26.

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

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 2.36 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021. 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 Company 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 Company 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 Company 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 37.

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

5.5 Tax

The Company, other than in Cyprus, is subject to tax in the countries that it has run down operations mainly in Greece, Russia and Romania. Estimates are required in determining the provision for taxes at the reporting date. The Company 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 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 15), the Company 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, the Company 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 15.

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 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 fair value of assets and liabilities are disclosed in Note 20.

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

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 Company'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 Company'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 12.

5.8 Classification of properties

The Company determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally they comprise leased properties which are acquired in exchange of debt and are leased out under operating leases.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 (except from those that are leased out and are classified as investment properties).

5.9 Fair value of properties held for own use and investment properties

The Company's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the fair value is established at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the internationally accepted valuation standards.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparable information, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Further information on inputs used is disclosed in Note 20.

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

5.10 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 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021, 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 Company's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by the Company showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

- For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate, based on the horizon used in the Group's financial plan. The current medium-term financial plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
- For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.
- For leases with an option for renewal, the Company'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 Company 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 41.

6. Interest income and income similar to interest income

Interest income

	2021	2020
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**311,904**	356,938
- Loans and advances to banks and central banks	**1,117**	1,467
- Debt securities	**7,574**	10,710
- Other financial assets (Note 27)	**5,335**	-
Debt securities at FVOCI	**12,528**	16,319
Negative interest on funding from central banks	**25,094**	5,306
	363,552	390,740

Income similar to interest income

	2021	2020
	€000	€000
Loans and advances to customers at FVPL	**36,345**	37,530
Derivative financial instruments	**15,239**	34,314
	51,584	71,844

7. Interest expense and expense similar to interest expense

Interest expense

	2021	2020
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**5,468**	13,485
- Funding from central banks and deposits by banks	**1,623**	1,573
- Loan stock	**27,390**	23,329
- Repurchase agreements	**-**	3,784
Negative interest on loans and advances to banks and balances with central banks	**31,919**	18,782
Interest expense on lease liabilities (Note 41)	**31**	409
	66,431	61,362

Expense similar to interest expense

	2021	2020
	€000	€000
Derivative financial instruments	**25,192**	44,720

8. Fee and commission income and expense

Fee and commission income

	2021	2020
	€000	€000
Credit-related fees and commissions	**55,157**	48,481
Other banking commissions	**101,111**	85,700
Fees on servicing loans disposed of under Project Helix 2/Helix	**7,009**	2,170
Mutual funds and asset management fees	**2,856**	2,460
Other commissions	**2,675**	2,436
	168,808	141,247

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 €33,522 thousand (2020: €27,505 thousand). Other banking commissions include commissions from payment orders amounting to €27,462 thousand (2020: €26,659 thousand) and account maintenance fees of €23,388 thousand (2020: €20,089 thousand). Liquidity fee is also included within other banking commissions.

Fee and commission expense

	2021	2020
	€000	€000
Banking commissions	**12,908**	9,790
Mutual funds and asset management fees	**311**	301
	13,219	10,091

9. 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.

10. Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates

	2021	2020
Trading portfolio:	**€000**	€000
- derivative financial instruments	**132**	(747)
Other investments at FVPL:		
- debt securities	**3,509**	(1,947)
- mutual funds	**(266)**	82
- equity securities	**2,137**	154
Net gains on disposal of FVOCI debt securities	**-**	2,865
Net losses on balances with Group companies	**(39,378)**	(34,292)
Net (losses)/gains on loans and advances to customers at FVPL (Note 20)	**(17,292)**	3,606
Net loss on early redemption of loan stock (Note 31)	**(12,558)**	-
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 19)	**19,878**	(5,205)
- hedged items (Note 19)	**(19,327)**	5,760
Net gains on disposal/dissolution of subsidiaries and associates	**108**	9
	(63,057)	(29,715)

Net losses on balances with Group companies for 2021 of €39,378 thousand (2020: €34,292 thousand) relate to fair value losses on receivables from Group property companies in Cyprus of €37,338 thousand (2020: €30,438 thousand) and net losses from settlement of balances with Group property companies of €2,040 thousand (2020: €3,854 thousand).

In April 2021, the Company invited the holders of its €250 million unsecured and subordinated Tier 2 Capital Note (issued in January 2017) to tender it for purchase by the Company at a price of 105.5% plus accrued interest. The Company received valid tenders for approximately €207 million in aggregate nominal amount, all of which were accepted and subsequently repurchased a further €7 million in the open market. As a result, the Company incurred a loss of €12,558 thousand, while at the same time forfeiting the relevant obligation for future coupon payments. Further information is provided in Note 31.

The loss on disposal/dissolution of subsidiaries for the year ended 31 December 2021 primarily relates mainly to the loss on the disposal of the subsidiary Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (Note 48) and to the gain on disposal of the associate Apollo Global Equity Fund of Funds Variable Capital Investment Company PLC (Note 23).

11. Other income

	2021	2020
	€000	€000
Dividend income	**372**	223
Loss on sale and write-off of property and equipment and intangible assets	**(13)**	(93)
Rental income from investment properties	**1,754**	2,678
Rental income from stock of property	**35**	26
Other income	**2,556**	2,447
	4,704	5,281

Dividend income relates to Cyprus operations.

12. Staff costs

Staff costs

	2021	2020
	€000	€000
Salaries	**142,657**	139,142
Employer's contributions to state social insurance	**25,511**	24,108
Retirement benefit plan costs	**12,367**	11,173
	180,535	174,423
Restructuring costs - voluntary exit plans and other termination benefits	**15,033**	5,825
	195,568	180,248

The number of persons employed by the Company as at 31 December 2021 was 3,012 and includes 44 persons that have accepted the voluntary exit plan (VEP) and left the Company in early 2022 (2020: 3,141).

In December 2021, the Company completed a VEP, through which 96 of the Company's full time employees were approved to leave at a total cost of €12,367 thousand. In December 2020, the Company proceeded with a targeted VEP with a cost amounting to €5,825 thousand. In total, 27 employees accepted the targeted VEP and left the Company early in 2021.

In July 2021, the Company reached an agreement with the Cyprus Union of Bank employees for the renewal of the collective agreement for the years 2021 and 2022. The agreement relates to certain changes including the introduction of a new pay grading structure linked to the value of each position of employment, and of a performance related pay component as part of the annual salary increase, both of which have been long-standing objectives of the Company and are in line with market best-practice.

During the year ended 31 December 2021 an amount of €1,235 thousand (2020: nil) relating to staff costs has been capitalised as internally developed computer software (Note 25).

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance, the Company operates plans for the provision of additional retirement benefits as described below:

	2021	2020
	€000	€000
Defined benefit plans	**87**	76
Defined contribution plans	**12,280**	11,097
	12,367	11,173

Cyprus
The main retirement plan for the Company's permanent employees in Cyprus (99% of total Company employees) is a defined contribution plan. This plan provided for employer contributions of 9% for the period 1 January 2021 to 31 August 2021, revised to 8% from 1 September 2021 (2020: 8%) and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by an Administrative Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

12. Staff costs (continued)

Retirement benefit plan costs (continued)

United Kingdom
The Company has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the balance sheet	**2021 €000**	2020 €000
Liabilities (Note 32)	**-**	6,561

Two of the plans have a funded status surplus of €5,462 thousand (2020: one plan with surplus €2,759 thousand) that is not recognised as an asset on the basis that the Company has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2021 and 2020 are presented below:

12. **Staff costs** (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2021	78,079	(74,277)	3,802	2,759	**6,561**
Net interest expense/(income)	1,172	(1,085)	87	-	**87**
Total amount recognised in the income statement	1,172	(1,085)	87	-	**87**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(5,004)	(5,004)	-	**(5,004)**
Actuarial loss from changes in financial assumptions	(1,333)	-	(1,333)	-	**(1,333)**
Demographic assumptions	(170)	-	(170)	-	**(170)**
Experience adjustments	40	-	40	-	**40**
Change in asset ceiling	-	-	-	2,703	**2,703**
Total amount recognised in OCI	(1,463)	(5,004)	(6,467)	2,703	**(3,764)**
Exchange differences	5,249	(4,994)	255	-	**255**
Contributions:					
Employer	-	(3,139)	(3,139)	-	**(3,139)**
Benefits paid from the plans	(2,401)	2,401	-	-	**-**
31 December 2021	**80,636**	**(86,098)**	**(5,462)**	**5,462**	**-**

12. **Staff costs** (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2020	74,956	(70,831)	4,125	2,927	**7,052**
Net interest expense/(income)	1,426	(1,350)	76	-	**76**
Total amount recognised in the income statement	1,426	(1,350)	76	-	**76**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(6,182)	(6,182)	-	**(6,182)**
Actuarial loss from changes in financial assumptions	9,121	-	9,121	-	**9,121**
Demographic assumptions	(133)	-	(133)	-	**(133)**
Experience adjustments	17	-	17	-	**17**
Change in asset ceiling	-	-	-	(168)	**(168)**
Total amount recognised in OCI	9,005	(6,182)	2,823	(168)	**2,655**
Exchange differences	(3,965)	3,587	(378)	-	**(378)**
Contributions:					
Employer	-	(2,844)	(2,844)	-	**(2,844)**
Benefits paid from the plans	(3,343)	3,343	-	-	**-**
31 December 2020	**78,079**	**(74,277)**	**3,802**	**2,759**	**6,561**

12. **Staff costs** (continued)

Retirement benefit plan costs (continued)

The actual return on plan assets for year 2021 was a gain of €6,089 thousand (2020: gain of €7,532 thousand).

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Company is exposed to a number of risks as outlined below:

Interest rate risk	The Company 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 Company faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used to better match the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2021	2020
Equity securities	**20%**	31%
Debt securities	**47%**	38%
Loans and advances to banks	**12%**	8%
Funds	**21%**	23%
	100%	100%

The Company expects to make additional contributions to defined benefit plans of €3,214 thousand during 2022.

At the end of the reporting period, the average duration of the defined benefit obligation was 18.8 years (2020: 19.3 years).

12. Staff costs (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Company during 2021 and 2020 are set out below:

2021	**Cyprus**	**UK**
Discount rate	**0.88%**	**1.80%**
Inflation rate	**1.50%**	**3.25%**
Future salary increases	**2.00%**	**n/a**
Rate of pension increase	**2.00%**	**3.10%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**22.9 years M 24.3 years F**
2020		
Discount rate	0.33%	1.45%
Inflation rate	1.50%	2.85%
Future salary increases	2.00%	n/a
Rate of pension increase	2.00%	2.75%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a
Life expectancy for pensioners at age 65	n/a	22.5 years M 24.9 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Company's plans in the Eurozone (Cyprus and Greece) which comprise 1% of the defined benefit obligations, the Company adopted a full yield curve approach using AA-rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Company's plan in the UK which comprises 99% of the defined benefit obligations, the Company 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 Company, 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.

12. Staff costs (continued)

Retirement benefit plan costs (continued)

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2021 and 2020 is presented below:

Variable	**2021**		2020	
	Change +0.5%	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-9.1%**	**9.8%**	-9.4%	10.0%
Inflation growth rate	**5.3%**	**-5.2%**	6.0%	-5.5%
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	**3.4%**	**-3.4%**	3.4%	-3.4%

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

13. Other operating expenses

	2021	2020
	€000	€000
Repairs and maintenance expenses	**27,754**	27,109
Other property-related costs	**10,024**	10,733
Consultancy and other professional services fees	**12,229**	11,112
Insurance	**5,779**	5,326
Advertising and marketing	**8,160**	6,979
Depreciation of property and equipment (Note 24)	**13,351**	15,404
Amortisation of intangible assets (Note 25)	**14,978**	14,832
Communication expenses	**6,182**	5,961
Provisions for pending litigations, claims, regulatory and other matters (Note 37.4)	**(533)**	31,191
Printing and stationery	**1,689**	1,778
Cash transfer expenses	**2,664**	2,526
Other operating expenses	**20,746**	17,730
	123,023	150,681
Advisory and other restructuring costs	**23,124**	15,489
	146,147	166,170

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2021, the Company recognised €58 thousand relating to rent expense for short term leases, included within 'Other property-related costs' (2020: €217 thousand) and €7,077 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2020: €8,269 thousand) (Note 41).

13. **Other operating expenses** (continued)

Within total other operating expenses an amount of €486 thousand (2020: €731 thousand) relates to investment property that generated rental income.

Special levy on deposits and other levies/contributions as presented in the income statement are set out below:

	2021	2020
	€000	€000
Special levy on deposits of credit institutions in Cyprus and contribution to Single Resolution Fund	**25,145**	24,727
Guarantee fee on annual deferred tax credit (Note 15)	**5,300**	3,445
Contribution to Deposit Guarantee Fund	**5,905**	5,484
	36,350	33,656

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the charge of the Special Levy up to the level of the total annual Special Levy charge.

As from 1 January 2020 and until 3 July 2024 the Company 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 Company, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2021	2020
	€000	€000
Audit of the financial statements of the Company	**1,174**	1,166
Other assurance services	**612**	352
Tax compliance and advisory services	**198**	211
Other non-audit services	**71**	385
	2,055	2,114

The following table discloses the fees (including taxes) to the independent auditors of the Company, for the audit and other professional services provided both in Cyprus and overseas for the Group.

	2021	2020
	€000	€000
Audit of the individual and the Group financial statements	**1,628**	1,602
Other assurance services	**659**	368
Tax compliance and advisory services	**298**	211
Other non-audit services	**78**	385
	2,663	2,566

Other assurance services include fees relating to the interim review.

14. Credit losses of financial instruments and impairment of non-financial assets

	2021	2020
	€000	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers (Note 43.7)	**28,818**	284,052
Recoveries of loans and advances to customers previously written off	**(11,907)**	(20,621)
Changes in expected cash flows	**15,951**	12,866
Financial guarantees and commitments (Notes 43.6.1 and 43.6.2)	**2,341**	(2,134)
	35,203	274,163

Credit losses of other financial instruments		
Amortised cost debt securities (Note 18)	**(32)**	54
FVOCI debt securities (Note 18)	**(84)**	73
Impairment of balances with Group companies (Note 22)	**4,464**	4,707
Loans and advances to banks (Note 17)	**(13)**	24
Other financial assets	**5,828**	3,886
	10,163	8,744

Impairment net of reversals of non-financial assets		
Stock of property (Note 26)	**25,012**	6,687
Investments in subsidiaries (Note 48)	**5,003**	10,901
Other non-financial assets	**2,580**	-
	32,595	17,588

The impairment of investment in subsidiaries for 2021 amounts to €5,003 thousand (2020: €10,901 thousand) and represents the difference between the carrying value of the investment in the subsidiary compared to its recoverable amount.

The impairment of balances with Group companies which are measured at amortised cost is computed following the same ECL principles adopted by the Group in preparing the Consolidated Financial Statements of the Group.

15. Income tax

	2021	2020
	€000	€000
Cyprus special defence contribution	**37**	41
Deferred tax charge	**126**	45
Other tax charges	**6**	732
	169	818

15. **Income tax** (continued)

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2021	2020
	€000	€000
Profit/(loss) before tax	**20,350**	(162,353)
Income tax at the normal tax rates in Cyprus	**2,544**	(20,253)
Income tax effect of:		
- expenses not deductible for income tax purposes	**14,462**	15,597
- income not subject to income tax	**(15,690)**	(11,212)
- differences between overseas income tax rates and Cyprus income tax rates	**133**	858
- deferred tax charge	**126**	45
- losses on which deferred tax was not recognised	**-**	15,051
- utilisation of prior years' tax losses	**(1,449)**	-
	126	86
Cyprus special defence contribution	**37**	-
Other tax charges	**6**	732
	169	818

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2020: 12.5%).

Special defence contribution is payable on rental income at a rate of 3% (2020: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2020: 30%).

The Company's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2021 were: Greece 22% (2020: 24%) and UK 19% (2020: 19%).

The Company is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Company'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 Company has a number of open income tax returns with various income tax authorities and liabilities relating to these open and judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax

The net deferred tax assets arise from:

	2021	2020
	€000	€000
Difference between capital allowances and depreciation	**(9,924)**	(9,798)
Property revaluation	**(10,511)**	(10,645)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**265,364**	341,182
Net deferred tax assets	**244,929**	320,739

15. Income tax (continued)

The net deferred tax assets comprise:

	2021	2020
	€000	€000
Deferred tax assets	**265,364**	341,182
Deferred tax liabilities	**(20,435)**	(20,443)
Net deferred tax assets	**244,929**	320,739

The deferred tax assets relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	2021	2020
	€000	€000
1 January	**320,739**	356,636
Deferred tax recognised in the income statement	**(126)**	(45)
Deferred tax recognised in the statement of comprehensive income	**134**	2,057
Transfer to current tax receivables following conversion into tax credit	**(75,818)**	(37,909)
31 December	**244,929**	320,739

The Company offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

The analysis of the net deferred tax charge recognised in the income statement is set out below:

	2021	2020
	€000	€000
Difference between capital allowances and depreciation	**126**	45
	126	45

The analysis of the net deferred tax recognised in other comprehensive income in the statement of comprehensive income is set out below:

	2021	2020
	€000	€000
Timing differences on property revaluation - income	**134**	2,057

Income Tax Law Amendment 28 (I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

The main provisions of the legislation are set out below:
- The amendments allow for the conversion of specific tax losses into tax credits.
- The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.
- 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.

15. Income tax (continued)

- Acquired tax losses are converted into 15 equal annual instalments for credit institutions that will enter into resolution in the future or into 11 equal annual instalments for credit institutions which were in resolution pre 31 December 2017.
- Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
- Any amount of annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
- In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
- In case a credit institution in scope goes into liquidation the total amount of unused annual instalments is converted to tax credits and immediately becomes a receivable from the Government.
- A guarantee fee of 1.5% on annual tax credit is payable annually by the credit institution to the Government.

The Company has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 (the 'Law'), which allow for the conversion of specific tax losses into tax credits and subsequently any such unutilised tax credits into a receivable from the Government, relating to income tax losses transferred to the Company as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which the Company paid a consideration as part of the respective acquisition. Under the Law, the Company could convert up to an amount of €3.3 billion tax losses to tax credits (which led to the creation of DTA amounting to €417 million), with the conversion being based on the tax rate applicable at the time of conversion. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e. by end of 2028.

As a result of the above Law, the Company has deferred tax assets amounting to €265,364 thousand as at 31 December 2021 (2020: €341,182 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is converted to annual tax credit and is reclassified from the DTA to current tax receivables.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13 of the Consolidated Financial Statements of the Group for the year ended 31 December 2021.

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

15. **Income tax** (continued)

The Company, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Company, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year. The Company estimates that such increased fees could range up to €5,300 thousand per year (for each tax year in scope i.e. since 2018) although the Company understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. To this respect, an amount of €5,300 thousand (2020: €3,445) (Note 13), has been recorded during the year ended 31 December 2021, to bring the total amount provided for years 2018-2021 to €21,200 thousand, being the maximum expected increased amount for these years.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

	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
2021	**€000**	**€000**	**€000**
Expiring within 5 years	**250,924**	**-**	**250,924**
Utilisation in annual instalments up to 2028	**2,122,909**	**2,122,909**	**-**
	2,373,833	**2,122,909**	**250,924**
2020			
Expiring within 5 years	647,712	-	647,712
Utilisation in annual instalments up to 2028	2,729,454	2,729,454	-
	3,377,166	2,729,454	647,712

In relation to the tax losses that were transferred to the Company in 2013, the income tax authorities in Cyprus issued their tax assessments in March and April 2019. On the basis of these assessments the quantum of Laiki Bank tax losses were approximately €5 billion and lower than the initial amount of €7.4 billion estimated in 2013.

The tax losses in excess of the €3.3 billion transferred from Laiki Bank to the Company in March 2013 cannot be utilised by the Company, in line with the March 2019 Law amendments, except in cases where there are transfers arising due to reorganisations made prior to 1 October 2019.

16. **Earnings per share**

Basic and diluted profit/(loss) per share	**2021**	2020
Profit/(loss) for the year (€ thousand)	**20,181**	(163,171)
Weighted average number of shares in issue during the year (thousand)	**9,597,945**	9,597,945
Basic and diluted profit/(loss) per share (€ cent)	**0.21**	(1.7)

17. Cash, balances with central banks and loans and advances to banks

	2021	2020
	€000	€000
Cash	**142,902**	139,667
Balances with central banks	**9,087,815**	5,513,476
	9,230,717	5,653,143

Loans and advances to banks	**247,749**	361,347
Allowance for expected credit losses	**(56)**	(69)
	247,693	361,278

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2021	2020
Gross carrying amount	**€000**	€000
1 January	**5,513,476**	4,908,334
Net increase	**3,574,339**	673,567
Transfer to disposal groups held for sale (Note 28)	**-**	(68,425)
31 December	**9,087,815**	5,513,476

Balances with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2021 and 2020.

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2021		2020	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**361,347**	**(69)**	288,801	(45)
Net (decrease)/increase	**(113,598)**	**-**	72,546	-
Changes to models and inputs used for ECL calculation (Note 14)	**-**	**13**	-	(24)
31 December	**247,749**	**(56)**	361,347	(69)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes as at 31 December 2021 which amount to €166,987 thousand (2020: €158,031 thousand) (Note 40).

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 43.12.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

18. Investments

	2021	2020
Investments	**€000**	€000
Investments mandatorily measured at FVPL	**4,865**	13,384
Investments at FVOCI	**245,253**	640,008
Investments at amortised cost	**419,922**	1,009,834
	670,040	1,663,226

The amounts pledged as collateral are shown below:

	2021	2020
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**488,806**	14,069
Investments at amortised cost	**771,352**	23,036
	1,260,158	37,105

Investments pledged as collateral as at 31 December 2021 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) in March 2021 and June 2021 of a total nominal amount of €2 billion, as further described in Note 29. Encumbered assets are disclosed in Note 45.

The maximum exposure to credit risk for debt securities is disclosed in Note 43.1 and the debt securities price risk sensitivity analysis is disclosed in Note 44.

There were no reclassifications of investments during the years 2021 and 2020.

The credit rating analysis of investments is disclosed in Note 43.12.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2021	2020
	€000	€000
Debt and other non-equity securities	**4,009**	12,292
Equity securities	**856**	626
Mutual funds	**-**	466
	4,865	13,384
Debt and other non-equity securities		
Banks and other corporations	**4,009**	12,292
Unlisted	**4,009**	12,292
Equity securities		
Listed on other stock exchanges	**856**	626
	856	626
Mutual funds		
Unlisted	**-**	466
	-	466

18. **Investments** (continued)

The debt securities which are measured at FVPL are mandatorily classified, because they failed to meet the SPPI criteria.

The unlisted mutual funds were presented in Level 3 hierarchy in Note 20 during the year ended 31 December 2020.

Investments at FVOCI

	2021	2020
	€000	€000
Debt securities	**723,759**	644,196
Equity securities (including preference shares)	**10,300**	9,881
	734,059	654,077

	2021	2020
Debt securities	**€000**	€000
Cyprus government	**405,951**	376,908
Other governments	**87,295**	41,235
Banks and other corporations	**230,513**	226,053
	723,759	644,196
Listed on other stock exchanges	**723,759**	644,196

Geographic dispersion by country of issuer		
Cyprus	**405,951**	376,908
France	**66,116**	51,784
Other European Union countries	**142,567**	89,226
Supranational organisations	**-**	10,364
Other countries	**109,125**	115,914
	723,759	644,196

Equity securities		
Listed on the Cyprus Stock Exchange	**1,746**	1,477
Listed on other stock exchanges	**76**	81
Unlisted	**8,478**	8,323
	10,300	9,881

An analysis of the movement of debt instruments before ECL and the changes on the ECL are presented in the table below:

18. Investments (continued)

	2021		2020	
	Gross debt securities	**ECL**	Gross debt securities	ECL
	€000	**€000**	€000	€000
1 January	644,960	(764)	875,731	(691)
New assets acquired in the year	116,291	-	59,993	-
Assets derecognised and redeemed in the year (Note 14)	(31,094)	4	(263,335)	7
Interest accrued and amortisation	(2,448)	-	(4,170)	-
Foreign exchange adjustments	14,852	-	(17,410)	-
Changes to models and input used for ECL calculations (Note 14)	-	80	-	(80)
Changes in fair value	(18,122)	-	(5,849)	-
31 December	**724,439**	**(680)**	**644,960**	**(764)**

All debt securities measured at FVOCI are classified as Stage 1.

The Company 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 €10,300 thousand at 31 December 2021 and is equal to their fair value (2020: €9,881 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 €372 thousand has been received and recognised for 2021 in other income (2020: €223 thousand) (Note 11).

During the years ended 31 December 2021 and 31 December 2020 no material equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the year.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €1,746 thousand at 31 December 2021 (2020: €1,458 thousand). The fair value gain that would have been recognised in the income statement during the year ended 31 December 2021 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €289 thousand (2020: €130 thousand).

Investments at amortised cost

	2021	2020
	€000	€000
Debt securities	**1,191,274**	1,032,870
Cyprus government	**326,953**	440,983
Other governments	**223,813**	132,267
Banks and other corporations	**431,282**	292,918
European Financial Stability Facility and European Investment Fund	**209,226**	166,702
	1,191,274	1,032,870
Listed on the Cyprus Stock Exchange	**48,463**	318,141
Listed on other stock exchanges	**1,142,811**	714,729
	1,191,274	1,032,870

18. Investments (continued)

	2021 €000	2020 €000
Geographic dispersion by country of issuer		
Cyprus	**326,953**	440,983
Germany	**67,747**	49,870
UK	**25,043**	33,671
France	**100,388**	25,646
Other European Union countries	**239,781**	184,804
Other countries	**222,136**	135,302
Supranational organisations	**209,226**	162,594
	1,191,274	1,032,870

An analysis of changes in the gross carrying amount (before ECL) is presented in the table below:

	2021			2020		
	Stage 1 €000	**Stage 2 €000**	**Total €000**	Stage 1 €000	Stage 2 €000	Total €000
1 January	**984,739**	**48,981**	**1,033,720**	779,770	49,130	828,900
New assets acquired in the year	**503,089**	**-**	**503,089**	513,655	-	513,655
Assets derecognised and redeemed in the year	**(348,151)**	**-**	**(348,151)**	(294,756)	-	(294,756)
Fair value due to hedging relationship	**(2,156)**	**(392)**	**(2,548)**	644	(123)	521
Interest accrued and amortisation	**(4,744)**	**(30)**	**(4,774)**	(2,289)	(26)	(2,315)
Foreign exchange adjustments	**10,756**	**-**	**10,756**	(12,285)	-	(12,285)
31 December	**1,143,533**	**48,559**	**1,192,092**	984,739	48,981	1,033,720

An analysis of changes on the ECL is presented in the table below:

	2021			2020		
	Stage 1 €000	**Stage 2 €000**	**Total €000**	Stage 1 €000	Stage 2 €000	Total €000
1 January	**(545)**	**(305)**	**(850)**	(320)	(476)	(796)
Assets derecognised or redeemed (Note 14)	**155**	**-**	**155**	12	-	12
Change to models and inputs used for ECL calculation (Note 14)	**(332)**	**209**	**(123)**	(237)	171	(66)
31 December	**(722)**	**(96)**	**(818)**	(545)	(305)	(850)

19. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2021			2020		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**115,441**	**81**	**779**	121,188	834	2,502
Currency swaps	**994,213**	**4,388**	**1,348**	971,957	4,460	2,832
Interest rate swaps	**21,690**	**86**	**61**	92,305	271	597
Currency options	**83**	**62**	**21**	2,628	72	302
Interest rate caps/floors	**518,950**	**223**	**218**	527,883	83	25
	1,650,377	**4,840**	**2,427**	1,715,961	5,720	6,258
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**700,835**	**1,813**	**30,025**	877,783	18,907	39,720
Total	**2,351,212**	**6,653**	**32,452**	2,593,744	24,627	45,978

The use of derivatives is an integral part of the Company's activities. Derivatives are used to manage the Company's own exposure to fluctuations in interest rates and exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Company sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 44. 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 Company converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Company converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 44. In order to eliminate the risk, the Company 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.

19. Derivative financial instruments (continued)

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 Company'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 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 Company's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign exchange rates, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

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

The Company applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Company also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the 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 income statement.

Fair value hedges
The Company 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 and deposits.

Hedges of net investments
The Company's balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas branches. The Company 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 associates and joint ventures and forward exchange rate contracts.

As at 31 December 2021, deposits amounting to nil thousand (2020: €9,988 thousand) have been designated as hedging instruments.

19. Derivative financial instruments (continued)

2021	Gains/(losses) attributable to hedged risk		Hedged in-effectiveness
	Hedged items	Hedging instrument	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	**(19,327)**	**19,878**	**(551)**
Total	**(19,327)**	**19,878**	**(551)**

2020			
Derivatives qualifying for hedge accounting			
Fair value hedges			
-interest rate swaps	5,760	(5,205)	(555)
Total	**5,760**	**(5,205)**	**(555)**

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

2021	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities	746,432	-	729	-
Total	**746,432**	**-**	**729**	**-**

2020				
Derivatives qualifying for hedge accounting				
Fair value hedges - interest rate swaps				
-debt securities	712,925	-	21,084	-
-subordinated loan stock	-	272,152	-	(1,374)
Total	**712,925**	**272,152**	**21,084**	**(1,374)**

For assets hedged using fair value hedges the fixed rate is 2.38% and the floating rate is 0.94% as at 31 December 2021 (2020: 2.35% and 1.03% respectively). For liabilities hedged using fair value hedges, the fixed rate was 9.25% and the floating rate was 8.93% respectively as at 31 December 2020. There were no liabilities hedged using fair value hedges as at 31 December 2021.

19. Derivative financial instruments (continued)

The maturity of the Company's contract amount of the derivatives is presented in the table below:

2021	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	109,020	4,493	1,928	-	-	**115,441**
Currency swaps	878,993	114,852	368	-	-	**994,213**
Interest rate swaps	-	-	6,219	15,471	-	**21,690**
Currency options	83	-	-	-	-	**83**
Interest rate caps/floors	-	-	500,000	-	18,950	**518,950**
	988,096	**119,345**	**508,515**	**15,471**	**18,950**	**1,650,377**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	44,182	41,530	101,465	247,158	266,500	**700,835**
Total	**1,032,278**	**160,875**	**609,980**	**262,629**	**285,450**	**2,351,212**

19. Derivative financial instruments (continued)

2020	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	82,662	33,249	5,277	-	-	**121,188**
Currency swaps	792,956	178,227	774	-	-	**971,957**
Interest rate swaps	44,069	23,970	14,169	10,097	-	**92,305**
Currency options	2,628	-	-	-	-	**2,628**
Interest rate caps/floors	-	-	-	527,883	-	**527,883**
	922,315	**235,446**	**20,220**	**537,980**	**-**	**1,715,961**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	30,358	653,925	193,500	**877,783**
Total	**922,315**	**235,446**	**50,578**	**1,191,905**	**193,500**	**2,593,744**

Interest rate benchmark reform
As at 31 December 2021 and 2020 the interest rate benchmarks to which the Company's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) in relation to the cash flows of the hedging instruments. The Company has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing Interbank Offered Rate (IBOR) are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships that are subject to the IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Company manages through hedging relationships.

	2021	2020
Interest Rate Swaps	**€000**	€000
Euribor (3-month)	**529,831**	699,831
Libor USD (3-month)	**171,004**	177,952
Total	**700,835**	877,783

As at 31 December 2021, the Company'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 44.

20. Fair value measurement

The following table presents the carrying value and fair value of the Company's financial assets and liabilities.

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,230,717**	**9,230,717**	5,653,143	5,653,143
Loans and advances to banks	**247,693**	**245,592**	361,278	361,440
Investments mandatorily measured at FVPL	**4,865**	**4,865**	13,384	13,384
Investments at FVOCI	**734,059**	**734,059**	654,077	654,077
Investments at amortised cost	**1,191,274**	**1,196,753**	1,032,870	1,050,271
Derivative financial assets	**6,653**	**6,653**	24,627	24,627
Loans and advances to customers	**9,835,534**	**9,641,324**	9,882,154	9,683,771
Balances with Group companies	**667,725**	**667,725**	740,931	740,931
Financial assets classified as held for sale	**250,356**	**250,356**	561,462	561,462
Other financial assets	**354,641**	**354,641**	58,023	58,023
	22,523,517	**22,332,685**	18,981,949	18,801,129
Financial liabilities				
Funding from central banks and deposits by banks	**3,421,560**	**3,324,375**	1,383,387	1,322,354
Derivative financial liabilities	**32,452**	**32,452**	45,978	45,978
Customer deposits	**17,530,883**	**17,532,995**	16,533,212	16,535,842
Balances with Group companies	**67,929**	**67,929**	71,806	71,806
Loan stock	**644,928**	**647,774**	272,152	274,414
Other financial liabilities and lease liabilities	**223,283**	**223,283**	223,845	223,845
	21,921,035	**21,828,808**	18,530,380	18,474,239

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 Company 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 Financial Statements at fair value, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Company’s estimate of assumptions that a market participant would make when valuing the instruments.

20. Fair value measurement (continued)

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.

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 the Company's own credit quality respectively.

The Company calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Company, to the Company's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Company calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Company and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard LGD assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Company does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments at FVPL, investments at FVOCI and investments at amortised cost
Investments which are valued using a valuation technique or pricing models primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data. The rest of the investments are valued using quoted prices in active markets.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan. The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2021 ranges from 2.34% to 8.50% (2020: 1.95%-8.50%).

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company. 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.

20. Fair value measurement (continued)

Loan stock
Loan stock issuances are traded in an active market with quoted prices.

Investment properties
The fair value of investment properties is determined using valuations performed by external accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

Owned property
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

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.

20. Fair value measurement (continued)

The following table presents the fair value measurement hierarchy of the Company's financial and non-financial assets and liabilities recorded at fair value and financial assets and financial liabilities for which fair value is disclosed, by level of the fair value hierarchy:

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	11,937	**11,937**
Offices and other commercial properties	-	-	11,317	**11,317**
Manufacturing and industrial properties	-	-	10,871	**10,871**
	-	-	34,125	**34,125**
Investment properties held for sale				
Residential	-	-	1,790	**1,790**
Offices and other commercial properties	-	-	1,781	**1,781**
	-	-	3,571	**3,571**
Freehold property				
Offices and other commercial properties	-	-	162,941	**162,941**
Loans and advances to customers measured at FVPL	-	-	281,868	**281,868**
Trading derivatives				
Forward exchange rate contracts	-	81	-	**81**
Currency swaps	-	4,388	-	**4,388**
Interest rate swaps	-	86	-	**86**
Currency options	-	62	-	**62**
Interest rate caps/floors	-	223	-	**223**
	-	4,840	-	**4,840**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	1,813	-	**1,813**
	-	1,813	-	**1,813**
Investments mandatorily measured at FVPL	856	-	4,009	**4,865**
Investments at FVOCI	725,505	-	8,554	**734,059**
Balances with Group companies	-	-	632,925	**632,925**
	726,361	**6,653**	**1,127,993**	**1,861,007**
Other financial assets not measured at fair value				
Loans and advances to banks	-	245,592	-	**245,592**
Balances with Group companies	-	-	34,800	**34,800**
Investments at amortised cost	1,074,144	98,238	24,371	**1,196,753**
Loans and advances to customers	-	-	9,359,456	**9,359,456**
	1,074,144	**343,830**	**9,418,627**	**10,836,601**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,647 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €784 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 18) with a carrying amount of €3,509 thousand as at 31 December 2021, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €351 thousand.

20. **Fair value measurement** (continued)

For additional disclosures on sensitivity analysis of equity securities refer to Note 44.

2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	779	-	**779**
Currency swaps	-	1,348	-	**1,348**
Interest rate swaps	-	61	-	**61**
Currency options	-	21	-	**21**
Interest rate caps/floors	-	218	-	**218**
	-	2,427	-	**2,427**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	30,025	-	**30,025**
	-	**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	-	373,729	-	**373,729**
Customer deposits	-	-	17,532,995	**17,532,995**
Balances with Group companies	-	-	67,929	**67,929**
Loan stock	332,310	315,464	-	**647,774**
	332,310	**3,639,839**	**17,600,924**	**21,573,073**

20. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	16,735	**16,735**
Offices and other commercial properties	-	-	17,553	**17,553**
Manufacturing and industrial properties	-	-	13,101	**13,101**
Land (fields and plots)	-	-	49	**49**
	-	-	47,438	**47,438**
Freehold property				
Offices and other commercial properties	-	-	162,202	**162,202**
Loans and advances to customers measured at FVPL	-	-	289,861	**289,861**
Trading derivatives				
Forward exchange rate contracts	-	834	-	**834**
Currency swaps	-	4,460	-	**4,460**
Interest rate swaps	-	271	-	**271**
Currency options	-	72	-	**72**
Interest rate caps/floors	-	83	-	**83**
	-	5,720	-	**5,720**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	18,907	-	**18,907**
Investments mandatorily measured at FVPL	626	-	12,758	**13,384**
Investments at FVOCI	646,131	-	7,946	**654,077**
Balances with Group companies	-	-	696,121	**696,121**
	646,757	**24,627**	**1,216,326**	**1,887,710**
Other financial assets not measured at fair value				
Loans and advances to banks	-	361,440	-	**361,440**
Balances with Group companies	-	-	44,810	**44,810**
Investments at amortised cost	695,666	321,612	32,993	**1,050,271**
Loans and advances to customers	-	-	9,393,910	**9,393,910**
	695,666	**683,052**	**9,471,713**	**10,850,431**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,027 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,681 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 18), with a carrying amount of €11,792 thousand as at 31 December 2020, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €1,179 thousand.

20. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	2,502	-	**2,502**
Currency swaps	-	2,832	-	**2,832**
Interest rate swaps	-	597	-	**597**
Currency options	-	302	-	**302**
Interest rate caps/floors	-	25	-	**25**
	-	6,258	-	**6,258**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39,720	-	**39,720**
	-	**45,978**	**-**	**45,978**
Other financial liabilities not measured at fair value				
Funding from central banks		992,494		**992,494**
Deposits by banks	-	329,860	-	**329,860**
Customer deposits	-	-	16,535,842	**16,535,842**
Balances with Group companies	-	-	71,806	**71,806**
Loan stock	274,414	-	-	**274,414**
	274,414	**1,322,354**	**16,607,648**	**18,204,416**

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets and other financial liabilities and assets classified as held for sale is a close approximation of their fair value and they are categorised as Level 3.

During the year ended 31 December 2021 and 2020 there were no significant transfers between Level 1 and Level 2.

20. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Company requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 assets which are measured at fair value is presented below:

	2021						2020				
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Loans and advances to customers**	**Financial instruments**	**Balances with Group Companies**	Investment properties	Own use properties	Loans and advances to customers	Financial instruments	Balances with Group Companies
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000
1 January	**47,438**	**-**	**162,202**	**289,861**	**20,704**	**696,121**	52,106	184,412	369,293	23,849	700,945
Additions	**147**	**-**	**821**	**-**	**35**	**2,631**	1,315	303	-	-	33,904
Transfers from investment properties to non-current assets and disposal groups held for sale (Note 28)	**(3,979)**	**3,979**	**-**	**-**	**-**	**-**	-	-	-	-	-
Disposals	**(8,082)**	**(408)**	**-**	**-**	**(199)**	**-**	(4,384)	(159)	-	-	-
Transfers from investment properties to own use properties	**(867)**	**-**	**867**	**-**	**-**	**-**	-	-	-	-	-
Transfers from/(to) stock of property (Note 26)	**-**	**-**	**-**	**-**	**-**	**-**	-	(21,805)	-	-	-
Net gains/(losses) on balances with Group companies (Note 10)	**-**	**-**	**-**	**-**	**-**	**(37,338)**	-	-	-	-	(30,438)
Conversion of instruments into common shares	**-**	**-**	**-**	**-**	**(11,792)**	**-**	-	-	-	-	-
Depreciation charge for the year	**-**	**-**	**(1,417)**	**-**	**-**	**-**	-	(1,603)	-	-	-
Fair value (losses)/gains	**(532)**	**-**	**468**	**-**	**3,815**	**-**	(1,599)	1,054	-	(1,929)	-
Net (losses)/gains on loans and advances to customers measured at FVPL (Note 10)	**-**	**-**	**-**	**(17,292)**	**-**	**-**	-	-	3,606	-	-
Derecognition of loans	**-**	**-**	**-**	**(3,083)**	**-**	**(52,452)**	-	-	(96,254)	-	(32,604)
Interest on loans	**-**	**-**	**-**	**12,382**	**-**	**23,963**	-	-	13,216	-	24,314
Foreign exchange adjustments	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	(1,216)	-
31 December	**34,125**	**3,571**	**162,941**	**281,868**	**12,563**	**632,925**	47,438	162,202	289,861	20,704	696,121

20. 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 Company is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Company 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:

20. 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 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	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	9,356	€25-€121	n/a	4%-6%	€498-€1,915	€580-€950	152-1,480	25-2,533	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
	13,098								
Manufacturing and industrial									
Cyprus	3,187	€26-€38	n/a	5%-6%	€522-€1,646	n/a	2,202-6,320	743-1,608	23
Greece	7,684	€43	€71-€450	5.2%-10%	€8-€425	€399	57-34,495	349-5,858	12-83
	10,871								
Total	**37,696**								

Analysis of own use properties

Type and country	2021	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	162,941	€23-€277	€580-€1,855	5.8%	€70-€6,164	€70-€1,400	390-51,947	122-11,233	19-78
Total	**162,941**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2020	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**						**m²**	**m²**	**Years**
Cyprus	13,013	€29-€86	€134-€1,370	n/a	€380-€2,206	€110-€900	89-1,203	19-1,356	6-130
Greece	3,722	€3-€86	€136-€2,132	2.14%-9.91%	€45-€1,455	€3-€1,176	4-5,147	44-825	12-63
	16,735								
Offices and other commercial properties									
Cyprus	12,779	€26-€121	n/a	5%-6%	€550-€1,994	€550	150-1,480	25-2,083	10-75
Greece	4,774	€15-€259	€157-€3,483	5.31%-10.07%	€52-€1,842	€19-€259	5-8,582	6-4,692	16-62
	17,553								
Manufacturing and industrial									
Cyprus	3,474	€21-€38	n/a	5%-6%	€547-€1,602	n/a	1,593-6,320	421-1,780	23
Greece	9,627	€1-€37	€80-€603	1.79%-10.57%	€13-€396	€3-€302	56-34,495	349-5,858	11-82
	13,101								
Land (fields and plots)									
Greece	49	€1	n/a	6.43%	€12	€12	3,988	n/a	n/a
	49								
Total	**47,438**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and country	2020	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m²**	**m²**	**Years**
Cyprus	162,202	€23-€277	€750-€1,855	6%	€550-€6,163	€140-€1,400	390-51,947	122-11,233	19-78
Total	**162,202**								

Sensitivity analysis
Most of the Company'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.

21. Loans and advances to customers

	2021 €000	2020 €000
Gross loans and advances to customers at amortised cost	**9,818,026**	10,374,771
Allowance for ECL for impairment of loans and advances to customers (Note 43.7)	**(264,360)**	(782,478)
	9,553,666	9,592,293
Loans and advances to customers measured at FVPL	**281,868**	289,861
	9,835,534	9,882,154

Loans and advances to customers pledged as collateral are disclosed in Note 45.

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 43.

22. Balances and transactions with Group companies

Receivable balances with Group companies

Name of Group company	2021 €000	2020 €000
Balances with Group companies at amortised cost		
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**3,397**	3,233
General Insurance of Cyprus Ltd	**2,699**	4,035
EuroLife Ltd	**1,822**	1,410
Finerose Properties Ltd	**3**	1
Hydrobius Ltd	**8,087**	8,830
BOC Asset Management Romania S.A.	**5,321**	11,205
BOC Asset Management Ltd	**35**	-
MC Investment Assets Management LLC	**2,631**	2,631
JCC Payment Systems Ltd	**1,593**	1,306
S.Z. Eliades Leisure Ltd	**6,025**	5,826
Bank of Cyprus Holding Public Limited Company	**142**	127
Fortuna Astrum Ltd	**682**	2,512
Stamoland Properties Ltd	**2,363**	3,694
	34,800	44,810
Balances with Group companies mandatorily measured at FVPL		
Group property companies in Cyprus	**631,789**	695,015
Other Group companies in Cyprus	**1,136**	1,106
	632,925	696,121
Total	**667,725**	740,931

22. Balances and transactions with Group companies (continued)

	2021		2020	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
Stage 1	**12,051**	**-**	13,805	-
Stage 3	**111,639**	**95,597**	105,968	83,301
POCI	**8,467**	**1,760**	9,744	1,406
Total balances with Group Companies at amortised cost	**132,157**	**97,357**	129,517	84,707
Balances with Group Companies measured at FVPL	**632,925**	**-**	696,121	-
	765,082	**97,357**	825,638	84,707

The classification of the receivable balances with related companies depends on how these are managed as part of the business model the Company operates under, and their contractual cash flow characteristics (whether the cash flows represent solely payments of principle and interest (SPPI)). Balances with Group companies which are measured at FVPL are mandatorily classified because they failed to meet the SPPI criteria and represent in substance arrangements in which repayment of the balance is dependent on the performance of the underlying asset held by the subsidiary.

The Company holds these underlying assets for sale in its ordinary course of business. The cash flows for repayment of the receivable balances are dependent on the disposal value of the underlying assets; hence the exposure of the Company is to changes in market property prices that will affect the disposal price of those underlying assets.

Interest on balances with Group companies measured at FVPL is recognised following the same policies adopted by the Group in preparing the Consolidated Financial Statements of the Group.

Receivable balances with Group companies measured at amortised cost are denominated in Euro, except from balances of a carrying value of €8,087 thousand as at 31 December 2021 which are denominated in Russian Rouble (2020: €8,830 thousand). During the year ended 31 December 2021 an amount of €4,464 thousand (2020: €4,707 thousand) has been recognised as an impairment loss in relation to these receivable balances, out of which €3,626 thousand (2020: €3,456 thousand) relate to Hydrobius Ltd. The movement for Hydrobius Ltd for the year related to interest, foreign exchange fluctuations and impairment in relation to further reduction in the recoverability of the net assets of the subsidiary.

The balances are uncollateralised. The location of the Group companies' operations is disclosed in Note 48.

The net losses on balance with Group companies are disclosed in Note 10.

22. Balances and transactions with Group companies (continued)

Payable balances with Group companies

Name of Group company	**2021** **€000**	2020 €000
JCC Payment Systems Ltd	**14,754**	16,851
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**3,386**	4,717
General Insurance of Cyprus Ltd	**14,530**	10,988
EuroLife Ltd	**5,858**	7,344
Kermia Properties & Investments Ltd	**7,597**	5,896
Kermia Ltd	**2,283**	2,326
Kyprou Zois (branch of EuroLife Ltd)	**1,267**	1,261
Kyprou Commercial S.A.	**1,637**	1,645
BOC Asset Management Romania S.A.	**973**	1,599
MC Investment Assets Management LLC	**4**	3,684
S.Z. Eliades Leisure Ltd	**423**	286
Bank of Cyprus Holdings Public Limited Company	**247**	302
Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC	**-**	326
BOC Terra AIF V.C.I Plc	**547**	-
BOC Asset Management Ltd	**972**	1,006
Obafemi Holdings Ltd	**217**	217
Group property companies in Cyprus	**5,068**	3,296
Other Group companies in Cyprus	**8,166**	10,062
Total	**67,929**	71,806

Dividends received from subsidiary companies

Name of Group company	**2021** **€000**	2020 €000
EuroLife Ltd	**12,000**	11,500
General Insurance of Cyprus Ltd	**7,000**	9,000
JCC Payment Systems Ltd	**5,078**	3,270
Kermia Properties & Investments Ltd	**-**	11
Group property companies in Cyprus	**336**	1,494
BOC Asset Management Ltd	**-**	244
Labancor Ltd	**740**	-
Obafemi Holdings Ltd	**30**	36
Auction Yard Ltd	**21**	12
	25,205	25,567

22. Balances and transactions with Group companies (continued)

Transactions with Group companies

	2021	2020
	€000	€000
Interest income and income similar to interest income	**27,110**	27,079
Interest expense	**(13,828)**	(100)
Fee and commission income	**16,412**	14,730
Fee and commission expense	**(4,947)**	(3,986)
Other income	**96**	168
Other operating expenses	**(7,448)**	(4,823)

23. Investments in associates

Carrying value of the investments in associates

	Percentage holdings	**2021**	2020
	(%)	**€000**	€000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	**-**	**-**	2,191
Aris Capital Management LLC	**30.0**	**-**	-
Rosequeens Properties Limited	**33.3**	**-**	-
Rosequeens Properties SRL	**33.3**	**-**	-
Fairways Automotive Holdings Ltd	**45.0**	**-**	-
		-	2,191

Investments in associates

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
In March 2021 the Company completed the sale of its entire holding of 32.9% of the UCITS of Apollo. The Company 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. The gain on the sale of the investment in associate amounted to €309 thousand and has been recognised in 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' (Note 10) during the year ended 31 December 2021.

24. Property and equipment

2021	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	204,741	16,140	**220,881**
Additions	1,446	2,770	**4,216**
Revaluation	468	-	**468**
Transfers from investment properties (Note 20)	867	-	**867**
New leases (Note 41)	472	-	**472**
Derecognition of RoU Asset (Note 41)	(5,976)	-	**(5,976)**
Disposals and write-offs	(7)	(106)	**(113)**
Depreciation charge for the year (Note 13)	(9,223)	(4,128)	**(13,351)**
Net book value at 31 December	**192,788**	**14,676**	**207,464**
1 January 2021			
Cost or valuation	258,086	102,939	**361,025**
Accumulated depreciation	(53,345)	(86,799)	**(140,144)**
Net book value	**204,741**	**16,140**	**220,881**
31 December 2021			
Cost or valuation	254,846	102,746	**357,592**
Accumulated depreciation	(62,058)	(88,070)	**(150,128)**
Net book value	**192,788**	**14,676**	**207,464**

2020			
Net book value at 1 January	214,604	15,851	**230,455**
Additions	1,896	5,292	**7,188**
Revaluation	1,054	-	**1,054**
Transfers to stock of property (Note 26)	(21,805)	-	**(21,805)**
Re-assessment of RoU Asset (Note 41)	22,061	-	**22,061**
Derecognition of RoU Asset (Note 41)	(2,337)	-	**(2,337)**
Disposals and write-offs	(191)	(140)	**(331)**
Depreciation charge for the year (Note 13)	(10,541)	(4,863)	**(15,404)**
Net book value at 31 December	**204,741**	**16,140**	**220,881**
1 January 2020			
Cost or valuation	262,293	106,972	**369,265**
Accumulated depreciation	(47,689)	(91,121)	**(138,810)**
Net book value	**214,604**	**15,851**	**230,455**
31 December 2020			
Cost or valuation	258,086	102,939	**361,025**
Accumulated depreciation	(53,345)	(86,799)	**(140,144)**
Net book value	**204,741**	**16,140**	**220,881**

24. Property and equipment (continued)

The net book value of the Company's property comprises:

	2021	2020
	€000	€000
Freehold property	**162,941**	162,202
Improvements on leasehold property	**2,514**	2,625
RoU asset (Note 41)	**27,333**	39,914
Total	**192,788**	204,741

Freehold property includes land amounting to €67,847 thousand (2020: €67,147 thousand) for which no depreciation is charged.

The Company'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 Company 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 20.

There were no charges against the freehold property of the Company as at 31 December 2021 (2020: the freehold property against which charges existed was transferred to stock of property as at 31 December 2020).

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2021 would have amounted to €115,418 thousand (2020: €115,147 thousand).

25. Intangible assets

Computer software

	2021	2020
	€000	€000
Net book value at 1 January	**46,254**	48,463
Additions	**12,944**	12,722
Disposals and write-offs	**(2,374)**	(99)
Amortisation charge for the year (Note 13)	**(14,978)**	(14,832)
Net book value at 31 December	**41,846**	46,254
1 January		
Cost	**194,650**	182,027
Accumulated amortisation and impairment	**(148,396)**	(133,564)
Net book value	**46,254**	48,463
31 December		
Cost	**203,370**	194,650
Accumulated amortisation and impairment	**(161,524)**	(148,396)
Net book value	**41,846**	46,254

Computer software includes acquired computer software and internally developed computer software.

26. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2021 an impairment loss of €25,012 thousand (2020: €6,687 thousand) was recognised in 'Impairment net of reversals of non-financial assets' in the income statement. At 31 December 2021, stock of €166,573 thousand (2020: €140,950 thousand) is carried at net realisable value. Additionally, at 31 December 2021 stock of property with a carrying amount of €77,337 thousand (2020: €69,143 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

The carrying amount of the stock of property is analysed in the tables below:

	2021	2020
	€000	€000
Net book value at 1 January	**678,426**	687,823
Additions	**30,784**	90,909
Disposals	**(78,776)**	(57,899)
Transfers from own use properties (Note 24)	**-**	21,805
Transfers to disposal group (Note 28)	**(92,133)**	(57,525)
Impairment (Note 14)	**(25,012)**	(6,687)
Net book value at 31 December	**513,289**	678,426

There were no costs of construction during the years 2021 and 2020.

As at 31 December 2021 there are charges against stock of property of the Company with carrying value €21,015 (2020: €21,805 thousand).

The table below shows the result on the disposal of stock of property in the year:

	2021	2020
	€000	€000
Net proceeds	**89,607**	65,787
Carrying value of stock of property disposed of	**(78,776)**	(57,899)
Net gains on disposal of stock of property	**10,831**	7,888

The carrying value of the stock of property transferred to non-current assets and disposal groups held for sale as at the transfer date (Note 28) amounted to €92,133 thousand.

Analysis by type and country	**Cyprus**	**Greece**	**Total**
2021	**€000**	**€000**	**€000**
Residential properties	74,069	18,350	**92,419**
Offices and other commercial properties	57,089	19,462	**76,551**
Manufacturing and industrial properties	10,713	15,972	**26,685**
Hotels	2,697	456	**3,153**
Land (fields and plots)	309,603	4,878	**314,481**
Total	**454,171**	**59,118**	**513,289**

26. **Stock of property** (continued)

Analysis by type and country 2020	**Cyprus €000**	**Greece €000**	**Total €000**
Residential properties	138,487	20,169	**158,656**
Offices and other commercial properties	78,594	21,302	**99,896**
Manufacturing and industrial properties	15,839	19,839	**35,678**
Hotels	2,762	465	**3,227**
Land (fields and plots)	375,382	5,587	**380,969**
Total	**611,064**	**67,362**	**678,426**

27. **Prepayments, accrued income and other assets**

	2021 €000	2020 €000
Financial assets		
Debtors	**11**	13
Receivable relating to tax	**4,558**	4,706
Deferred purchase payment consideration	**299,766**	-
Other assets	**50,306**	53,304
	354,641	58,023
Non-financial assets		
Current tax receivable	**122,709**	46,634
Prepaid expenses	**93**	5
Other assets	**21,995**	25,703
	144,797	72,342
	499,438	130,365

27. Prepayments, accrued income and other assets (continued)

An analysis of changes in the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
1 January	50,105	-	33,779	**83,884**
Net increase	301,697	-	2,024	**303,721**
31 December	**351,802**	**-**	**35,803**	**387,605**
2020				
1 January	74,932	23,779	32,884	**131,595**
Net (decrease)/increase	(24,827)	(23,779)	895	**(47,711)**
31 December	**50,105**	**-**	**33,779**	**83,884**

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
1 January	-	-	28,120	**28,120**
Changes to models and inputs used for ECL calculations	2,557	-	2,287	**4,844**
31 December	**2,557**	**-**	**30,407**	**32,964**
2020				
1 January	-	-	27,624	**27,624**
Changes to models and inputs used for ECL calculations	-	-	496	**496**
31 December	**-**	**-**	**28,120**	**28,120**

There were no financial assets measured at FVPL as at 31 December 2021 (2020: €2,242 thousand).

On the completion date of the sale of Project Helix 2 (the 'Transaction') as described in Note 28, the Company has recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. The first instalment in the amount of €84,579 thousand was received in December 2021. An amount of €5,335 thousand, which represents the interest income on DPP has been recognised in the Income Statement for the year ended 31 December 2021 within 'Interest income - Financial assets at amortised cost - Other financial assets' (Note 6). There are no other conditions attached. An amount of €13,983 thousand which represents the effect of discounting the DPP at the date of derecognition of the loan portfolio was recorded as part of the transaction within 'Credit losses to cover credit risk on loans and advances to customers'. The DPP is classified as Stage 1 as at 31 December 2021.

During 2021, credit losses of €5,828 thousand were recognised in relation to prepayments, accrued income and other financial assets. This includes ECL losses of €4,844 thousand (of which €2,557 thousand relate to 12-months ECL of the DPP), €1,178 thousand write-offs and €194 thousand reversal of impairments. During 2020, credit losses of €496 thousand were recognised in relation to prepayments, accrued income and other financial assets.

28. Non-current assets and disposal groups held for sale

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2021 and 2020:

	2021	2020
	€000	€000
Disposal group 1	**331,329**	-
Disposal group 2	**7,301**	-
Disposal group 3	**-**	387,990
Disposal group 4	**-**	223,228
Disposal group 5	**-**	7,769
	338,630	618,987

	2021		2020		
	Disposal Group 1	**Disposal Group 2**	Disposal Group 3	Disposal Group 4	Disposal Group 5
	€000	**€000**	€000	€000	€000
Gross loans and advances to customers	**543,663**	**11,881**	820,429	488,777	32,049
Allowance for ECL for impairment of loans and advances to customers (Note 43.7)	**(300,608)**	**(4,580)**	(510,310)	(313,628)	(24,280)
	243,055	**7,301**	310,119	175,149	7,769
Stock of property (Note 26)	**84,703**	**-**	32,490	25,035	-
Investment property (Note 20)	**3,571**	**-**	-	-	-
Cash (Note 40)	**-**	**-**	45,381	23,044	-
31 December	**331,329**	**7,301**	387,990	223,228	7,769

Disposal Group 1
Disposal group 1 comprises a portfolio of loans and advances to customers and a property portfolio (comprising stock of property and investment property) known as Project Helix 3 ('Project Helix 3' or the 'Helix 3 Transaction').

In November 2021, the Company reached an agreement for the sale of Project Helix 3 with Pacific Investment Management Company LLC ('PIMCO'). The Company will dispose Project Helix 3 through the transfer of the portfolio to a licensed Cypriot Credit Acquiring Company (the CyCAC) by the Company. The shares of the CyCAC will be subsequently acquired by certain funds affiliated with PIMCO.

The gross consideration for the transaction amounts to approximately €385 million, before transaction and other costs, payable at completion. An amount of €19,225 thousand was received as a deposit shortly after signing of the agreement (Note 32). The gross book value of the loans and advances to customers amounted to €550 million and the carrying value of the property portfolio amounted to €92 million as at 30 September 2021 (the reference date).

The completion of the Helix 3 Transaction is currently estimated to occur in the first half of 2022 and remains subject to a number of conditions, including customary regulatory and other approvals. The disposal group has been classified as held for sale since 30 September 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal Group 2
Disposal group 2 comprises a portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction').

In December 2021, the Company entered into an agreement for the sale of Project Sinope. The gross book value of the loans and advances to customers amounted to €12 million and the carrying value of the stock of properties in Romania amounted to €0,6 million as at 31 December 2021.

28. Non-current assets and disposal groups held for sale (continued)

The completion of the Sinope Transaction is currently estimated to occur in the first half of 2022 and remains subject to the necessary customary approvals. The disposal group has been classified as held for sale as at 31 December 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal groups 3 and 4
Disposal group 3 comprised a portfolio of loans and advances to customers (the 'Portfolio 2A') and other assets (comprising stock of property and cash already received since the reference date of Portfolio 2A being 30 September 2019) known as Project Helix 2A ('Helix 2A'), classified as held for sale on 30 June 2020.

Disposal group 4 comprised a portfolio of loans and advances to customers (the 'Portfolio 2B') and other assets (comprising stock of property, investment property and cash already received since the reference date of Portfolio 2B being 30 September 2019) known as Project Helix 2B ('Helix 2B'), classified as held for sale on 31 December 2020.

In August 2020 and January 2021, the Company reached agreement for the sale of the Portfolio 2A and Portfolio 2B respectively with PIMCO. The Company disposed of Project Helix 2 through the transfer of the portfolios 2A and 2B to a licensed Cypriot Credit Acquiring Company (the CyCAC) by the Company. The shares of the CyCAC were subsequently acquired by certain funds affiliated with PIMCO, the purchaser of Helix 2. The Transaction was completed on 28 June 2021 and as at the date of completion of the sale, the total gross book value of the loans and advances to customers amounted to €1,287 million (net book value €436 million) and the carrying value of the stock of properties amounted to €73 million.

The gross consideration for the transaction amounted to approximately €560 million, of which €165 million had been received in cash by the completion (including deposit received). The remaining amount is payable in four instalments up to December 2025 without any conditions attached, of which €85 million were received in December 2021 (Note 27). The consideration reflects adjustments resulting from, inter alia, loan repayments received on the Portfolios since the reference date of 30 September 2019. The consideration can be increased through an earnout arrangement, depending on the performance of each of the Portfolios. The net consideration for the transaction after transaction costs and other adjustments upon completion, corresponds to the net book value of the loans and advances to customers and the carrying value of the stock of properties as at the date of completion of the sale.

Disposal group 5
Disposal group 5 comprised loans and advances to customers of Project Helix tail, which related to a portfolio of credit facilities related to Project Helix (a portfolio of loans and advances to customers for which the sale was completed in June 2019) with a carrying value of €7,769 thousand as at 31 December 2020. The disposal group was first classified as held for sale as at 31 December 2019. The Company has reclassified Project Helix tail from 'Non-current assets and disposal groups held for sale' to 'Loans and advances to customers', since 30 June 2021 when the criteria of IFRS 5 were no longer met.

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 43.3.

29. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2021	2020
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,969,600**	994,694

As at 31 December 2021, ECB funding amounted to €3 billion (2020: €1 billion) was borrowed from various TLTRO III operations.

29. Funding from central banks (continued)

The interest rate that will be applicable to the TLTRO III funding will depend on the eligible net lending during the specified periods laid out in the terms of the ECB operation.

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 will be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently at 0%. For the counterparties whose eligible net lending reaches the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1%. The deposit facility rate is currently minus 0.5%. In calculating the applicable interest, the Company follows a discrete approach by applying the estimated interest rate applicable for each period. The Company has exceeded the eligible net lending benchmark applicable for the first period of 24 June 2020 to 23 June 2021 and was entitled to the beneficial rate of minus 1%. Based on internal estimations (subject to confirmation from CBC), the Company has also exceeded the eligible net lending benchmark and therefore expects to be entitled to the beneficial rate of minus 1% for the period June 2021 to June 2022.

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to early repay or reduce the amounts borrowed before their final maturity.

Details on encumbered assets related to the above funding facilities are disclosed in Note 45.

30. Customer deposits

	2021 **€000**	2020 €000
By type of deposit		
Demand	**9,221,791**	8,149,688
Savings	**2,423,086**	1,970,975
Time or notice	**5,886,006**	6,412,549
	17,530,883	16,533,212
By geographical area		
Cyprus	**11,992,960**	11,391,316
Greece	**1,906,854**	1,890,915
United Kingdom	**713,621**	648,172
Romania	**54,306**	50,160
Russia	**661,820**	592,650
Ukraine	**276,248**	277,631
Belarus	**55,738**	37,074
Other countries	**1,869,336**	1,645,294
	17,530,883	16,533,212

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

30. Customer deposits (continued)

	2021	2020
	€000	€000
By currency		
Euro	**15,736,030**	14,929,662
US Dollar	**1,373,584**	1,199,069
British Pound	**312,918**	288,102
Russian Rouble	**28,539**	28,618
Swiss Franc	**10,865**	9,901
Other currencies	**68,947**	77,860
	17,530,883	16,533,212

By customer sector		
Corporate	**1,117,148**	1,037,430
Global corporate	**631,002**	607,467
SMEs	**866,860**	832,576
Retail	**11,051,397**	10,525,819
Restructuring		
– Corporate	**21,658**	27,889
– SMEs	**13,091**	16,688
– Retail other	**9,862**	10,561
Recoveries		
– Corporate	**1,383**	3,251
International banking services	**3,500,183**	3,180,061
Wealth management	**318,299**	291,470
	17,530,883	16,533,212

31. Loan stock

		2021		2020	
		€000	**€000**	€000	€000
	Contractual interest rate	**Nominal value**	**Carrying value**	Nominal value	Carrying value
Subordinated Tier 2 Capital Note - January 2017	9.25% up to 19 January 2022	**35,605**	**38,561**	250,000	272,152
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	**300,000**	**303,812**	-	-
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	**300,000**	**302,555**	-	-
		635,605	**644,928**	250,000	272,152

BOCH and the Company maintain a Euro Medium-Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

31. Loan stock (continued)

Subordinated Tier 2 Capital Note-January 2017
In January 2017, the Company issued a €250 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5-year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The note had a maturity date on 19 January 2027. The Company had the option to redeem the note early on 19 January 2022, subject to applicable regulatory consents. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. In April 2021, the Company invited the holders of this note to tender it for purchase by the Company at a price of 105.5% plus accrued interest. The Company received valid tenders of €207 million nominal amount, all of which were accepted. By 31 December 2021, the Company purchased from the open market a further €7 million nominal amount of the notes, which were held by the Company. The Company incurred a cost of €12,558 thousand (Note 10). In December 2021, the Company decided to exercise its option to redeem the remaining €43 million nominal amount outstanding (of which €7 million are held by the Company) of the notes on 19 January 2022 and notified the noteholders accordingly. The full amount was redeemed at par on 19 January 2022.

Subordinated Tier 2 Capital Note-April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Notes (the 'Notes') under the EMTN Programme and immediately after, BOCH and the Company entered into an agreement pursuant to which BOCH on-lent to the Company the entire €300 million proceeds of the issue of the Notes (the 'T2 Loan') on terms substantially identical to the terms and conditions of the Notes issued by BOCH. The T2 Loan has 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 T2 Loan matures on 23 October 2031. The Company 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, subject to applicable regulatory consents.

Senior Preferred Notes-June 2021
In June 2021, the Company 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. The Company 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 the Company's MREL requirements.

The fair value of the loan stock as at 31 December 2021 is disclosed in Note 20.

32. Accruals, deferred income, other liabilities and other provisions

	2021	2020
	€000	€000
Income tax payable and related provisions	**8,753**	7,770
Special defence contribution payable	**462**	971
Retirement benefit plans liabilities (Note 12)	**-**	6,561
Provisions for financial guarantees and commitments (Notes 43.6.1 and 43.6.2)	**21,945**	19,658
Accrued expenses and other provisions	**66,065**	52,951
Deferred income	**16,369**	15,807
Items in the course of settlement	**64,024**	66,217
Lease liabilities (Note 41)	**27,914**	39,894
Advances received for disposal group held for sale (Note 28)	**19,225**	21,100
Other liabilities	**46,146**	45,478
	270,903	276,407

32. Accruals, deferred income, other liabilities and other provisions (continued)

Other liabilities include an amount of €26,476 thousand (2020: €21,176 thousand) relating to the annual guarantee fee for the conversion of DTA into tax credits (Note 15).

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2021	2020
	€000	€000
Stage 1	**39**	168
Stage 2	**293**	1,120
Stage 3	**21,613**	18,370
	21,945	19,658

33. Share capital

	2021		2020	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January and 31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

There were no changes to the authorised or issued share capital during the years ended 31 December 2021 and 2020.

All issued ordinary shares carry the same rights.

Share premium reserve

The share premium reserve is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113 and is not available for distribution to equity holders in the form of a dividend.

2021
There were no changes to the share premium reserve during the year ended 31 December 2021.

2020
The Company, having obtained approval by its shareholders, the ECB and the Court of Cyprus, implemented a capital reduction process in October 2020, which resulted in a reclassification of €619 million of the Company's share premium balance as distributable reserves (retained earnings). Such reduction of capital did not have any impact on regulatory capital or the total equity position of the Company.

Share-based payments - share options

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

33. Share capital (continued)

Share-based payments - share options (continued)

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

Other equity instruments

	2021	2020
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

In December 2018 BOCH issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the BOCH AT1). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH AT1 (the AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH AT1. The AT1 Loan constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2021, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2020: €27,500 thousand). The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. The AT1 Loan 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.

34. Dividends

Based on the 2019 SREP decision which remained in effect during 2021 following relevant communication by the ECB, the Company and BOCH are under a regulatory prohibition for equity dividend distribution, similar to prior years. Following the 2021 SREP decision, the Company and BOCH remain under equity dividend distribution prohibition. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital. No dividends were declared or paid during the years 2021 and 2020.

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

35. 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.

35. Retained earnings (continued)

This SDC and GHS are paid by the Company on account of the shareholders.

During 2021 and 2020 no special defence contribution on deemed dividend distribution was paid by the Company.

36. Fiduciary transactions

The Company offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Company 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 balance sheet of the Company unless they are placed with the Company. Total assets under management and custody at 31 December 2021 amounted to €936,789 thousand (2020: €1,056,782 thousand).

37. Pending litigation, claims, regulatory and other matters

The Company, 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 the Company in 2013 as a result of the bail-in Decrees, the Company is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the bail-in Decrees. There are also situations where the Company may enter into a settlement agreement. This may occur only if such settlement is in the Bank’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.

Apart from what is described below, the Company considers that none of these matters are material, either individually or in aggregate. The Company 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 Company is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters as at 31 December 2021 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Company.

37.1 Pending litigation and claims

Investigations and litigation relating to securities issued by the Company
A number of institutional and retail customers have filed various separate actions against the Company alleging that the Company is guilty of misselling in relation to securities issued by the Company 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 the Company 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).

37. Pending litigation, claims, regulatory and other matters (continued)

37.1 Pending litigation and claims (continued)

The Company is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be documented that the relevant Company's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties. To date, a number of cases have been tried in Greece. The Company 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 the Company and two cases have been adjudicated against the Company at Areios Pagos (Supreme Court of Greece). Those cases which were decided in favour of the Company ruled in effect that the Company can rely on the defence of frustration (i.e. intervening event out of the control of the Company, in this case the Company's resolution and recapitalisation through the bail-in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail-in were unforeseeable. The cases that the Company has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has been concluded at all levels in favour of the Company. The two cases that the Company has lost will not be retried and are therefore deemed as concluded.

In Cyprus nine judgments have been issued so far with regards to the Company capital securities. Seven of the said judgments have been issued in favour of the Company (dismissing the plaintiffs' claims) and two of them against the Company. The Company has filed an appeal with regards to one of the cases where the judgment was issued against it. In four of the seven cases that the Company won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, has now expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation

Depositors

A number of the Company's depositors, who allege that they were adversely affected by the bail-in, filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against the Company 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. The Company is defending these actions.

The Company has won a case with regards to bail-in related litigation in June 2020. The specifics of the case concerned alleged failure to follow instructions prior to the bail-in. The plaintiffs have filed an appeal with respect to this judgment.

The Company won the first bail-in decree case in January 2022. The court essentially ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the aforementioned circumstances the government could rely on the doctrine of necessity when it imposed the bail-in.

37. Pending litigation, claims, regulatory and other matters (continued)

37.1 Pending litigation and claims (continued)

Shareholders
Numerous claims were filed by shareholders in 2013 against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. A number of actions for damages have been filed and are still being filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail-in Decrees, or a misapplication of same by the Company (as regards the way and methodology whereby such Decrees have been implemented), or that the Company failed to follow instructions promptly prior to the bail-in coming into force. The Company intends to contest all of these claims.

Legal position of the Company
All of the above claims are being vigorously disputed by the Company, in close consultation with the appropriate state and governmental authorities. The position of the Company 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 the Company claiming €70 million allegedly owed as part of the Company'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 the Company to predict the resolution of this matter, including the timing or any possible impact on the Company.

Employment litigation
Former senior officers of the Company have instituted one claim for unfair dismissal and one claim for Provident Fund entitlements against the Company and the Trustees of the Provident Fund. In July 2021 the claim for Provident Fund entitlements was settled. The Company does not consider that the pending case in relation to unfair dismissal will have a material impact on its financial position.

Additionally, a number of former employees have filed claims against the Company contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Company does not expect that these actions will have a material impact on its financial position.

Swiss Francs loans litigation in Cyprus and the UK
A number of actions have been instituted against the Company by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable law. The Company is contesting the said proceedings. The Company does not expect that these actions will have a material impact on its financial position.

UK property lending claims
The Company is the defendant in certain proceedings alleging that the Company 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 Company does not expect that these negotiations will lead to outflows for the Company.

37. Pending litigation, claims, regulatory and other matters (continued)

37.1 Pending litigation and claims (continued)

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to the Company's standard policies and procedures allegedly resulting to damages and other losses for the claimants. Further, several other banking claims, where the amounts involved are not as significant, have been assessed by management and appropriate provisions have been taken. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Company. Such matters arise as a result of the Company'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. The Company 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 Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

37.2 Regulatory matters

The Hellenic Capital Market Commission (HCMC) Investigation
The HCMC is currently in the process of investigating matters concerning the Company's investment in Greek Government Bonds from 2009 to 2011, including, inter alia, related non-disclosure of material information in the Company's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding the Company'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 Company.

Labour Inspection Body of Greece
As for other potential matters involving the exposure of the Company to losses, twelve fines have been imposed by the Labour Inspection Body of Greece in prior years relating to the years prior to 2013, which amount in total to €84 thousand.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
As at 31 December 2021 and 31 December 2020 there were no pending CySEC investigations against the Company.

Central Bank of Cyprus (CBC)
The CBC has carried out certain investigations to assess compliance of the Company 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 the Company 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 the Company. The Company paid for a discounted fine and has filed a recourse against this decision and fine.

Following the investigation and the on-site examination, the CBC concluded with regards to the files and transactions related to years 2015-2018, that the Company was in breach of certain articles of the legislation. In December 2021, a fine of €790 thousand was imposed upon the Company. The Company paid for a discounted fine and has filed a recourse against the decision and the fine.

37. Pending litigation, claims, regulatory and other matters (continued)

37.2 Regulatory matters (continued)

The CBC had conducted an investigation in the past into Company's issuance of capital securities and concluded that the Company 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 the Company, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon the Company 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 the Company 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. The Company was given the opportunity to express its views with regards to the identified failures and the possible imposition of sanctions. The Company has submitted its views and representations and CBC will decide on the matter.

European Central Bank (ECB) Investigation
In July 2021, the Company was notified in writing by the ECB that, based on an investigation carried out by ECB's investigating unit, the Company is allegedly in breach of an ECB decision of September 2016. The alleged breach relates to the requirement imposed on the Company to seek the prior approval of the ECB for any transfer of capital or liquidity to any subsidiary company. The Company made written submissions about the factual results from the findings and objections raised against it. The submissions and supporting evidence of the Company were taken into consideration by the ECB's investigating unit prior to the submission of its final proposal to the Supervisory Board of the ECB with respect to whether the alleged breach has been committed and as to the level of the penalty, if any. The ECB decided that the Company was in breach of the ECB decision of September 2016 and the breach substantiated the imposition of a penalty. The Governing Council of the ECB informed the Company in February 2022 of its decision to impose an administrative penalty of €575 thousand.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by the Company. The Company is expecting the final conclusion of this matter and has provided for it accordingly.

There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that the Company (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 the Company and the Company 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 the Company's position and cancelled the decision as well as the fine imposed upon the Company. 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 the Company. 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 the Company for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against the Company in this case. This investigation is currently at a very early stage to predict its outcome and no formal process has been initiated.

37. Pending litigation, claims, regulatory and other matters (continued)

37.2 Regulatory matters (continued)

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon the Company after concluding an ex officio investigation regarding some terms in both the Company's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, the Company has filed a recourse before the Administrative Court which has not yet issued its judgement. The recourse is still pending as at the reporting year end.

In March 2020 the Company 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 the Company to cease the use of a number of terms in the contracts of the Company which will be deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering the Company to undertake measures to remedy the situation. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

In April 2021, the Director of the Consumer Protection Service filed an application for the issuance of a court order against the Company, prohibiting the use of a number of contractual terms included in the Company’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.

The Company 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 the Company for which the contract between the Company and the consumer is entered into online via the Company’s website.

The Company received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged commercial practice of the Company of promoting a product.

The investigations are currently at a very early stage to predict their outcome.

Cyprus Consumers’ Association (CCA)
In March 2021, the Company 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 the Company’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 the Company in 2016 and 2017. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the reporting year end.

The new Law on Consumer Protection brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service i.e. power to impose increased fines which are immediately payable. The new Law on Consumer Protection has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters, is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Company. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

37. Pending litigation, claims, regulatory and other matters (continued)

37.3 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 Company.

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

	Pending litigation and claims (Note 37.1)	Regulatory matters (Note 37.2)	Other matters (Note 37.3)	**Total**
2021	€000	€000	€000	**€000**
1 January	62,255	10,506	43,850	**116,611**
Net increase in provisions including unwinding of discount (Note 13)	2,295	4,964	29,273	**36,532**
Utilisation of provisions	(6,768)	(907)	(39,368)	**(47,043)**
Release of provisions (Note 13)	(5,122)	-	(3,927)	**(9,049)**
Foreign exchange adjustments	-	53	-	**53**
31 December	**52,660**	**14,616**	**29,828**	**97,104**
Provisions expected to be settled within 12 months post reporting date	**15,782**	**1,845**	**2,662**	**20,289**
2020				
1 January	64,761	11,892	24,143	**100,796**
Net increase in provisions including unwinding of discount (Note 13)	24,910	271	21,417	**46,598**
Utilisation of provisions	(12,706)	(1,555)	(1,013)	**(15,274)**
Release of provisions (Note 13)	(14,710)	-	(697)	**(15,407)**
Foreign exchange adjustments	-	(102)	-	**(102)**
31 December	**62,255**	**10,506**	**43,850**	**116,611**
Provisions expected to be settled within 12 months post reporting date	**15,795**	**548**	**-**	**16,343**

Provisions for pending litigation, claims, regulatory and other matters recorded in the income statement (Note 13) during the year ended 31 December 2021 amounting to credit of €533 thousand (2020: charge of €31,191 thousand), also include an amount of €841 thousand representing an amount recovered from plaintiffs directly recognised in the income statement (2020: nil).

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Company.

The net decrease of provisions for pending litigation and claims for the year ended 31 December 2021 was primarily driven by the utilisation of provisions as a result of the progressed status of the pending investigations and litigations relating to securities issued by the Company in Greece and updated estimates for provisions required as at 31 December 2021. With regards to other matters, provisions for matters in relation to the disposal process of certain of the Company's operations have been updated on the basis of the Company's assessment and as elements of those processes have progressed.

An increase by 5% in the probability of loss rate for pending litigation and claims (2020: 5%) with all other variables held constant, would lead to an increase in the actual provision by €7,097 thousand at 31 December 2021 (2020: increase by €6,956 thousand).

38. Contingent liabilities and commitments

As part of the services provided to its customers, the Company 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 balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Company (Note 43.6).

38.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2021 amount to €17,758 thousand (2020: €18,912 thousand).

38.2 Contingent liabilities

The Company, as part of its disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens, tax exposures and other matters agreed with the buyers. As a result, the Company 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 37.3).

39. Net cash flow from operating activities

	2021	2020
	€000	€000
Profit/(loss) before tax	**20,350**	(162,353)
Adjustments for:		
Credit losses to cover credit risk on loans and advances to customers and net gains on derecognition of financial assets measured at amortised cost	**31,344**	271,214
Depreciation of property and equipment	**13,351**	15,404
Amortisation of intangible assets	**14,978**	14,832
Credit losses of other financial instruments	**5,699**	4,037
Impairment of other non-financial assets	**2,580**	-
Impairment of balances with Group companies	**4,464**	4,707
Amortisation of discounts/premiums and interest on debt securities	**(20,102)**	(27,028)
Loss on sale and write-offs of property and equipment and intangible assets	**13**	93
Net gains on disposal of investment properties	**(746)**	(556)
Net losses from revaluation of investment properties	**532**	1,599
Dividend income	**(25,577)**	(25,790)
Negative interest on funding from central banks	**(25,094)**	(5,306)
Net gains on disposal of investments in debt securities	**-**	(2,865)
Loss/(profit) from revaluation of debt securities designated as fair value hedges	**16,779**	(5,239)
Net gains on disposal/dissolution of subsidiaries and associates	**(108)**	(9)
Impairment of investment in subsidiaries	**5,003**	10,901
Net losses on balances with Group companies	**39,378**	30,438
Net gains on disposal of stock of property	**(10,831)**	(7,888)
Impairment of stock of property	**25,012**	6,687
Negative interest on loans and advances to banks and central banks	**31,919**	18,782
Interest on loan stock	**27,390**	23,329
Interest expense on lease liabilities	**31**	409
Loss from buyback of subordinated loan stock	**12,558**	-
	168,923	165,398
Loans and advances to banks	**(23,947)**	12,330
Deposits by banks	**63,267**	(142,497)
Obligatory balances with central banks	**(8,956)**	2,017
Customer deposits	**997,671**	(158,319)
Debit balances with Group companies	**29,364**	(26,586)
Credit balances with Group companies	**(3,877)**	(28,161)
Loans and advances to customers measured at amortised cost	**(237,341)**	(92,005)
Loans and advances to customers measured at FVPL	**7,993**	79,432
Other assets	**85,981**	(15,246)
Accrued income and prepaid expenses	**(88)**	180
Other liabilities and pending litigation, claims, regulatory and other matters	**(51,514)**	17,601
Accrued expenses and deferred income	**13,676**	(28,669)
Derivative financial instruments	**4,448**	(6,182)
Investments measured at FVPL	**8,519**	2,934
Repurchase agreements	**-**	(168,129)
Stock of property	**89,607**	65,787
	1,143,726	(320,115)
Tax received	**179**	464
Net cash flow from/(used in) operating activities	**1,143,905**	(319,651)

39. Net cash flow from operating activities (continued)

Non-cash transactions

2021

Repossession of collaterals
During 2021, the Company acquired properties by taking possession of collaterals held as security for loans and advances to customers of €29,878 thousand (2020: €92,224 thousand) (Note 43.8).

Recognition of RoU asset and lease liabilities
During 2021 the Company recognised RoU assets and corresponding lease liabilities of €472 thousand (2020: €19,724 thousand).

Disposal of Project Helix 2
Upon the disposal of Project Helix 2, deferred consideration of €381,567 thousand was recognised (Note 27).

Net cash flow from operating activities - interest and dividends

	2021	2020
	€000	€000
Interest paid	**(111,565)**	(116,649)
Interest received	**462,735**	469,253
Dividends received	**25,577**	25,790
	376,747	378,394

Changes in liabilities arising from financing activities

	Funding from central banks (Note 29)	Loan stock (Note 31)	**Total**
2021	€000	€000	**€000**
1 January	994,694	272,152	**1,266,846**
Cash flows	1,968,081	333,339	**2,301,420**
Other non-cash movements	6,825	39,437	**46,262**
31 December	**2,969,600**	**644,928**	**3,614,528**

2020			
1 January 2020	-	272,170	**272,170**
Cash flows	981,218	(23,329)	**957,889**
Other non-cash movements	13,476	23,311	**36,787**
31 December 2020	**994,694**	**272,152**	**1,266,846**

Further information relating to the change in lease liabilities is disclosed in Note 41.

40. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	2020
	€000	€000
Cash and non-obligatory balances with central bank	9,063,730	5,495,112
Cash and non-obligatory balances with central banks classified as held for sale (Note 28)	-	68,425
Loans and advances to banks with original maturity less than three months	147,375	284,920
	9,211,105	5,848,457

Analysis of cash and balances with central banks and loans and advances to banks

	2021	2020
	€000	€000
Cash and non-obligatory balances with central bank	9,063,730	5,495,112
Obligatory balances with central banks (Note 17)	166,987	158,031
Total cash and balances with central banks (Note 17)	9,230,717	5,653,143

Loans and advances to banks with original maturity less than three months	147,375	284,920
Restricted loans and advances to banks	100,318	76,358
Total loans and advances to banks (Note 17)	247,693	361,278

Restricted loans and advances to banks include collaterals under derivative transactions of €41,068 thousand (2020: €34,032 thousand) which are not immediately available for use by the Company, but are released once the transactions are terminated.

41. Leases

The Company 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 Company has the option to extend the tenancy for four further periods of two years each. The Company 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 Company for the operation of administrative functions. The basic terms for new lease contracts and the current practice are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2020, the lease liability was remeasured due to changes in future lease payments. During the year ended 31 December 2020 the lease term of existing contracts was re-assessed using the assumptions as detailed in Note 5.10.

The carrying amounts of the Company's RoU assets and lease liabilities and the movement during the year ended 31 December 2021 and the year ended 31 December 2020 is presented in the table below:

2021	RoU assets (Note 24)	Lease liabilities (Note 32)
	€000	€000
1 January	39,914	(39,894)
New leases (Note 24)	472	(472)
Assets derecognised (Note 24)	(5,976)	5,606
Depreciation charge for the year (Note 13)	(7,077)	-
Interest expense (Note 7)	-	(31)
Cash outflows-payments	-	6,877
31 December	27,333	(27,914)

2020	RoU assets (Note 24)	Lease liabilities (Note 32)
	€000	€000
1 January	28,459	(27,723)
Assets derecognised (Note 24)	(2,337)	2,337
Remeasurement of lease liability (Note 24)	22,061	(22,061)
Depreciation charge for the year (Note 13)	(8,269)	-
Interest expense (Note 7)	-	(409)
Cash outflows-payments	-	7,962
31 December	39,914	(39,894)

RoU assets comprised of leases of buildings and are presented within property, disclosed in Note 24.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 45.

42. Analysis of assets and liabilities by expected maturity

	2021			2020		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,063,730**	**166,987**	**9,230,717**	5,495,112	158,031	5,653,143
Loans and advances to banks	**147,375**	**100,318**	**247,693**	284,920	76,358	361,278
Derivative financial assets	**4,556**	**2,097**	**6,653**	5,556	19,071	24,627
Investments including investments pledged as collateral	**350,911**	**1,579,287**	**1,930,198**	343,379	1,356,952	1,700,331
Loans and advances to customers	**1,017,635**	**8,817,899**	**9,835,534**	1,365,942	8,516,212	9,882,154
Balances with Group companies	**105,770**	**561,955**	**667,725**	575,323	165,608	740,931
Prepayments, accrued income and other assets	**58,522**	**440,916**	**499,438**	57,362	73,003	130,365
Stock of property	**94,700**	**418,589**	**513,289**	149,709	528,717	678,426
Deferred tax assets	**37,909**	**227,455**	**265,364**	37,909	303,273	341,182
Property, equipment and intangible assets	**-**	**249,310**	**249,310**	-	267,135	267,135
Investment properties	**10,300**	**23,825**	**34,125**	11,691	35,747	47,438
Investment in associates	**-**	**-**	**-**	-	2,191	2,191
Investments in Group companies	**4,212**	**87,006**	**91,218**	-	97,609	97,609
Non-current assets and disposal groups held for sale	**338,630**	**-**	**338,630**	618,987	-	618,987
	11,234,250	**12,675,644**	**23,909,894**	8,945,890	11,599,907	20,545,797
Liabilities						
Deposits by banks	**95,511**	**356,449**	**451,960**	80,770	307,923	388,693
Funding from central banks	**2,969,600**	**-**	**2,969,600**	-	994,694	994,694
Derivative financial liabilities	**4,830**	**27,622**	**32,452**	6,805	39,173	45,978
Customer deposits	**6,909,913**	**10,620,970**	**17,530,883**	5,242,058	11,291,154	16,533,212
Balances with Group companies	**67,929**	**-**	**67,929**	71,806	-	71,806
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**217,077**	**150,930**	**368,007**	205,599	187,419	393,018
Loan stock	**38,561**	**606,367**	**644,928**	172,152	100,000	272,152
Deferred tax liabilities	**-**	**20,435**	**20,435**	-	20,443	20,443
	10,303,421	**11,782,773**	**22,086,194**	5,779,190	12,940,806	18,719,996

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 loans are classified in the 'Over one year' time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

42. Analysis of assets and liabilities by expected maturity (continued)

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.

43. Risk management - Credit risk

In the ordinary course of its business the Company 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 Company.

The Credit Risk Management department in co-operation with the Credit Risk Control and Monitoring department set the Company's credit disbursement policies and monitor compliance with credit risk policy applicable to each business line and the quality of the Company's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are combined with the methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Company is diversified across the various sectors of the economy. Credit Risk Management determines the prohibitive/high credit risk sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Market Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities. Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Company'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 Financial Statements.

43. Risk management - Credit risk (continued)

43.1 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 Company are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Company 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 Company offers guarantee facilities to its customers under which the Company 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 Company 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 Company has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 31 December 2021, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 19. Information about the Company's collaterals under derivative transactions is provided in Note 40.

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 Company sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

43. Risk management - Credit risk (continued)

43.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

		Fair value of collateral and credit enhancements held by the Company							
	Maximum exposure to credit risk	Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	**Net exposure to credit risk**
2021	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**9,087,815**	-	-	-	-	-	-	-	**9,087,815**
Loans and advances to banks (Note 17)	**247,693**	3,490	-	-	-	-	-	3,490	**244,203**
FVPL debt securities (Note 18)	**4,009**	-	-	-	-	-	-	-	**4,009**
Debt securities classified at amortised cost and FVOCI (Note 18)	**1,915,033**	-	-	-	-	-	-	-	**1,915,033**
Derivative financial instruments (Note 19)	**6,653**	-	-	-	-	-	-	-	**6,653**
Loans and advances to customers (Note 21)	**9,835,534**	476,390	587,309	140,995	15,149,403	265,660	(7,780,914)	8,838,843	**996,691**
Loans and advances to customers classified as held for sale (Note 28)	**250,356**	85	88	2,954	487,743	36,431	(279,895)	247,406	**2,950**
Debtors (Note 27)	**11**	-	-	-	-	-	-	-	**11**
Balances with group companies (Note 22)	**667,725**	-	-	-	-	-	-	-	**667,725**
Deferred purchase payment consideration (Note 27)	**299,766**	-	-	-	-	-	-	-	**299,766**
Other assets (Note 27)	**54,864**	-	-	-	-	-	-	-	**54,864**
On-balance sheet total	**22,369,459**	**479,965**	**587,397**	**143,949**	**15,637,146**	**302,091**	**(8,060,809)**	**9,089,739**	**13,279,720**
Contingent liabilities									
Acceptances and endorsements	**4,625**	285	-	-	4,334	6	-	4,625	**-**
Guarantees	**615,958**	105,508	4,898	2,555	177,171	391	-	290,523	**325,435**
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	**2,024,198**	28,541	1,006	1,182	420,337	18,976	-	470,042	**1,554,156**
Off-balance sheet total	**2,656,045**	**135,063**	**5,904**	**3,737**	**607,330**	**19,392**	**-**	**771,426**	**1,884,619**
	25,025,504	**615,028**	**593,301**	**147,686**	**16,244,476**	**321,483**	**(8,060,809)**	**9,861,165**	**15,164,339**

43. Risk management - Credit risk (continued)

43.1 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 Company**							**Net exposure to credit risk**
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2020	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**5,513,476**	-	-	-	-	-	-	-	**5,513,476**
Loans and advances to banks (Note 17)	**361,278**	1,190	-	-	-	-	-	-	**361,278**
FVPL debt securities (Note 18)	**12,292**	-	-	-	-	-	-	-	**12,292**
Debt securities classified at amortised cost and FVOCI (Note 18)	**1,677,066**	-	-	-	-	-	-	-	**1,677,066**
Derivative financial instruments (Note 19)	**24,627**	-	-	-	-	-	-	-	**24,627**
Loans and advances to customers (Note 21)	**9,882,154**	440,034	582,867	158,765	14,001,366	1,517,072	(7,764,852)	8,935,252	**946,902**
Loans and advances to customers classified as held for sale (Note 28)	**493,037**	806	271	6,121	1,229,782	50,263	(807,942)	479,301	**13,736**
Cash and non-obligatory balances with central banks classified as held for sale (Note 28)	**68,425**	-	-	-	-	-	-	-	**68,425**
Debtors (Note 27)	**13**	-	-	-	-	-	-	-	**13**
Balances with group companies (Note 22)	**740,931**	-	-	-	-	-	-	-	**740,931**
Other assets (Note 27)	**58,010**	-	-	-	-	-	-	-	**58,010**
On-balance sheet total	**18,831,309**	**442,030**	**583,138**	**164,886**	**15,231,148**	**1,567,335**	**(8,572,794)**	**9,414,553**	**9,416,756**
Contingent liabilities									
Acceptances and endorsements	**4,655**	277	2	-	3,869	507	-	4,655	**-**
Guarantees	**625,965**	110,304	2,305	1,332	123,283	43,154	-	280,378	**345,587**
Commitments									
Documentary credits	**14,866**	1,854	169	-	4,992	815	-	7,830	**7,036**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2,063,440**	26,194	643	1,479	372,670	54,996	-	455,982	**1,607,458**
Off-balance sheet total	**2,708,926**	**138,629**	**3,119**	**2,811**	**504,814**	**99,472**	**-**	**748,845**	**1,960,081**
	21,540,235	**580,659**	**586,257**	**167,697**	**15,735,962**	**1,666,807**	**(8,572,794)**	**10,163,398**	**11,376,837**

The contingent liabilities and commitments include exposures relating to loans and advances to customers classified as held for sale amounting to €1,286 thousand (2020: €2,188 thousand), which relate to the Cyprus geographical area.

43. Risk management - Credit risk (continued)

43.2 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 Company's risk appetite statement imposes stricter concentration limits which are monitored by the Company.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented below.

The geographical concentration, for credit risk concentration purposes, is based on the Company's Country Risk Policy which is followed for monitoring the Company's exposures. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies. Loans and advances to customers are presented separately for countries with high concentration and all other countries with low concentration are presented within 'Other countries' as per Company's policy.

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	2	146	**978,538**
Manufacturing	303,372	179	-	-	-	25,674	**329,225**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	99	-	58	**520,198**
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	837	1,237	35,142	**587,163**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**13,496**	**38,562**	**406,718**	**9,818,026**

2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	17	113	**2,028,645**
Global corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	-	-	2,345	**1,043,586**
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**	**13,496**	**38,562**	**406,718**	**9,818,026**

43. Risk management - Credit risk (continued)

43.2 Credit risk concentration of loans and advances to customers (continued)

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	1,014,445	717	252	3,767	2	112	**1,019,295**
Manufacturing	350,403	389	177	692	-	31,717	**383,378**
Hotels and catering	875,572	35,989	34,736	504	-	40,185	**986,986**
Construction	613,895	8,689	123	600	2	234	**623,543**
Real estate	867,601	127,342	1,899	33,483	-	41,223	**1,071,548**
Private individuals	4,670,357	7,813	163,613	1,139	48,361	84,830	**4,976,113**
Professional and other services	652,928	407	5,711	3,773	9,337	39,933	**712,089**
Other sectors	432,569	13	219	838	5	168,175	**601,819**
	9,477,770	**181,359**	**206,730**	**44,796**	**57,707**	**406,409**	**10,374,771**

2020 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,922,810	8,949	94	604	110	2,760	**1,935,327**
Global corporate	1,344,983	163,153	41,334	35,546	9,308	302,734	**1,897,058**
SMEs	1,081,773	708	2,881	-	-	2,337	**1,087,699**
Retail							
- housing	2,862,802	3,052	57,627	623	6,051	25,622	**2,955,777**
- consumer, credit cards and other	884,151	1,075	1,507	133	256	2,061	**889,183**
Restructuring							
- corporate	165,162	-	532	-	-	5,323	**171,017**
- SMEs	98,931	-	883	-	97	240	**100,151**
- retail housing	143,540	182	3,600	130	377	1,591	**149,420**
- retail other	79,618	202	118	-	8	18	**79,964**
Recoveries							
- corporate	30,961	-	9	4,949	1	257	**36,177**
- SMEs	57,559	9	3,154	2,643	8,079	3,770	**75,214**
- retail housing	374,056	326	70,621	160	11,947	27,952	**485,062**
- retail other	337,500	34	6,108	4	304	1,890	**345,840**
International banking services	68,923	2,905	18,262	4	21,169	24,075	**135,338**
Wealth management	25,001	764	-	-	-	5,779	**31,544**
	9,477,770	**181,359**	**206,730**	**44,796**	**57,707**	**406,409**	**10,374,771**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers for ‘Restructuring’ and ‘Recoveries’ business lines as previously presented in the 2020 Annual Financial Report.

43. Risk management - Credit risk (continued)

43.2 Credit risk concentration of loans and advances to customers (continued)

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Restructuring							
- corporate	175,386	-	524	-	-	5,324	**181,234**
- SMEs	86,644	189	1,633	-	263	133	**88,862**
- retail housing	130,661	182	2,849	130	219	1,703	**135,744**
- retail other	99,560	13	127	-	-	12	**99,712**
Recoveries							
- corporate	20,388	-	-	7,592	-	23	**28,003**
- SMEs	87,276	9	275	-	1,465	1,728	**90,753**
- retail housing	364,775	326	73,460	160	18,511	30,042	**487,274**
- retail other	327,637	34	6,157	4	355	2,076	**336,263**
	1,292,327	**753**	**85,025**	**7,886**	**20,813**	**41,041**	**1,447,845**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2021 of €100,039 thousand (2020: €85,424 thousand).

The loan and advances to customers reported within 'Other countries' as at 31 December 2021 include exposures of €3,6 million in Ukraine (2020: €4,8 million).

43.3 Credit risk concentration of loans and advances to customers classified as held for sale

Economic activity, geographical and business line concentrations of Company loans and advances to customers at amortised cost classified as held for sale are presented in the table below.

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,164	-	-	**13,739**
Private individuals	369,168	1,070	55	804	4,087	**375,184**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,652	**1,074**	**11,895**	**804**	**4,119**	**555,544**

43. Risk management - Credit risk (continued)

43.3 Credit risk concentration of loans and advances to customers classified as held for sale (continued)

2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Global corporate	-	-	10,441	-	32	**10,473**
Retail						
- housing	139	-	-	-	-	**139**
- 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**
	537,652	**1,074**	**11,895**	**804**	**4,119**	**555,544**

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	137,088	-	-	-	-	**137,088**
Manufacturing	49,724	84	305	-	560	**50,673**
Hotels and catering	30,266	-	496	-	29	**30,791**
Construction	151,907	-	8	26	76	**152,017**
Real estate	68,685	-	-	-	314	**68,999**
Private individuals	712,742	1,423	16,225	10,004	14,969	**755,363**
Professional and other services	85,933	199	62	1,093	192	**87,479**
Other sectors	58,845	-	-	-	-	**58,845**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

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

43. Risk management - Credit risk (continued)

43.3 Credit risk concentration of loans and advances to customers classified as held for sale (continued)

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result comparative information has been restated to present information on a consistent basis. The table below presents the gross loans and advances to customers classified as held for sale for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

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

43.4 Analysis of loans and advances to customers by staging

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,091	1,721,231	554,627	159,755	**9,923,704**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,432**	**1,699,180**	**551,097**	**149,317**	**9,818,026**
Cyprus	**7,418,432**	**1,699,180**	**545,327**	**149,317**	**9,812,256**
Other countries	**-**	**-**	**5,770**	**-**	**5,770**
	7,418,432	**1,699,180**	**551,097**	**149,317**	**9,818,026**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,681,176	2,148,946	1,355,400	335,851	**10,521,373**
Residual fair value adjustment on initial recognition	(72,591)	(25,815)	(9,376)	(38,820)	**(146,602)**
Gross loans at amortised cost	**6,608,585**	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**
Cyprus	**6,608,308**	**2,123,131**	**1,306,993**	**297,031**	**10,335,463**
Other countries	**277**	**-**	**39,031**	**-**	**39,308**
	6,608,585	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**

43. Risk management - Credit risk (continued)

43.4 Analysis of loans and advances to customers by staging (continued)

Loans and advances to customers classified as held for sale

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,132	476,293	96,209	**574,634**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,214**	**79,255**	**555,544**
Cyprus	**-**	**2,075**	**463,760**	**79,255**	**545,090**
Other countries	**-**	**-**	**10,454**	**-**	**10,454**
	-	**2,075**	**474,214**	**79,255**	**555,544**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,177	21,801	1,138,587	221,365	**1,387,930**
Residual fair value adjustment on initial recognition	(41)	397	(7,650)	(39,381)	**(46,675)**
Gross loans at amortised cost	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**
Cyprus	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

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

43. Risk management - Credit risk (continued)

43.4 Analysis of loans and advances to customers by staging (continued)

The following tables present the Company's gross loans and advances to customers at amortised cost by staging and by business line concentration.

2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,569,699	430,865	6,596	21,485	**2,028,645**
Global corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	811,948	215,012	6,037	10,589	**1,043,586**
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**
	7,418,432	**1,699,180**	**551,097**	**149,317**	**9,818,026**

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,519,663	362,199	18,831	34,634	**1,935,327**
Global corporate	1,393,026	367,147	102,881	34,004	**1,897,058**
SMEs	739,999	325,412	11,283	11,005	**1,087,699**
Retail					
- housing	2,223,621	651,980	68,643	11,533	**2,955,777**
- consumer, credit cards and other	588,338	251,022	32,822	17,001	**889,183**
Restructuring					
- corporate	29,108	64,706	60,719	16,484	**171,017**
- SMEs	13,263	25,167	54,003	7,718	**100,151**
- retail housing	2,475	13,599	127,558	5,788	**149,420**
- retail other	943	4,047	71,910	3,064	**79,964**
Recoveries					
- corporate	-	-	29,431	6,746	**36,177**
- SMEs	-	-	65,287	9,927	**75,214**
- retail housing	-	-	404,337	80,725	**485,062**
- retail other	221	13	288,374	57,232	**345,840**
International banking services	76,160	49,222	9,767	189	**135,338**
Wealth management	21,768	8,617	178	981	**31,544**
	6,608,585	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**

43. Risk management - Credit risk (continued)

43.4 Analysis of loans and advances to customers by staging (continued)

Loans and advances to customers classified as held for sale

The following table presents the Company's gross loans and advances to customers at amortised cost classified as held for sale as at 31 December 2021 and 2020, by staging and business line concentration.

2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Global Corporate	-	-	10,470	3	**10,473**
Retail					
- housing	-	-	139	-	**139**
- 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**	**474,214**	**79,255**	**555,544**

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
SMEs	-	-	-	3	**3**
Retail					
- housing	-	40	-	-	**40**
- consumer, credit cards and other	-	2	21	-	**23**
Restructuring					
- corporate	-	975	62,946	1,036	**64,957**
- SMEs	3,442	9,882	67,664	4,334	**85,322**
- retail housing	2,414	9,882	53,327	2,829	**68,452**
- retail other	280	1,417	26,665	1,018	**29,380**
Recoveries					
- corporate	-	-	73,449	12,664	**86,113**
- SMEs	-	-	325,082	51,862	**376,944**
- retail housing	-	-	296,934	45,684	**342,618**
- retail other	-	-	224,849	62,554	**287,403**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines, as disclosed in Notes 43.2 and 43.3.

43. Risk management - Credit risk (continued)

43.4 Analysis of loans and advances to customers by staging (continued)

The movement of the gross loans and advances to customers at amortised cost by staging, including the loans and advances to customers classified as held for sale, is presented in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,614,721	2,145,329	2,476,961	479,015	**11,716,026**
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	13	1	16	(1)	**29**
Write offs	(518)	(843)	(246,048)	(40,657)	**(288,066)**
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)	(1,399,351)	(190,449)	(192,356)	(76,968)	**(1,859,124)**
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	**7,418,432**	**1,701,255**	**1,025,311**	**228,572**	**10,373,570**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,944,604	1,504,188	3,141,886	560,371	**12,151,049**
Transfers to stage 1	551,657	(528,094)	(23,563)	-	**-**
Transfers to stage 2	(1,180,335)	1,319,619	(139,284)	-	**-**
Transfers to stage 3	(20,831)	(28,251)	49,082	-	**-**
Foreign exchange and other adjustments	(17)	(2)	(18)	3	**(34)**
Write offs	(1,496)	(805)	(359,206)	(36,872)	**(398,379)**
Interest accrued and other adjustments	132,740	65,383	202,795	39,674	**440,592**
New loans originated or purchased and drawdowns of existing facilities	1,157,886	42,276	41,778	183	**1,242,123**
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(971,211)	(224,760)	(321,109)	(72,354)	**(1,589,434)**
Changes to contractual cash flows due to modifications	1,724	(4,225)	(2,998)	1,133	**(4,366)**
Disposal of Velocity 2 portfolio	-	-	(112,402)	(13,123)	**(125,525)**
31 December	**6,614,721**	**2,145,329**	**2,476,961**	**479,015**	**11,716,026**

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 as 'Loans derecognised or repaid'.

43. Risk management - Credit risk (continued)

43.4 Analysis of loans and advances to customers by staging (continued)

The movement of gross loans and advances to customers at amortised cost, in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including loans and advances to customers classified as held for sale, are presented in the tables below:

2021	**Corporate** €000	**Global corporate** €000	**Retail** €000
1 January	1,935,306	1,858,337	3,844,562
Transfers in/(out of) business line	39,690	(2,854)	(2,808)
Write offs	(106)	(2,005)	(1,704)
Interest accrued	60,360	70,644	89,885
New loans originated or purchased	471,370	435,512	628,425
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(477,348)	(410,840)	(519,142)
Changes to contractual cash flows due to modifications not resulting in derecognition	(644)	(918)	890
31 December	**2,028,628**	**1,947,876**	**4,040,108**

2020	Corporate €000	Global corporate €000	Retail €000
1 January	1,953,170	1,845,777	3,688,137
Transfers (out of)/in business line	(3,162)	22,046	(11,783)
Transfer (to)/in Global corporate business line	-	-	-
Interest accrued, foreign exchange and other adjustments	52,673	24,402	90,158
Write offs	(1,165)	(19,191)	(4,026)
New loans originated or purchased	319,385	261,281	508,773
Loans other than held for sale portfolios derecognised or repaid (excluding write offs)	(380,501)	(271,581)	(428,755)
Changes to contractual cash flows due to modifications not resulting in derecognition	(5,094)	(4,397)	2,058
31 December	**1,935,306**	**1,858,337**	**3,844,562**

43.5 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of the Company. These portfolios are Corporate, Retail and SMEs. Corporate and SME clients include legal entities. Retail includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower’s behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months default rates (PDs) are calculated per rating. These default rates are assumed to be the 12 month probability of default for the scored borrowers. The following table maps PD bands to various risk levels for corporate, retail and SME exposures.

Unrated loans for corporate are assessed using the Company's in-house behavioural scorecard model for corporate legal entities. Unrated loans for retail include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

43. Risk management - Credit risk (continued)

43.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

New customers for corporate and SME legal entities and new lending for retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The IFRS 9 PD models were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations (before the COVID-19 pandemic) and incorporate the latest scorecard models.

Overall there is an evident decrease both across ratings and portfolios PDs due to the release of PD overlays related to the COVID-19 pandemic and the 9-month moratorium that took place in 2020.

2021	12-month PD		
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	1.38	0.80	0.36
2	2.20	0.79	0.75
3	2.37	1.68	2.22
4	3.42	3.24	7.70
5	5.32	6.24	12.96
6	5.82	10.04	17.87
7	11.89	27.14	36.63

2020	12-month PD		
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	3.77	2.24	0.82
2	5.93	2.37	1.66
3	6.30	4.15	4.32
4	9.22	7.48	11.75
5	13.65	13.14	21.80
6	15.08	22.44	29.92
7	29.50	53.47	63.00

Lower rating exposures demonstrate a better capacity to meet financial commitments, with lower probability of default, whereas higher rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost which are managed in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of the Company.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	371,648	9,550	**381,198**	713,090	65,056	**778,146**
Rating 2	124,963	1,120	**126,083**	269,133	53,533	**322,666**
Rating 3	689,030	43,870	**732,900**	610,596	119,729	**730,325**
Rating 4	729,502	119,522	**849,024**	471,544	178,093	**649,637**
Rating 5	578,247	289,389	**867,636**	708,462	219,873	**928,335**
Rating 6	167,752	307,445	**475,197**	130,600	98,869	**229,469**
Rating 7	8,680	129,996	**138,676**	9,767	19,187	**28,954**
Unrated	120,016	106,826	**226,842**	34,075	140,432	**174,507**
New customers	386,841	49,745	**436,586**	221,325	2,588	**223,913**
	3,176,679	**1,057,463**	**4,234,142**	**3,168,592**	**897,360**	**4,065,952**
Total Stage 3 and POCI			**191,972**			**398,726**
			4,426,114			**4,464,678**

43. Risk management - Credit risk (continued)

43.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	795,577	37,566	**833,143**	693,768	96,548	**790,316**
Rating 2	965,269	34,373	**999,642**	743,838	136,888	**880,726**
Rating 3	756,588	53,053	**809,641**	615,175	163,727	**778,902**
Rating 4	562,838	81,779	**644,617**	432,447	211,631	**644,078**
Rating 5	224,332	80,133	**304,465**	141,377	133,226	**274,603**
Rating 6	114,346	105,725	**220,071**	83,489	143,947	**227,436**
Rating 7	27,568	101,290	**128,858**	46,760	114,183	**160,943**
Unrated	-	2,681	**2,681**	-	2,715	**2,715**
New customers	292,088	15,808	**307,896**	269,584	15,502	**285,086**
	3,738,606	**512,408**	**4,251,014**	**3,026,438**	**1,018,367**	**4,044,805**
Total Stage 3 and POCI			**462,882**			**1,075,211**
			4,713,896			**5,120,016**

	2021			**2020**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	183,001	12,159	**195,160**	133,876	29,345	**163,221**
Rating 2	181,836	29,316	**211,152**	150,155	58,282	**208,437**
Rating 3	43,425	16,911	**60,336**	50,690	33,370	**84,060**
Rating 4	15,454	18,447	**33,901**	15,347	28,751	**44,098**
Rating 5	8,260	16,252	**24,512**	8,195	18,347	**26,542**
Rating 6	5,793	8,019	**13,812**	4,456	15,392	**19,848**
Rating 7	3,249	6,496	**9,745**	2,301	12,125	**14,426**
Unrated	-	18,198	**18,198**	-	9,241	**9,241**
New customers	62,129	3,511	**65,640**	48,259	2,551	**50,810**
	503,147	**129,309**	**632,456**	**413,279**	**207,404**	**620,683**
Total Stage 3 and POCI			**45,560**			**168,808**
			678,016			**789,491**

Loans and advances to customers classified as held for sale

An analysis of gross loans and advances to customers classified as held for sale, as per the internal rating system of the Company is disclosed in the tables below.

	2021			**2020**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 3	-	-	**-**	31	193	**224**
Rating 5	-	-	**-**	-	363	**363**
Rating 6	-	-	**-**	-	106	**106**
Unrated	-	-	**-**	-	485	**485**
	-	**-**	**-**	**31**	**1,147**	**1,178**
Total Stage 3 and POCI			**64,759**			**267,609**
			64,759			**268,787**

43. Risk management - Credit risk (continued)

43.5 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	-	-	**-**	23	70	**93**
Rating 2	-	-	**-**	105	70	**175**
Rating 3	-	-	**-**	108	43	**151**
Rating 4	-	111	**111**	568	583	**1,151**
Rating 5	-	-	**-**	942	1,985	**2,927**
Rating 6	-	98	**98**	126	3,749	**3,875**
Rating 7	-	1,464	**1,464**	2,585	11,460	**14,045**
New customers	-	-	**-**	**-**	58	**58**
	-	**1,673**	**1,673**	**4,457**	**18,018**	**22,475**
Total Stage 3 and POCI			**400,861**			**801,289**
			402,534			**823,764**

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 2	-	55	**55**	161	-	**161**
Rating 3	-	-	**-**	19	8	**27**
Rating 4	-	326	**326**	65	226	**291**
Rating 5	-	1	**1**	50	146	**196**
Rating 6	-	-	**-**	760	156	**916**
Rating 7	-	20	**20**	593	2,497	**3,090**
	-	**402**	**402**	**1,648**	**3,033**	**4,681**
Total Stage 3 and POCI			**87,849**			**244,023**
			88,251			**248,704**

43.6 Contingent liabilities and commitments

The Company 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.

43.6.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2021	€000	€000	€000	**€000**
Exposures				
1 January	214,845	363,019	52,756	**630,620**
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)	90,925	(96,492)	(4,470)	**(10,037)**
31 December	**438,591**	**136,324**	**45,668**	**620,583**

43. **Risk management - Credit risk** (continued)

43.6 **Contingent liabilities and commitments** (continued)

43.6.1 **Contingent liabilities** (continued)

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposures				
1 January	436,603	159,924	98,683	**695,210**
Transfers to stage 1	6,146	(5,376)	(770)	**-**
Transfers to stage 2	(187,975)	217,131	(29,156)	**-**
Transfers to stage 3	(4)	(4,011)	4,015	**-**
Net decrease	(39,925)	(4,649)	(20,016)	**(64,590)**
31 December	**214,845**	**363,019**	**52,756**	**630,620**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	42	695	18,370	**19,107**
Transfers to stage 1	14	(14)	-	**-**
Transfers to stage 2	(13)	(273)	286	**-**
(Credit)/charge for the year*	(23)	(284)	2,957	**2,650**
31 December	**20**	**124**	**21,613**	**21,757**
Individually assessed	12	32	21,613	**21,657**
Collectively assessed	8	92	-	**100**
	20	**124**	**21,613**	**21,757**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	21	70	21,904	**21,995**
Transfers to stage 1	10	(8)	(2)	**-**
Transfers to stage 2	(200)	305	(105)	**-**
Transfers to stage 3	-	(3,500)	3,500	**-**
Charge/(credit) for the year*	211	3,828	(6,927)	**(2,888)**
31 December	**42**	**695**	**18,370**	**19,107**
Individually assessed	12	287	18,366	**18,665**
Collectively assessed	30	408	4	**442**
	42	**695**	**18,370**	**19,107**

* The charge for the year mainly relates to changes to inputs and net exposure.

43. Risk management - Credit risk (continued)

43.6 Contingent liabilities and commitments (continued)

43.6.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of the Company is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	121,750	1,223	**122,973**	18,551	52,371	**70,922**
Rating 2	13,327	93	**13,420**	24	8,050	**8,074**
Rating 3	45,371	670	**46,041**	12,172	59,503	**71,675**
Rating 4	25,513	2,185	**27,698**	2,532	37,000	**39,532**
Rating 5	42,183	31,791	**73,974**	3,184	70,690	**73,874**
Rating 6	11,720	3,809	**15,529**	2,228	18,556	**20,784**
Rating 7	1,410	432	**1,842**	-	164	**164**
Unrated	35,615	60,258	**95,873**	37,113	79,731	**116,844**
New customers	75,832	-	**75,832**	85,153	2,830	**87,983**
	372,721	**100,461**	**473,182**	**160,957**	**328,895**	**489,852**
Total Stage 3			**35,207**			**44,625**
			508,389			**534,477**

	2021			2020		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	30,241	78	**30,319**	22,858	3,407	**26,265**
Rating 2	7,949	1,217	**9,166**	5,667	2,790	**8,457**
Rating 3	1,592	223	**1,815**	1,540	590	**2,130**
Rating 4	365	111	**476**	430	254	**684**
Rating 5	42	6	**48**	53	178	**231**
Rating 6	3	-	**3**	18	122	**140**
Rating 7	554	32	**586**	163	1,871	**2,034**
Unrated	-	21,316	**21,316**	-	10,390	**10,390**
New customers	25,124	-	**25,124**	23,159	170	**23,329**
	65,870	**22,983**	**88,853**	**53,888**	**19,772**	**73,660**
Total Stage 3			**9,781**			**7,692**
			98,634			**81,352**

	2021			2020		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Unrated	-	12,880	**12,880**	-	14,352	**14,352**
	-	**12,880**	**12,880**	**-**	**14,352**	**14,352**
Total Stage 3			**680**			**439**
			13,560			**14,791**

43. Risk management - Credit risk (continued)

43.6 Contingent liabilities and commitments (continued)

43.6.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,224,083	775,192	79,031	**2,078,306**
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	(17,622)	2,506	(27,728)	**(42,844)**
31 December	**1,570,595**	**412,589**	**52,278**	**2,035,462**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,334,151	508,899	132,854	**1,975,904**
Transfers to stage 1	133,657	(132,525)	(1,132)	**-**
Transfers to stage 2	(399,593)	413,026	(13,433)	**-**
Transfers to stage 3	(1,280)	(2,753)	4,033	**-**
Net increase/(decrease)	157,148	(11,455)	(43,291)	**102,402**
31 December	**1,224,083**	**775,192**	**79,031**	**2,078,306**

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	126	425	-	**551**
Transfers to stage 1	9	(9)	-	**-**
Transfers to stage 2	(32)	63	(31)	**-**
(Credit)/charge for the year*	(84)	(310)	31	**(363)**
31 December	**19**	**169**	**-**	**188**
Individually assessed	7	80	-	**87**
Collectively assessed	12	89	-	**101**
	19	**169**	**-**	**188**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	30	87	-	**117**
Transfers to stage 1	34	(34)	-	**-**
Transfers to stage 2	(128)	168	(40)	**-**
(Credit)/charge for the year*	190	204	40	**434**
31 December	**126**	**425**	**-**	**551**
Individually assessed	36	111	-	**147**
Collectively assessed	90	314	-	**404**
	126	**425**	**-**	**551**

*The charge in the year mainly relates to changes to inputs.

43. Risk management - Credit risk (continued)

43.6 Contingent liabilities and commitments (continued)

43.6.2 Commitments (continued)

The credit quality of commitments, as per the internal rating system of the Company is disclosed in the table below.

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	330,278	8,371	**338,649**	318,920	28,336	**347,256**
Rating 2	41,484	3,397	**44,881**	19,069	57,360	**76,429**
Rating 3	128,429	10,627	**139,056**	64,983	74,480	**139,463**
Rating 4	58,322	10,107	**68,429**	30,570	57,489	**88,059**
Rating 5	58,708	82,198	**140,906**	27,382	50,681	**78,063**
Rating 6	12,239	16,047	**28,286**	3,093	16,443	**19,536**
Rating 7	154	1,627	**1,781**	28	61	**89**
Unrated	26,441	103,918	**130,359**	19,947	118,931	**138,878**
New customers	26,296	20,402	**46,698**	92,936	398	**93,334**
	682,351	**256,694**	**939,045**	**576,928**	**404,179**	**981,107**
Total Stage 3			**22,553**			**50,700**
			961,598			**1,031,807**

	2021			**2020**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	234,443	22,597	**257,040**	204,597	43,683	**248,280**
Rating 2	40,913	17,522	**58,435**	44,967	21,932	**66,899**
Rating 3	12,254	3,988	**16,242**	12,287	10,000	**22,287**
Rating 4	3,027	2,900	**5,927**	3,585	5,402	**8,987**
Rating 5	2,270	1,748	**4,018**	1,168	2,635	**3,803**
Rating 6	235	523	**758**	385	756	**1,141**
Rating 7	77	262	**339**	125	807	**932**
Unrated	-	17,465	**17,465**	-	12,301	**12,301**
New customers	11,073	459	**11,532**	8,710	618	**9,328**
	304,292	**67,464**	**371,756**	**275,824**	**98,134**	**373,958**
Total Stage 3			**24,001**			**20,607**
			395,757			**394,565**

43. Risk management - Credit risk (continued)

43.6 Contingent liabilities and commitments (continued)

43.6.2 Commitments (continued)

	2021			2020		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	244,760	29,865	**274,625**	179,709	99,239	**278,948**
Rating 2	115,852	10,877	**126,729**	58,949	58,456	**117,405**
Rating 3	55,987	12,732	**68,719**	25,306	46,873	**72,179**
Rating 4	30,358	7,642	**38,000**	14,508	28,034	**42,542**
Rating 5	8,553	8,621	**17,174**	4,893	16,434	**21,327**
Rating 6	4,095	6,756	**10,851**	2,422	9,759	**12,181**
Rating 7	711	2,984	**3,695**	199	4,036	**4,235**
Unrated	-	7,926	**7,926**	-	7,567	**7,567**
New customer	123,636	1,028	**124,664**	85,345	2,481	**87,826**
	583,952	**88,431**	**672,383**	**371,331**	**272,879**	**644,210**
Total Stage 3			**5,724**			**7,724**
			678,107			**651,934**

43. Risk management - Credit risk (continued)

43.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale

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

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	22,619	49,127	1,354,473	204,477	**1,630,696**
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	-	-	723	-	**723**
Write offs	(518)	(843)	(246,048)	(40,657)	**(288,066)**
Interest (provided) not recognised in the income statement	-	-	41,812	6,658	**48,470**
New loans originated or purchased*	4,152	-	-	233	**4,385**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)*	(632)	(464)	(32,024)	(770)	**(33,890)**
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**	**456,927**	**67,781**	**569,548**
Individually assessed	6,661	14,476	56,176	7,427	**84,740**
Collectively assessed	8,796	14,907	400,751	60,354	**484,808**
	15,457	**29,383**	**456,927**	**67,781**	**569,548**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 14).

The main driver for the impairment loss for the year ended 31 December 2021 is due to additional net credit losses recorded of approximately €13 million on NPEs as part of the Company's de-risking activities (including additional ECL charge for Helix 2 disposal and ECL release on Helix 3 portfolio) and the impact of the updated macroeconomic scenarios across all stages of approximately €8 million. There has been also a net ECL charge of approximately €26 million following the cure model recalibration performed in the third quarter of 2021, partially offset by the release of approximately €20 million ECL following the removal of overlays brought forward from 2020.

43. Risk management - Credit risk (continued)

43.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
1 January	16,665	25,380	1,530,800	206,166	**1,779,011**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	6,100	(191)	**6,769**
Foreign exchange and other adjustments	-	(2)	(705)	(81)	**(788)**
Write offs	(1,496)	(805)	(359,166)	(36,872)	**(398,339)**
Interest (provided) not recognised in the income statement	-	-	68,919	9,939	**78,858**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,560)	(4,206)	**(34,340)**
Write offs*	1,032	812	30,650	6,509	**39,003**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	224,710	34,648	**262,952**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,354,473**	**204,477**	**1,630,696**
Individually assessed	5,801	10,715	67,714	6,966	**91,196**
Collectively assessed	16,818	38,412	1,286,759	197,511	**1,539,500**
	22,619	**49,127**	**1,354,473**	**204,477**	**1,630,696**

43. Risk management - Credit risk (continued)

43.7 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:

2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	5,131	6,851	2,987	750	**15,719**
Global corporate	4,204	6,511	28,539	734	**39,988**
SMEs	1,653	3,242	1,458	276	**6,629**
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**	**456,927**	**67,781**	**569,548**

2020 (restated)	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,652	6,003	6,321	624	**16,600**
Global corporate	4,375	5,600	38,758	1,076	**49,809**
SMEs	2,352	4,263	1,008	363	**7,986**
Retail					
- housing	4,616	6,947	12,259	437	**24,259**
- consumer, credit cards and other	3,551	7,731	9,466	925	**21,673**
Restructuring					
- corporate	286	4,014	55,586	2,863	**62,749**
- SMEs	2,114	6,683	49,512	3,519	**61,828**
- retail housing	1,398	6,020	73,348	3,197	**83,963**
- retail other	195	1,197	52,051	2,239	**55,682**
Recoveries					
- corporate	-	-	65,917	10,452	**76,369**
- SMEs	-	-	245,825	35,644	**281,469**
- retail housing	-	-	373,743	67,590	**441,333**
- retail other	3	-	368,793	75,064	**443,860**
International banking services	67	658	1,707	5	**2,437**
Wealth management	10	11	179	479	**679**
	22,619	**49,127**	**1,354,473**	**204,477**	**1,630,696**

43. Risk management - Credit risk (continued)

43.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result comparative information has been restated to present information on a consistent basis. The table below presents the credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by staging and business line concentration for 'Restructuring' and 'Recoveries' business lines as previously presented in the 2020 Annual Financial Report.

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2020	€000	€000	€000	€000	**€000**
Restructuring					
- corporate	286	3,993	58,438	3,294	**66,011**
- SMEs	2,383	9,979	62,891	3,802	**79,055**
- retail housing	401	1,742	51,358	2,034	**55,535**
- retail other	923	2,200	57,810	2,688	**63,621**
Recoveries					
- corporate	-	-	96,183	22,286	**118,469**
- SMEs	-	-	254,462	31,585	**286,047**
- retail housing	-	-	360,331	66,721	**427,052**
- retail other	3	-	343,302	68,158	**411,463**
	3,996	**17,914**	**1,284,775**	**200,568**	**1,507,253**

The movement of the ECL allowance for the loans and advances to customers in the Corporate, Global corporate and Retail business lines in Cyprus (the country where the loans are managed), including ECL allowance for loans and advances to customers held for sale, is presented in the table below:

	Corporate	**Global corporate**	**Retail**
2021	**€000**	**€000**	**€000**
1 January	16,582	26,080	45,730
Transfer in/(out of) the business line	1,648	(482)	(4,440)
Write offs	(106)	(2,005)	(1,704)
Interest (provided) not recognised in the income statement	267	2,381	934
New loans originated or purchased*	1,018	747	1,847
Loans derecognised or repaid (excluding write offs)*	82	(1,706)	(971)
Write offs*	1	(8)	449
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(2,192)	2,614	(6,779)
Changes to contractual cash flows due to modifications not resulting in derecognition*	638	9,942	(1,097)
Impact on transfer between stages during the year*	(2,218)	(5,419)	(5,754)
31 December	**15,720**	**32,144**	**28,215**

43. Risk management - Credit risk (continued)

43.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

	Corporate	Global corporate	Retail
2020	**€000**	**€000**	**€000**
1 January	15,354	33,982	49,257
Transfer out of the business line	(1,170)	(1,909)	(7,706)
Write offs	(1,165)	(19,191)	(4,026)
Interest (provided) not recognised in the income statement	197	1,052	620
New loans originated or purchased*	620	2,568	1,456
Loans derecognised or repaid (excluding write offs)*	(907)	1,976	(932)
Write offs*	16	769	2,178
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	911	7,196	2,530
Changes to contractual cash flows due to modifications not resulting in derecognition*	327	(1,340)	1,313
Impact on transfer between stages during the year*	2,512	977	1,040
Disposal of Velocity 2 portfolio	(113)	-	-
31 December	**16,582**	**26,080**	**45,730**

*Individual components of the 'Impairment loss net of reversal on loans and advances to customers'

Credit losses of loans and advances to customers as at 31 December 2021 and 2020 include credit losses relating to loans and advances to customers classified as held for sale as presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
31 December 2021	**-**	**710**	**262,475**	**42,003**	**305,188**
31 December 2020	3,260	12,254	721,470	111,234	848,218

During the year ended 31 December 2021 the total non-contractual write-offs recorded by the Company amounted to €268,560 thousand (2020: €294,932 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is €984,329 thousand (2020: €1,062,224 thousand).

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

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

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

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

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

43. Risk management - Credit risk (continued)

43.7 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 Company taken 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 the Company 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 Company has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Company (excluding the loans and advances to customers classified as held for sale) with reference date 31 December 2021 and 2020.

The Company has altered for the purpose of sensitivity analysis the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2021	2020
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**3,610**	3,599
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(3,626)**	(3,658)
Increase the expected recovery period by 1 year	**8,000**	21,904
Decrease the expected recovery period by 1 year	**(7,421)**	(18,746)
Increase the collateral realisation haircut by 5%	**19,063**	42,769
Decrease the collateral realisation haircut by 5%	**(16,906)**	(36,934)
Increase in the PDs of stages 1 and 2 by 20%	**8,190**	8,718
Decrease in the PDs of stages 1 and 2 by 20%	**(8,011)**	(7,824)

The increase/(decrease) on ECL, per stage, for loans and advances to customers at amortised cost is further presented in the table below:

43. Risk management - Credit risk (continued)

43.7 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	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)**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	176	322	3,101	**3,599**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(133)	(422)	(3,103)	**(3,658)**
Increase the expected recovery period by 1 year	412	1,100	20,392	**21,904**
Decrease the expected recovery period by 1 year	(352)	(893)	(17,501)	**(18,746)**
Increase the collateral realisation haircut by 5%	1,176	2,810	38,783	**42,769**
Decrease the collateral realisation haircut by 5%	(973)	(2,431)	(33,530)	**(36,934)**
Increase in the PDs of stages 1 and 2 by 20%*	480	8,238	-	**8,718**
Decrease in the PDs of stages 1 and 2 by 20%*	(783)	(7,041)	-	**(7,824)**

*The impact on the ECL includes also the transfer between stages of the loans and advances to customers following the increase/decrease in the PD.

43. Risk management - Credit risk (continued)

43.7 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	2021	**2021**	2020	2020
	€000	**€000**	€000	€000
Corporate	**1,365**	**(1,272)**	867	(792)
Global corporate	**2,194**	**(1,976)**	1,567	(1,287)
SMEs	**724**	**(627)**	764	(653)
Retail				
- housing	**1,838**	**(1,545)**	3,066	(2,612)
- consumer, credit cards and other	**718**	**(653)**	848	(684)
Restructuring				
- corporate	**551**	**(558)**	1,007	(1,186)
- SMEs	**956**	**(858)**	1,255	(978)
- retail housing	**1,079**	**(972)**	3,629	(3,146)
- retail other	**458**	**(420)**	1,918	(1,707)
Recoveries				
- corporate	**748**	**(760)**	1,206	(988)
- SMEs	**1,114**	**(940)**	1,174	(895)
- retail housing	**5,541**	**(4,889)**	10,086	(9,043)
- retail other	**1,503**	**(1,233)**	14,929	(12,539)
International banking services	**273**	**(202)**	451	(423)
Wealth management	**1**	**(1)**	2	(1)
	19,063	**(16,906)**	**42,769**	**(36,934)**

43.8 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2021 and 2020 by taking possession of collateral held as security, was as follows:

	2021	2020
	€000	€000
Residential property	**10,100**	33,055
Commercial and other property	**19,778**	59,169
	29,878	92,224

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 Company as at 31 December 2021 amounted to €613,368 thousand (2020: €756,548 thousand).

The disposals of repossessed assets during 2021 (including those that were classified as held for sale prior to their disposal) amounted to €160,417 thousand (2020: €62,090 thousand).

43.9 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Company's loans and advances at amortised cost.

43. Risk management - Credit risk (continued)

43.9 Currency concentration of loans and advances to customers (continued)

Gross loans at amortised cost	2021	2020
	€000	€000
Euro	9,292,920	9,830,509
US Dollar	368,113	336,237
British Pound	93,369	91,213
Russian Rouble	-	1
Romanian Lei	-	344
Swiss Franc	61,336	108,198
Other currencies	2,288	8,269
	9,818,026	10,374,771

Loans and advances to customers classified as held for sale

The following table presents the currency concentration of the Company's loans and advances at amortised cost classified as held for sale.

Gross loans at amortised cost	2021 €000	2020 €000
Euro	532,945	1,285,894
US Dollar	700	7,023
British Pound	230	709
Swiss Franc	18,184	42,964
Other currencies	3,485	4,665
	555,544	1,341,255

43.10 Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Company decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

Rescheduled loans and advances are those facilities for which the Company 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 rescheduling it must meet certain criteria including that the customer must be considered to be viable. The extent to which the Company reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory agreements or orders.

43. Risk management - Credit risk (continued)

43.10 Forbearance (continued)

The forbearance characteristic contributes in two specific ways for the calculation of lifetime ECL for each individual facility. Specifically, it is taken into consideration in the scorecard development where if this characteristic is identified as statistically significant it affects negatively the rating of each facility. It also contributes in the construction through the cycle probability of default and cure curves, where when feasible a specific curve for the forborne products is calculated and assigned accordingly.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Restructuring options may be of a short or long-term nature or a combination thereof. The Company has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Company.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:

- Suspension of capital or capital and interest: Granting to the borrower a grace period in the payment of capital (i.e. during this period only interest is paid) or capital and interest, for a specific period of time.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: forbearance by capitalisation of the arrears and of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.

Long-term restructuring solutions can include the following:

- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or on time sale of assets mainly real estate to reduce borrowing.
- Modification of existing terms of previous decisions: In the context of the new sustainable settlement/ restructuring solution, review any terms of previous decisions that may not be met.
- Consolidation/ Refinancing of Existing Facilities: In cases where the borrower maintains several separate loans with different collateral, they can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collateral.
- Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace/ reduce the current account limit.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Liquidation Collateral: An agreement between the Company and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
- Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
- Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Company, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Company from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.

43. Risk management - Credit risk (continued)

43.10 Forbearance (continued)

- Debt/asset swaps: agreement between the Company and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Company and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

Stage 2 and Stage 3 loans that were forborne during the year amounted to €707,190 thousand (2020: €44,823 thousand). Their related modification loss amounted to €23,243 thousand (2020: €10,133 thousand). In 2020, amount of forbearances executed were significantly lower due to the moratorium being in place (the modification mainly relates to credit related reasons).

Customers classified as Stage 2 and Stage 3 as at 31 December 2020, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2021 amount to €540,712 thousand (2020: €362,238 thousand) and their corresponding ECL amount to €1,268 thousand (2020: €2,842 thousand).

Previously classified Stage 2 and Stage 3 customers that had facilities modified during the year and are classified as Stage 1 at 31 December 2021 amount to €110,303 thousand (2020: €347,966 thousand) and their corresponding ECL amount to €233 thousand (2020: €2,732 thousand). In 2020 the modification for the majority of these facilities reflects the modification due to moratorium.

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €126,972 thousand (2020: €109,663 thousand) and their corresponding ECL amounts to €5,250 thousand (2020: €2,591 thousand) as at 31 December 2021.

43.11 Rescheduled loans and advances to customers

The below table presents the movement of the Company's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale. The rescheduled loans related to loans and advances classified as held for sale as at 31 December 2021 amounts to €245,452 thousand (2020: €754,795 thousand).

	2021	2020
	€000	€000
1 January	**1,965,088**	2,482,502
New loans and advances rescheduled in the year	**741,116**	75,539
Loans no longer classified as rescheduled and repayments	**(484,039)**	(485,042)
Write-off of rescheduled loans and advances	**(106,010)**	(130,321)
Interest accrued on rescheduled loans and advances	**72,321**	53,634
Foreign exchange adjustments	**493**	(400)
Derecognition of Helix 2/Velocity 2 portfolios	**(733,448)**	(30,824)
	1,455,521	1,965,088

The classification as forborne loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

The below tables present the Company's rescheduled loans and advances to customers by staging, economic activity and business line classification excluding those classified as held for sale, as well as ECL allowances and tangible collateral held for such rescheduled loans.

43. Risk management - Credit risk (continued)

43.11 Rescheduled loans and advances to customers (continued)

	2021	2020
	€000	€000
Stage 1	**6,883**	199,193
Stage 2	**828,849**	242,493
Stage 3	**334,724**	670,207
POCI	**39,613**	98,400
	1,210,069	1,210,293

As described in Note 2.19.3 of the Group consolidated financial statements, in 2021 the Group introduced the granting of forbearance measures as a criterion of SICR.

Fair value of collateral

	2021	2020
	€000	€000
Stage 1	**6,751**	161,449
Stage 2	**782,843**	225,402
Stage 3	**275,269**	546,939
POCI	**37,824**	88,925
	1,102,687	1,022,715

The fair value of collateral presented above has been computed based to the extent that the collateral mitigates credit risk.

Credit risk concentration

	2021	2020
By economic activity	**€000**	€000
Trade	**50,798**	81,973
Manufacturing	**15,258**	30,185
Hotels and catering	**259,534**	46,145
Construction	**164,430**	68,785
Real estate	**196,522**	101,489
Private individuals	**414,463**	763,723
Professional and other services	**86,369**	85,061
Other sectors	**22,695**	32,932
	1,210,069	1,210,293

43. Risk management - Credit risk (continued)

43.11 Rescheduled loans and advances to customers (continued)

	2021	2020 (restated)
By business line	**€000**	€000
Corporate	**265,814**	54,245
Global corporate	**357,490**	114,822
SMEs	**103,571**	56,184
Retail		
- housing	**138,753**	222,078
- consumer, credit cards and other	**47,006**	70,923
Restructuring		
- corporate	**21,836**	76,197
- SMEs	**35,890**	61,392
- retail housing	**66,608**	115,436
- retail other	**20,561**	48,253
Recoveries		
- corporate	**19,796**	18,040
- SMEs	**14,382**	34,980
- retail housing	**81,318**	216,418
- retail other	**22,478**	106,205
International banking services	**14,159**	14,015
Wealth management	**407**	1,105
	1,210,069	1,210,293

2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	6,461	255,488	3,865	-	**265,814**
Global corporate	-	303,823	53,667	-	**357,490**
SMEs	-	96,654	2,945	3,972	**103,571**
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**	**334,724**	**39,613**	**1,210,069**

43. Risk management - Credit risk (continued)

43.11 Rescheduled loans and advances to customers (continued)

2020 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	19,359	26,319	6,450	2,117	**54,245**
Global corporate	69,789	18,908	26,125	-	**114,822**
SMEs	23,041	22,750	8,935	1,458	**56,184**
Retail					
- housing	55,086	108,175	54,892	3,925	**222,078**
- consumer, credit cards and other	17,391	27,694	22,962	2,876	**70,923**
Restructuring					
- corporate	6,162	13,186	41,857	14,992	**76,197**
- SMEs	4,856	9,483	41,234	5,819	**61,392**
- retail housing	2,284	9,302	100,443	3,407	**115,436**
- retail other	475	2,906	43,446	1,426	**48,253**
Recoveries					
- corporate	-	-	13,308	4,732	**18,040**
- SMEs	-	-	27,600	7,380	**34,980**
- retail housing	-	-	183,999	32,419	**216,418**
- retail other	-	-	89,402	16,803	**106,205**
International banking services	750	3,770	9,376	119	**14,015**
Wealth management	-	-	178	927	**1,105**
	199,193	**242,493**	**670,207**	**98,400**	**1,210,293**

Following a reorganisation of the restructuring and recoveries portfolio in early 2021 and mainly of the terminated exposures, certain loans were reclassified within the 'Restructuring' and 'Recoveries' business lines. As a result, comparative information has been restated to present information on a consistent basis. The table below presents the rescheduled loans and advances to customers by staging and business line concentration for ‘Restructuring’ and ‘Recoveries’ business lines as previously presented in the 2020 Annual Financial Report.

2020 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Restructuring					
- corporate	6,162	13,406	49,380	14,856	**83,804**
- SMEs	5,993	14,556	31,049	6,776	**58,374**
- retail housing	1,388	4,350	93,962	2,612	**102,312**
- retail other	234	2,565	52,588	1,401	**56,788**
Recoveries					
- corporate	-	-	8,238	7,440	**15,678**
- SMEs	-	-	42,885	4,769	**47,654**
- retail housing	-	-	176,025	32,891	**208,916**
- retail other	-	-	87,162	16,233	**103,395**
	13,777	**34,877**	**541,289**	**86,978**	**676,921**

ECL allowance

	2021 **€000**	2020 €000
Stage 1	8	4,317
Stage 2	13,349	9,729
Stage 3	120,345	273,871
POCI	10,218	37,888
	143,920	325,805

43. Risk management - Credit risk (continued)

43.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2021	2020
	€000	€000
Aaa - Aa3	**105,759**	165,488
A1 - A3	**80,571**	89,692
Baa1 - Baa3	**1,595**	39,877
Ba1 - Ba3	**9,089,015**	5,513,501
B1 - B3	**2,339**	1,195
Caa - C	**-**	3,054
Unrated	**28,926**	28,200
Other receivables from banks	**27,303**	33,747
	9,335,508	5,874,754

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 17).

Debt securities
Investments in debt securities are analysed as follows:

	2021	2020
Moody's rating	**€000**	€000
Aaa - Aa3	**830,940**	716,585
A1 - A3	**253,072**	96,448
Baa1 - Baa3	**77,330**	25,047
Ba1 - Ba3	**732,906**	817,890
Unrated	**24,794**	33,388
	1,919,042	1,689,358
Issued by:		
- Cyprus government	**732,906**	817,891
- Other governments	**311,108**	173,502
- Banks and other corporations	**875,028**	697,965
	1,919,042	1,689,358
Classified as:		
Investments mandatorily measured at FVPL	**4,009**	12,292
Investments at FVOCI	**723,759**	644,196
Investments at amortised cost	**1,191,274**	1,032,870
	1,919,042	1,689,358

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2021	€000	€000	€000	€000
Aaa - Aa3	231,587	595,845	-	595,845
A1 - A3	55,873	197,199	-	197,199
Baa1 - Baa3	30,348	46,983	-	46,983
Ba1 - Ba3	405,952	278,491	48,463	326,954
Unrated	-	24,293	-	24,293
	723,760	**1,142,811**	**48,463**	**1,191,274**

43. Risk management - Credit risk (continued)

43.12 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2020	€000	€000	€000	€000
Aaa - Aa3	240,890	463,904	-	463,904
A1 - A3	26,398	70,050	-	70,050
Baa1 - Baa3	-	25,047	-	25,047
Ba1 - Ba3	376,908	392,306	48,676	440,982
Unrated	-	32,887	-	32,887
	644,196	**984,194**	**48,676**	**1,032,870**

44. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to Company's capital and earnings arising from adverse movements in interest rates that affect the Company'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 Company’s net interest income, over a one-year period, from reasonably possible changes in the interest rates of the main currencies using the assumption of the prevailing market risk policy for the current and the comparative year.

44. Risk management - Market risk (continued)

		Impact on Net Interest Income in €000	
Currency	**Interest Rate Scenario**	**2021 (50 bps for Euro and 60 bps for US Dollar)**	**2020 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	35,677	27,592
All	Parallel down	(28,235)	(23,627)
All	Steepening	(19,944)	(15,184)
All	Flattening	25,546	22,494
All	Short up	33,182	26,310
All	Short down	(28,169)	(22,790)
Euro	Parallel up	34,484	26,093
Euro	Parallel down	(26,230)	(21,042)
Euro	Steepening	(17,866)	(12,898)
Euro	Flattening	25,153	21,424
Euro	Short up	32,200	24,886
Euro	Short down	(25,208)	(20,267)
US Dollar	Parallel up	1,193	1,499
US Dollar	Parallel down	(2,005)	(2,585)
US Dollar	Steepening	(2,078)	(2,286)
US Dollar	Flattening	393	1,070
US Dollar	Short up	982	1,424
US Dollar	Short down	(2,961)	(2,523)

44. Risk management - Market risk (continued)

The table below sets out the impact on the Company'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.

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**2021 (50 bps for Euro and 60 bps for US Dollar)**	**2020 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	(14,964)	174
All	Parallel down	23,698	42,736
All	Steepening	(9,300)	50,082
All	Flattening	8,986	51,093
All	Short up	3,616	6,044
All	Short down	6,273	47,392
Euro	Parallel up	(18,080)	(1,760)
Euro	Parallel down	60,603	90,207
Euro	Steepening	(7,836)	101,292
Euro	Flattening	17,714	101,893
Euro	Short up	2,234	8,897
Euro	Short down	26,386	99,812
US Dollar	Parallel up	6,232	3,867
US Dollar	Parallel down	(6,604)	(2,367)
US Dollar	Steepening	(1,464)	(564)
US Dollar	Flattening	258	293
US Dollar	Short up	4,998	3,191
US Dollar	Short down	(6,920)	(2,514)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Company is also affected by changes in market interest rates. The impact on the Company'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 Company's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
2021	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**1,219**	**(568)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**(782)**	**568**

44. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
	€000	**€000**
2020		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	686	(328)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	1,496	328

Interest rate benchmark reform
The LIBOR and the EURIBOR (collectively referred to as IBORs) are the subject of international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently from the past or cease to exist entirely or have other consequences that cannot be predicted.

Regarding LIBOR reform, regulators and industry working groups have identified alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative of the underlying market they intended to measure:
- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

In October 2021, the European Commission designated a statutory replacement rate for certain settings of CHF LIBOR.

On 16 November 2021, the Financial Conduct Authority of the United Kingdom (UK FCA)confirmed that they would permit the temporary use of the synthetic GBP and JPY LIBOR in all legacy LIBOR contracts, other than cleared derivatives that have not been changed at or ahead of end-31 December 2021. Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances.

The Company established a project to manage the transition to alternative interest rate benchmarks with the Director of Treasury as the project owner and with oversight from a dedicated Benchmark Steering Committee. The main divisions involved in the project at the highest level are the Legal Department, Treasury, Risk Management, Finance, Information Technology (IT), Operations and the business lines. The Assets and Liabilities Committee (ALCO) monitors the project on a regular basis.

During 2021, the Company has been actively preparing for the transition to alternative rates, including the assessment of appropriate fallback provisions for LIBOR linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to be published or no longer be representative of the underlying market they intended to measure. The most significantly impacted areas and the risks arising from IBORs' transition to alternative interest rate benchmarks are: updating systems and processes affected from the transition, reviewing and amending legal IBORs' referencing contracts, negotiation of revised legal documents with customers, development of new products, impact on risk management processes and systems, market risk profile changes due to IBOR transition, and financial and accounting matters including among other, hedge accounting issues. During 2021, the Company continued to work on technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transition to alternative Reference Rates (RFRs) in line with official sector expectations and milestones. The Company will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

For the legacy non-cleared derivatives exposures, the Group has adhered to the International Swaps and Derivatives Association (ISDA) protocol which came into effect in January 2021, while for cleared derivatives, BOC PCL will adopt the market wide standardised approach to be followed by the relevant clearing house.

44. Risk management - Market risk (continued)

The Company proactively engaged with its customer base and market counterparties for the amendment of substantially all impacted LIBOR contracts (other than contracts referencing USD LIBOR) by 31 December 2021 for transitioning to alternative rates. Those legacy credit facilities in CHF for which the contract was not amended by the first interest period commencing in 2022 ('tough legacy'), have been transitioned to the statutory rate provided by EU legislation. The Company has also made the necessary arrangements to transition its tough legacy GBP and JPY credit facilities to alternative rates by notifying its customer base accordingly and reserving the right to use a statutory rate provided by EU legislation in case such a rate is nominated in the future. New RFR lending products have also been introduced and adopted across the Group's key currencies. The Company continues to engage with counterparties to transition residual exposures, in line with regulatory guidance. This effort will continue until the transition of USD LIBOR contracts concludes by the end of June 2023.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2021 and 31 December 2020:

2021	EURIBOR	GBP LIBOR	USD LIBOR	CHF LIBOR	Other LIBOR	Total
Non-derivative financial assets	€000	€000	€000	€000	€000	€000
Loans and advances to customers	4,863,052	92,819	364,113	26,727	1,627	**5,348,338**
Investments	24,371	-	-	-	-	**24,371**
Loans and advances to banks	87,569	18,341	87,397	4,984	10,261	**208,552**
Total	**4,974,992**	**111,160**	**451,510**	**31,711**	**11,888**	**5,581,261**
Non-derivative financial liabilities						
Deposits by banks	151,051	113	7,658	-	503	**159,325**
Total	**151,051**	**113**	**7,658**	**-**	**503**	**159,325**

2020	EURIBOR	GBP LIBOR	USD LIBOR	CHF LIBOR	Other LIBOR	Total
Non-derivative financial assets	€000	€000	€000	€000	€000	€000
Loans and advances to customers	4,463,730	89,523	331,684	36,967	4,102	**4,926,006**
Investments	32,993	-	-	-	-	**32,993**
Loans and advances to banks	69,405	1,858	69,326	4,968	9,420	**154,977**
Total	**4,566,128**	**91,381**	**401,010**	**41,935**	**13,522**	**5,113,976**
Non-derivative financial liabilities						
Deposits by banks	154,435	1,110	1,074	-	4,668	**161,287**
Total	**154,435**	**1,110**	**1,074**	**-**	**4,668**	**161,287**

EURIBOR is in compliance with the EU Benchmarks Regulation and can continue to be used as a benchmark interest rate for existing and new contracts. The Company therefore, does not consider that Company's exposure to EURIBOR is affected by the BMR reform as at 31 December 2021 and 2020.

For derivatives in hedging relationships subject to IBOR reform refer to Note 19.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

44. Risk management - Market risk (continued)

In order to manage currency risk, the ALCO has approved open position limits for the total foreign exchange positions. The foreign exchange position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market Risk.

The Company does not maintain a currency trading book.

The table below sets out the Company's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

	Change in foreign exchange rate	**Impact on profit/loss after tax**	**Impact on equity**
2021	**%**	**€000**	**€000**
US Dollar	**+10**	**1,253**	**-**
Russian Rouble	**+25**	**2,571**	**34,656**
Romanian Lei	**+10**	**-**	**340**
Swiss Franc	**+5**	**420**	**-**
British Pound	**+10**	**(70)**	**-**
Japanese Yen	**+10**	**67**	**-**
Other currencies	**+10**	**138**	**-**
US Dollar	**-10**	**(1,025)**	**-**
Russian Rouble	**-25**	**(1,543)**	**(20,793)**
Romanian Lei	**-10**	**-**	**(278)**
Swiss Franc	**-5**	**(380)**	**-**
British Pound	**-10**	**57**	**-**
Japanese Yen	**-10**	**(55)**	**-**
Other currencies	**-10**	**(113)**	**-**

	Change in foreign exchange rate	**Impact on profit/loss after tax**	**Impact on equity**
2020	**%**	**€000**	**€000**
US Dollar	+15	4,032	-
Russian Rouble	+25	2,594	27,556
Romanian Lei	+10	-	133
Swiss Franc	+10	1,923	-
British Pound	+10	389	(1,110)
Japanese Yen	+10	118	-
Other currencies	+10	13	-
US Dollar	-15	(2,980)	-
Russian Rouble	-25	(1,556)	(16,534)
Romanian Lei	-10	-	(109)
Swiss Franc	-10	(1,422)	-
British Pound	-10	(318)	909
Japanese Yen	-10	(96)	-
Other currencies	-10	(11)	-

44. Risk management - Market risk (continued)

Price risk

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

Investments in equities are outside the Company's risk appetite but may be acquired in the context of delinquent loan workouts. The Company monitors the current portfolio mostly acquired by the Company 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 Company as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Company, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Company.

The table below shows the impact on the profit/loss before tax and on equity of the Company from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	Impact on profit/loss before tax	Impact on equity
2021	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+20**	**-**	**644**
Athens Exchange	**+30**	**257**	**-**
Other stock exchanges and unlisted	**+65**	**-**	**272**
Non-listed (Real Estate)	**+25**	**-**	**1,666**
Cyprus Stock Exchange	**-25**	**-**	**(805)**
Athens Exchange	**-35**	**(300)**	**-**
Other stock exchanges and unlisted	**-80**	**-**	**(334)**
Non-listed (Real Estate)	**-10**	**-**	**(666)**

	Change in index	Impact on profit/loss before tax	Impact on equity
2020	**%**	**€000**	**€000**
Cyprus Stock Exchange	+20	-	293
Other stock exchanges and unlisted	+20	5	1,681
Cyprus Stock Exchange	-20	-	(293)
Other stock exchanges and unlisted	-20	(5)	(1,681)

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 Company. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Company 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 Company as at 31 December 2021 was A3 (2020: Baa1). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2021 was Aa2 (2020: Aa1). Further information on ratings of debt securities is disclosed in Note 43.12.

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Company, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Company.

44. Risk management - Market risk (continued)

The table below indicates how the profit/loss before tax and equity of the Company will be affected from reasonably possible changes in the price of the debt securities held, based on Monte Carlo conditional value-at-risk (cVaR) analysis which is a risk measure used to evaluate market risks and it is derived by averaging the worst case loss scenarios with a confidence level of 99%, performed on a bond level, for the year ended 31 December 2021, and based on observations of changes in credit risk over the past years for the year ended 31 December 2020.

	Impact on profit/loss before tax	**Impact on equity**
2021	**€000**	**€000**
Up scenario:		
Aa3 and above rated bonds	**-**	**3,737**
A3 and above rated bonds	**-**	**2,498**
Baa3 and above rated bonds	**-**	**4,137**
Cyprus Government bonds	**-**	**22,671**
Down scenario:		
Aa3 and above rated bonds	**-**	**(3,737)**
A3 and above rated bonds	**-**	**(2,498)**
Baa3 and above rated bonds	**-**	**(4,137)**
Cyprus Government bonds	**-**	**(22,671)**

	Impact on profit/loss before tax	**Impact on equity**
2020	**€000**	**€000**
+3.0% for Aa3 and above rated bonds	-	7,171
+3.5% for A3 and above rated bonds	-	914
+4.3% for Cyprus Government bonds	-	16,073
-3.0% for Aa3 and above rated bonds	-	(7,171)
-3.5% for A3 and above rated bonds	-	(914)
-4.3% for Cyprus Government bonds	-	(16,073)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and on equity of the Company from a change in the price of other non-equity investments held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	**Impact on profit/(loss) before tax**	**Impact on equity**
2021	**%**	**€000**	**€000**
Other (non-equity instruments)	**+20**	**702**	**-**
Other (non-equity instruments)	**-25**	**(877)**	**-**
2020			
Other (non-equity instruments)	+25	2,899	-
Other (non-equity instruments)	-25	(2,899)	-

Property price risk

A significant part of the Company's loan portfolio is secured by real estate the majority of which is located in Cyprus. Furthermore, the Company 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 Company primarily as stock of properties and some are held as investment properties.

Property risk is the risk that the Company'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.

45. Risk management - Liquidity and funding risk

Liquidity Risk

Liquidity risk is the risk that the Company 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 Company may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Company 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 Company 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 Company.

The Treasury Division is responsible for liquidity management at Company level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored daily by Market Risk, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market Risk reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.
(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.
(iv) Early warning indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Company. 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 Company 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 Company to be adequately prepared to respond to stressed conditions and restore the Company’s liquidity position.

45. Risk management - Liquidity and funding risk (continued)

Monitoring process

Daily
The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Company's activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. The historical summary results of this report are made available to ALCO and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Company.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company 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 Company maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Company. The stress test assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International Banking Services deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month's mismatch.

Market Risk also prepares a monthly liquidity report which is submitted to the ECB. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of the Company and describes the measures implemented and to be implemented in the short-term to improve liquidity position if needed.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

45. Risk management - Liquidity and funding risk (continued)

Annually
The Company 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 Company evaluates its liquidity risk in the context of established policies, processes for the identification, measurement, management and monitoring of liquidity risk implemented by the institution.

As part of the Company's procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the extended ALCO. The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is tested annually. The LCP, which forms part of the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the Board Risk Committee for approval. The approved Liquidity Policy is notified to the SSM.

Liquidity ratios

The Company 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 Company also calculates its NSFR as per Capital Requirements Regulation II (CRR II), enforced in June 2021, with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

Funding risk

Funding risk is the risk that the Company 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 Company may fail to meet its obligations, including regulatory ones (e.g MREL).

Main sources of funding

As at 31 December 2021 the Company'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 Company borrowed in March 2021 an amount of €1,700 million and in June 2021 another €300 million, having previously borrowed in June 2020 €1,000 million under the TLTRO III, given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID 19 aid package. As a result, at 31 December 2021 the carrying value of the ECB funding was €2,970 million (2020: €995 million).

As at 31 December 2021, the wholesale funding nominal amount was €856 million. This includes funding raised from the wholesale debt capital markets of €220 million AT1 issued in December 2018, €300 million new Tier 2 issued in April 2021, €36 million remaining outstanding from the Tier 2 issued in January 2017 and €300 million senior preferred debt issued in June 2021. In January 2022, the Company redeemed the remaining €36 million outstanding of the Tier 2 issued in January 2017.

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, 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.

45. Risk management - Liquidity and funding risk (continued)

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Company's encumbered assets as at 31 December 2021 and 2020 are summarised below:

	2021	2020
	€000	€000
Cash and other liquid assets	**102,463**	78,831
Investments	**1,260,158**	37,105
Loans and advances	**3,126,803**	2,842,941
	4,489,424	2,958,877

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond. The increase in cash and other liquid assets presented as encumbered assets during the year ended 31 December 2021 was driven mainly by the cash encumbered for derivatives and for trade finance transactions.

As at 31 December 2021, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The increase in the investments presented as encumbered assets during the year ended 31 December 2021 was driven by the pledging of additional debt securities to the ECB for obtaining funding through the TLTRO III in March 2021 and June 2021.

Loans and advances indicated as encumbered as at 31 December 2021 and 2020, are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,007 million as at 31 December 2021 (2020: €1,017 million) in Cyprus, pledged as collateral for the covered bond issued by the Company in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2021 housing loans of a nominal amount of €2,091 million (2020: €1,827 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 29).

The Company 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, the Company has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 28 May 2021, the terms of the covered bonds were amended to extend the maturity date to 12 December 2026 and set the interest rate to 3 months Euribor plus 1.25% on a quarterly basis. The covered bonds are listed on the Luxemburg Bourse. The covered bonds have a conditional Pass Through structure. All the bonds are held by the Company. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks include balances of €36,571 thousand as at 31 December 2021 (2020: €44,220 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €71,321 thousand as at 31 December 2021 (2020: €88,963 thousand).

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Company's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

45. Risk management - Liquidity and funding risk (continued)

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral(primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Company 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 Company has the discretion not to accept such early termination of deposits.

Loan stock is classified in the relevant time band according to the remaining contractual maturity or the call date.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
Amounts of commitments and contingent liabilities are included in the time band on the basis of their remaining contractual maturities.

In the case of undrawn facilities the Company has the right to cancel them upon relevant notice to the customers and hence included in the 'On demand and up to one month' time band.

45. 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	9,186,060	17,274	23,827	1,977	1,579	**9,230,717**
Loans and advances to banks	154,117	4,123	1,882	69,213	18,358	**247,693**
Investments at FVPL	856	-	-	-	4,009	**4,865**
Loans and advances to customers	997,463	216,888	689,957	3,281,840	4,649,386	**9,835,534**
Balances with Group companies	67,949	5,367	32,454	558,299	3,656	**667,725**
Fair value of derivative assets	4,187	322	46	314	1,784	**6,653**
Non-trading investments	44,715	52,105	247,055	1,119,520	461,938	**1,925,333**
Financial assets classified as held for sale	227,195	8	451	1,606	21,096	**250,356**
Other assets	47,402	61	3,465	302,195	1,518	**354,641**
	10,729,944	**296,148**	**999,137**	**5,334,964**	**5,163,324**	**22,523,517**
Financial liabilities						
Deposits by banks	54,669	16,568	26,426	193,160	170,744	**461,567**
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**
Balances with Group companies	47,375	15,236	5,318	-	-	**67,929**
Loan stock	38,898	-	27,375	109,500	706,875	**882,648**
Fair value of derivative liabilities	2,249	836	1,746	11,925	15,696	**32,452**
Lease liabilities	513	1,026	4,607	16,006	6,622	**28,774**
Other liabilities	146,129	17,807	30,406	6,582	3,342	**204,266**
	13,425,210	**1,888,138**	**2,641,365**	**3,285,458**	**903,279**	**22,143,450**
Net financial (liabilities)/assets	**(2,695,266)**	**(1,591,990)**	**(1,642,228)**	**2,049,506**	**4,260,045**	**380,067**

45. Risk management - Liquidity and funding risk (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,606,327	18,120	25,430	1,886	1,380	**5,653,143**
Loans and advances to banks	283,871	726	249	76,358	74	**361,278**
Investments at FVPL	12,884	-	-	-	500	**13,384**
Loans and advances to customers	1,349,533	198,638	783,099	3,176,419	4,374,465	**9,882,154**
Balances with Group companies	61,829	44	513,450	161,659	3,949	**740,931**
Fair value of derivative assets	4,857	522	178	19,018	52	**24,627**
Non-trading investments	4,121	28,209	297,140	1,085,844	271,633	**1,686,947**
Financial assets classified as held for sale	470,112	773	2,756	9,046	78,775	**561,462**
Other assets	51,689	1	1,618	2,678	2,037	**58,023**
	7,845,223	**247,033**	**1,623,920**	**4,532,908**	**4,732,865**	**18,981,949**
Financial liabilities						
Deposits by banks	39,281	24,085	19,375	165,298	148,656	**396,695**
Funding from central banks	-	-	-	979,666	-	**979,666**
Customer deposits	11,846,823	1,916,872	2,717,157	58,496	-	**16,539,348**
Balances with Group companies	58,369	8,123	5,314	-	-	**71,806**
Loan stock	23,125	-	-	92,500	296,250	**411,875**
Fair value of derivative liabilities	4,930	998	877	23,138	16,035	**45,978**
Lease liabilities	729	1,246	5,608	23,096	9,326	**40,005**
Other liabilities	139,188	13,202	23,763	5,281	2,640	**184,074**
	12,112,445	**1,964,526**	**2,772,094**	**1,347,475**	**472,907**	**18,669,447**
Net financial (liabilities)/assets	**(4,267,222)**	**(1,717,493)**	**(1,148,174)**	**3,185,433**	**4,259,958**	**312,502**

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)**

45. Risk management - Liquidity and funding risk (continued)

2021	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,599	2,306	720	-	-	**4,625**
Guarantees	140,408	94,065	247,402	107,768	26,315	**615,958**
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	2,024,198	-	-	-	-	**2,024,198**
	2,168,212	**100,395**	**251,249**	**108,714**	**27,475**	**2,656,045**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	504,655	36,127	3,193	-	-	**543,975**
Contractual amounts payable	(499,949)	(35,502)	(3,148)	-	-	**(538,599)**
	4,706	**625**	**45**	**-**	**-**	**5,376**
Financial liabilities						
Contractual amounts receivable	565,613	175,348	2,858	-	-	**743,819**
Contractual amounts payable	(570,353)	(175,907)	(2,888)	-	-	**(749,148)**
	(4,740)	**(559)**	**(30)**	**-**	**-**	**(5,329)**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,801	1,542	312	-	-	**4,655**
Guarantees	101,769	105,057	270,524	123,140	25,475	**625,965**
Commitments						
Documentary credits	2,482	5,591	4,957	676	1,160	**14,866**
Undrawn formal standby facilities, credit lines and other commitments to lend	2,023,440	-	-	-	40,000	**2,063,440**
	2,130,492	**112,190**	**275,793**	**123,816**	**66,635**	**2,708,926**

46. Capital management

The primary objective of the Company'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.

46. **Capital management** (continued)

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

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

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 Company's capital ratio relate to i) the acceleration of the CRR II provision for the implementation of the new SME discount factor (lower RWAs), ii) extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 and iii) advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020.

The Group and the Company have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to Capital Requirements Regulation (CRR), CRD IV and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

Additional information on regulatory capital is disclosed in 'Additional Risk and Capital Management Disclosures' included in the Annual Financial Report and in the 'Pillar III Disclosures Report 2021 (unaudited)', which is published on the Group's website.

47. Related party transactions

Aggregate amounts outstanding at year end and additional transactions

	2021	2020	**2021**	2020
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Company's net assets per director	**12**	9	**148**	98
Loans and advances to other key management personnel and connected persons			**2,380**	21,870
Total loans and advances as at 31 December			**2,528**	21,968
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,364**	2,515
- connected persons			**164**	19,453
			2,528	21,968
Interest income for the year			**394**	710
Commission income for the year			**1**	3
Insurance premium income for the year			**367**	257
Subscriptions and insurance expense for the year			**377**	461
Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,687**	2,017
- connected persons			**2,254**	2,801
			4,941	4,818
Interest expense on deposits for the year			**-**	3
Accruals and other liabilities as at 31 December:				
- balances with entity providing key management personnel services			**1,199**	2,013
Staff costs, consultancy restructuring and other expenditure with entity providing key management personnel services			**9,980**	10,087

The above table does not include year-end balances for members of the Board of Directors and their connected persons who resigned during the year, nor balances of customers that do not meet the definition of connected persons as at 31 December 2021.

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €133 thousand as at 31 December 2021 (2020: €57 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €573 thousand as at 31 December 2021 (2020: €3,007 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals, and assigning no value to other types of collaterals) at 31 December 2021 amounted to €774 thousand (2020: €1,197 thousand).

47. Related party transactions (continued)

As at 31 December 2021 the Company has a deposit of €2,348 thousand (2020: €2,858 thousand) with Piraeus Bank SA in which Mr Arne Berggren is a non-Executive Director. The Company has also provided certain indemnities to Piraeus Bank SA as part of the disposal of Kyprou Leasing SA in 2015.

There were no other transactions during the years ended 31 December 2021 and 2020 with connected persons of the current members of the Board of Directors or with any members who resigned during the period/year.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Company's employees and their connected persons on the same terms as those of customers.

Connected persons include spouses, minor children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties include entities providing key management personnel services to the Company.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2021	2020
Director emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**801**	708
Termination benefits	**-**	450
Employer's contributions	**43**	49
Retirement benefit plan costs	**68**	55
Total directors' emoluments	**912**	1,262
Other key management personnel emoluments		
Salaries and other short-term benefits	**3,234**	3,363
Employer's contributions	**274**	241
Retirement benefit plan costs	**181**	155
Total other key management personnel emoluments	**3,689**	3,759
Total	**4,601**	5,021

Fees and benefits are included for the period that they serve as members of the Board of Directors. Other key management personnel emoluments are included for the period that they serve as key management personnel.

The termination benefits of the executive directors relate to compensation paid to an executive director who left the Company on 31 October 2020. The retirement benefit plan costs relate to contributions paid for the defined contribution plan.

47. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Executive Directors
The salaries and other short-term benefits of the Executive Directors are analysed as follows:

	2021	2020
	€000	€000
Panicos Nicolaou (Chief Executive Officer)	**715**	506
Christodoulos Patsalides (First Deputy Chief Executive Officer - resigned on 31 October 2020)	**-**	202
Eliza Livadiotou (Executive Director Finance & Legacy - appointed on 6 October 2021, following ECB approval)	**86**	-
	801	708

The retirement benefit plan costs for 2021 amounting to €68 thousand (2020: €55 thousand) relate to Mr Panicos Nicolaou €61 thousand (2020: €40 thousand), Mrs Eliza Livadiotou €7 thousand since the date of her appointment on 6 October 2021 and for 2020 Dr Christodoulos Patsalides up to the date of his resignation €15 thousand.

Non-executive Directors
Non-executive director fees are reflected as an expense of Bank of Cyprus Holdings Public Limited Company and as a result no non-executive director fees are disclosed. However, these are recharged by the holding company back to the Company and the recharge cost is included within 'Other operating expenses'.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the management team who report directly to the Chief Executive Officer or to the Deputy Chief Executive Officer. Mrs Eliza Livadiotou has been appointed as member of the Board of Directors from 6 October 2021 and her emoluments from that date onwards are disclosed within the Executive Directors emoluments above.

48. Subsidiary companies

The main subsidiary companies and branches of the Company, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2021 are:

Company	Country	Activities	Percentage holding (%)
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking and brokerage	100
BOC Asset Management Ltd	Cyprus	Management administration and safekeeping of UCITS Units	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

48. Subsidiary companies (continued)

In addition to the above companies, as at 31 December 2021 the Company had 100% shareholding in the companies listed below whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Edilia Properties Ltd, Limoro Properties Ltd, Samilo Properties Ltd, Jalimo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Prodino Properties Ltd, Alezia Properties Ltd, Stevolo Properties Ltd and Zenoplus Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2021 the Company had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2021 the Company had 100% shareholding in BOC Terra AIF V.C.I Plc which is a real estate alternative investment fund.

At 31 December 2021 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Alepar Properties Ltd, Cramonco Properties Ltd, Monata Properties Ltd, Aktilo Properties Ltd, Aparno Properties Ltd, Enelo Properties Ltd, Stormino Properties Ltd, Lomenia Properties Ltd, Vertilia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Romaland Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

48. Subsidiary companies (continued)

The Company also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Folimo Properties Ltd, Paneuropean Ltd, Philiki Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC IV Ltd and Steparco Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

Restructuring of its investment banking and brokerage activities

On 19 November 2020, the Group proceeded with a restructuring of its investment banking and brokerage activities through the acquisition by CISCO of LCP Holdings and Investments Public Ltd and CLR Investment Fund Public Ltd. This was achieved by an increase in the share capital of CISCO to the Company in exchange of the shares held by the Company in both companies. In particular, 67% of LCP Holdings and Investments Public Ltd and 20% in CLR Investment Fund Public Ltd were owned by CISCO as at 31 December 2020. In January 2021, CISCO also proceeded with the acquisition of BOC Asset Management Ltd from the Company. The above restructuring did not have an impact on the results of the Company.

Dissolution and disposal of subsidiaries

As at 31 December 2021, the following subsidiaries were in the process of dissolution or in the process of being struck off: Renalandia Properties Ltd, Crolandia Properties Ltd, Fantasio Properties Ltd, Demoro Properties Ltd, Elosis Properties Ltd, Polkima Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Fairford Properties Ltd, Salecom Ltd, Sylvesta Properties Ltd, Fledgego Properties Ltd, Bocaland Properties Ltd, Tantora Properties Ltd, Selilar Properties Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd and Battersee Real Estate SRL.

Frozenport Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, BC Romanoland Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Corner LLC, Leasing Finance LLC, Omiks Finance LLC, Trecoda Real Estate SRL, Commonland Properties Ltd, Melgred Properties Ltd and Romaland Properties SRL were dissolved during the year ended 31 December 2021. Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd), Jongeling Properties Ltd, Kedonian Properties Ltd, Mikosa Properties Ltd, Vemoto Properties Ltd, Subworld Properties Ltd, Intelamon Properties Ltd, Rofeno Properties Ltd, Belvesi Properties Ltd, Icazo Properties Ltd, Lasteno Properties Ltd, Orzo Properties Ltd, Andaz Properties Ltd and CYCMC III Ltd were disposed of during the year ended 31 December 2021.

Acquisitions and disposals of subsidiaries

During the years 2021 and 2020 there were no acquisitions of subsidiaries.

During the year ended 31 December 2021, the Company disposed of its 100% shareholding in Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC and recorded a loss on disposal of €203 thousand in the income statement for the year ended 31 December 2021 (Note 10).

There were no material disposals of subsidiaries during the year ended 31 December 2020.

48. Subsidiary companies (continued)

Carrying value of investments in subsidiaries

	2021	2020
	€000	€000
1 January	**97,609**	108,177
Contribution to subsidiaries	**4,638**	143
Issue of shares of subsidiary following scrip dividend	**-**	244
Disposals/dissolution of subsidiaries	**(6,026)**	(54)
Impairment of investments in subsidiaries (Note 14)	**(5,003)**	(10,901)
31 December	**91,218**	97,609

49. Events after the reporting period

Ukrainian crisis

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

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

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

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

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

49. Events after the reporting period (continued)

Subordinated Tier 2 Capital Note - January 2017

On 19 January 2022, the Company proceeded with the redemption of the remaining outstanding amount of Subordinated Tier 2 Capital Note - January 2017, of a total nominal value of €43 million, as disclosed in Note 31.

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Bank of Cyprus Public Company Limited (the "Company") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 248 to 395 and comprise:

- the balance sheet as at 31 December 2021;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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 Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of 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 among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality	• Overall materiality: €16.4 million, which represents approximately 0.9% of the Company's net assets as presented on the balance sheet by line item 'Total Equity'.
Key audit matters	We have identified the following key audit matters: • Impairment of loans and advances to customers. • Going concern. • Litigation provisions and regulatory and other claims. • Valuation of stock of properties. • Privileged user access.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€16.4 million.
How we determined it	Based on approximately 0.9% of the Company's net assets as presented on the balance sheet by line item 'Total Equity'.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark, because in our view, it is reflective of the Company's Common Equity Tier 1 ("CET1") capital position, which is the benchmark against which the performance of the Company is most commonly measured by the users of the financial statements. We chose 0.9%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €800 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers Refer to Note 5.2, "Calculation of expected credit losses" within Note 5 "Significant and other judgements, estimates and assumptions, Note 21, "Loans and advances to customers" and Note 43, "Risk management - credit risk". The Company 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 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 Company and their compliance with the requirements of IFRS 9.

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 Company.	We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the criteria used to allocate loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered residual staging overlays, in particular those applied by management with respect to COVID 19 impacted customers, where applicable. We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator "challenger model", on the basis of which an independent point ECL estimate was developed and compared against the Company's own calculation. We evaluated the Company's individual assessments for a sample of material Stage 3 exposures for compliance with the Company's policies, developments during 2021 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records. We considered the impact on the Company's ECL charge of expected realisation through disposals of certain loan portfolios comprising primarily Stage 3 loans and determined whether the related ECL charge is reasonable. We compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, upturn, downturn scenarios to publicly available information. We also considered the reasonableness of management's downturn and upturn assumptions in conjunction with the scenario weightings applied by management.

	We evaluated the appropriateness of the Company's disclosures particularly in relation to significant judgements and estimates. We concluded that the methodologies and judgments used by management in determining the ECL charge were reasonable, that the ECL provisions recognised were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Going concern Refer to Note 3 "Going Concern" to the financial statements. The Directors have determined that it is appropriate to prepare the financial statements using the going concern assumption and that no material uncertainties exist relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern. In making their assessment, the Directors have considered a period of at least twelve months from the date of approval of the financial statements. We considered the Company's assessment of its capital and liquidity position at 31 December 2021 including the improvements noted by management since 31 December 2020. Management has considered two prospective macroeconomic scenarios and then assessed the resulting capital and liquidity ratios for comparison against regulatory requirements. The development of these scenarios requires considerable management judgement. Particular consideration has been given to assessing any residual impact of COVID-19 as well as recent geopolitical developments pertaining to the Russian invasion of Ukraine. We determined this to be a key audit matter due to the ongoing focus on the capital adequacy for the Company and the judgements and assumptions underlying the delivery of the Company's Financial Plan.	We obtained the Directors' going concern assessment and assessed whether events and conditions exist that create material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We read correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Company, as well as other correspondence such as the findings of the ECB's Supervisory Review and Evaluation Process (SREP) which determines the Company's required Regulatory ratios. We considered the Company's 4 year Financial Plan approved by the Board in February 2022. We compared the Company's CET1 and other capital and liquidity ratios as included in management's going concern assessment versus regulatory reporting submissions of the Company. We evaluated the Company's assessment of the impact of the projected macroeconomic scenarios on its liquidity and capital ratios for the period of assessment. In particular, we: • Considered the Company's models used to develop projected future operating results, cash flows and estimates of assets and liabilities and challenged the assumptions underlying them by reference to past experience. • Assessed the Company's development of alternative (base and adverse) macroeconomic scenarios by reference to internal and external forecasts for the

	performance of the Cypriot economy over the next two years. • Considered the Company's estimates with respect to projected liquidity, in the context of liquidity stress testing. • Assessed the Company's estimation of the expected ECL impact on the customer loan portfolio and the valuation of property assets held as collateral and their consistency with the macroeconomic scenarios under consideration. We evaluated and stress-tested the Company's assessment of the possible impact of recent geopolitical developments pertaining to the Russia Ukraine conflict on the Company's forecast capital positions. We also evaluated the disclosures made in the financial statements and assessed whether they reflected the basis of the conclusions of the Directors' assessment. We concluded that the judgements made by the Directors in preparing the financial statements on a going concern basis were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Litigation provisions and regulatory and other claims Refer to Note 5.4 "Provisions for pending litigation, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 37 "Pending litigation, claims, regulatory and other matters", to the financial statements. The Company is subject to various legal claims, investigations and other proceedings. Provisions for pending litigation, claims, regulatory and other matters for the Company amounted to €97 million as at 31 December 2021. Management together with the Company'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	We obtained an understanding of and evaluated the design of controls relevant to the recognition and measurement of litigation provisions and regulatory and other claims. We tested the operating effectiveness of controls we wished to rely on. We evaluated management's assessment of a risk based sample of individual cases, including whether an economic outflow was assessed as probable. We assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary, we confirmed case facts and judgements directly with external legal advisors. For cases where economic outflow was assessed as probable by management, and therefore a provision recorded, we recalculated the provision and performed sensitivity

for each individual case and assess the probability of economic outflow from the Company. 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.	analysis on key assumptions used by management. We understood the basis of management's collective provisions, in circumstances where these are applied, assessed the key assumptions used by reference to past experience and recalculated provisions booked. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or relevant developments in current cases. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2021. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Valuation of stock of properties Refer to Note 5.3, "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 26 "Stock of properties". The Company has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property at the lower of their cost or net realisable value in accordance with IAS 2. Valuations obtained from reputable external valuers are a key input to determine the appropriate carrying amount.	We evaluated the overall control framework relevant to repossessed properties and tested the design and operating effectiveness of key controls around their valuation. We focused on the key inputs and assumptions underlying the valuation of the properties accounted for in accordance with IAS 2. We evaluated the competence, capability and objectivity of management's external experts (property valuers). For a sample of external valuation reports, we assessed the methodology and assumptions

We have determined this to be a key audit matter in light of the large volume of properties held, the carrying value of these properties of €513 million at 31 December 2021, and the uncertainty around market conditions when estimating the carrying amount.	used with the assistance of PwC valuation experts. For a sample of properties recognised during the year, we tested "cost" by reference to signed "debt-for-asset" agreements entered into with Company borrowers, and we tested the "net realisable value" by reference to external valuation reports. We performed look-back procedures by comparing the price achieved for disposals during 2021 to the carrying amounts for those assets at 31 December 2020. We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards. We concluded that the judgements and estimates used by management in determining the carrying amount of stock of properties were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Privileged user access The Company'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 Company relies on privileged user access controls which are critical to ensuring that changes to the 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 Company'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 Company'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 Company's data warehouse and considered the appropriateness of access during 2021; • Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and reviewed the appropriateness of developer access; • Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Company'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.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Definitions and explanations on Alternative Performance Measures Disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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 in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 March 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias

Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

29 March 2022

DEFINITIONS

Allowance for expected loan credit losses	Allowance for expected loan credit losses comprises: (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers classified as non-current assets held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition of loans and advances to customers held for sale), (iii) allowance for expected credit losses on off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
Cost to income ratio	Cost to income ratio is calculated as the total staff costs (excluding 'Restructuring costs – Voluntary Staff Exit Plan (VEP)') (on an underlying basis as reconciled in the table further below), special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other restructuring costs-organic', 'Restructuring and other costs relating to NPE sales', and 'Net reversals/(provisions) for litigation, claims, regulatory and other matters') (on an underlying basis as reconciled in the table further below) divided by total income as per the underlying basis (as defined below).
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of BOC PCL (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Gross loans	Gross Loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired at acquisition).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net loans and advances to customers (including net loans and advances to customers classified as non-current assets held for sale) (as defined below), plus investments (excluding equities and mutual funds).
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet.
Loan credit losses	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the year.

Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year to date) is calculated as the loan credit losses (as defined) (annualised based on year to date days) divided by the average gross loans (as defined). The average gross loans are calculated as the average of the opening balance and the closing balance for the year.
Net fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (per the underlying basis) (annualised based on year to date days) divided by the quarterly average interest earning assets (as defined). Quarterly average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable.
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as the gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year to date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-performing exposures (NPEs)	As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions: (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy. (iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPES that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/GL/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter.

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

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

Material arrears/excesses are defined as follows:

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

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

The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).

Non-recurring items	Non-recurring items as presented in the 'Unaudited Consolidated Income Statement on the underlying basis' relate to: (i) Advisory and other restructuring costs – organic, (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs – Voluntary Staff Exit Plan (VEP).
NPE coverage ratio	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	The NPE ratio is calculated as the NPEs (as defined) divided by gross loans (as defined).
Operating profit	Operating profit (on an underlying basis) comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, reversals net of provisions for litigation, claims, regulatory and other matters, tax, (profit)/loss attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised (based on year to date days) operating profit (on an underlying basis) (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) is the operating profit (as defined) adjusted for loan credit losses (as defined), impairments of other financial and non-financial assets, net reversal/(provisions) for litigation, claims, regulatory and other matters, tax and (profit)/loss attributable to non-controlling interests.
Profit/(loss) after tax – organic (attributable to the owners of the Company)	Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (as defined) (attributable to the owners of the Company), except for the 'Advisory and other restructuring costs – organic'.
Return on Tangible Equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) (as defined) per the underlying basis (annualised), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.

Total income	Total income on the underlying basis comprises the total of net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties, net gains on disposal of stock of property and other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Director's Report under section 'Group financial results on the underlying basis'.

RECONCILIATIONS

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2021.

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

	2021	2020
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined above)	**10,856,660**	12,261,404
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.4)	**(105,678)**	(146,602)
Gross loans and advances to customers at amortised cost classified as held for sale (Note 45.4)	**(555,789)**	(1,341,255)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Loans and advances to customers measured at fair value through profit or loss (Note 23)	**(281,868)**	(289,861)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(53,700)**	(36,408)
Gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 23)	**9,840,535**	10,400,603

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

	2021	2020
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**574,879**	1,387,930
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**555,789**	1,341,255

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

3. to customers (ECL)

	2021	2020
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined above)	**791,830**	1,901,978
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.4)	**(105,678)**	(146,602)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(53,700)**	(36,408)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Note 45.7)	**(305,419)**	(848,218)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Provisions for financial guarantees and commitments (Note 34)	**(21,945)**	(19,658)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Financial Statements (Note 23)	**285,998**	804,417

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

	2021	2020
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**324,509**	894,893
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.4)	**(19,090)**	(46,675)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**305,419**	848,218

3. Reconciliation of NPEs

	2021	2020
	€000	€000
NPEs as per the underlying basis (as defined above)	**1,343,308**	3,085,646
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 1 below)*	**(553,619)**	(1,312,165)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(19,030)**	(47,011)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(122,972)**	(118,479)
POCI (NPEs) *(Note 3 below)*	**(70,814)**	(227,065)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as Stage 3 (Note 45.4)	**(3,530)**	(9,376)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 45.4)	**573,343**	1,371,550
NPE ratio		
NPEs (as per table above) (€000)	**1,343,308**	3,085,646
Gross loans and advances to customers (as per table above) (€000)	**10,856,660**	12,261,404
Ratio of NPE/Gross loans (%)	**12.4%**	25.2%

Note 1: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €474,459 thousand Stage 3 loans (2020: €1,130,937 thousand Stage 3 loans) and an amount of €79,160 thousand POCI – Stage 3 loans (out of a total of €79,255 thousand POCI loans) (2020: €181,228 thousand POCI – Stage 3 loans (out of a total of €181,984 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

Note 2: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €2,079 thousand for Stage 3 loans (2020: €7,650 thousand for Stage 3 loans) and an amount of €16,951 thousand for POCI – Stage 3 loans (out of a total of €16,954 thousand POCI loans) (2020: €39,361 thousand for POCI – Stage 3 loans (out of a total of €39,381 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

3. Reconciliation of NPEs (continued)

Note 3: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €70,814 thousand POCI – Stage 3 loans (out of a total of €159,755 thousand POCI loans) (2020: €227,065 thousand POCI – Stage 3 loans (out of a total of €335,852 thousand POCI loans)) as disclosed in Note 45.4 of the Consolidated Financial Statements for the year ended 31 December 2021.

4. Reconciliation of Gross Loans – Pro forma

	2021
	€000
Gross Loans (as per table 1 (a) above)	**10,856,660**
Reconciling items:	
Gross loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (Note 29 – Disposal Group 1 and 2)	**(555,789)**
Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (Note 45.4)	**(19,090)**
Gross loans and advances to customers – Pro forma	**10,281,781**

5. Reconciliation of NPEs – Pro forma

	2021
	€000
NPEs (as per table 3 above)	**1,343,308**
Reconciling items:	
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 1 of table 3 above*)	**(553,619)**
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 2 of table 3 above*)	**(19,030)**
NPEs - Pro forma	**770,659**

NPE ratio – Pro forma	**2021**
NPEs - Pro forma (as per table above) (€000)	**770,659**
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,281,781**
Ratio of NPEs/Gross loans – Pro forma (%)	**7.5%**

6. Reconciliation of Loan credit losses

	2021	2020
	€000	€000
Loan credit losses as per the underlying basis	**66,353**	148,504
Reconciling items:		
(Reversal of loan credit losses)/loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**(12,579)**	120,021
	53,774	268,525
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers (Note 16)	**40,341**	275,080
Net gains on derecognition of financial assets measured at amortised cost (Consolidated Income Statement)	**(3,859)**	(2,949)
Net losses/(gains) on loans and advances to customers at FVPL (Note 11)	**17,292**	(3,606)
	53,774	268,525

KEY PERFORMANCE RATIOS INFORMATION

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2021.

1. Net Interest Margin

Reconciliation of the various components of net interest margin between the underlying basis and the statutory basis is provided below:

1.1. Net interest income used in the calculation of NIM	2021	2020
	€000	€000
Net interest income as per the underlying basis/statutory basis	**296,616**	330,016

1.2. Interest earning assets	31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Cash and balances with central banks (Note 42)	**9,230,883**	8,750,254	8,227,491	6,926,347	5,653,315
Loans and advances to banks (Note 42)	**291,632**	284,135	436,091	420,593	402,784
Loans and advances to customers (Note 23)	**9,836,405**	9,787,136	9,966,542	9,959,849	9,886,047
Loans and advances to customers held for sale (Note 29)	**250,370**	249,667	-	471,628	493,037
Cash held for sale (Note 29)	**-**	-	-	79,373	68,425
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') (Note 28)	**299,766**	381,056	378,141	-	-
Investments					
Debt securities (Note 20)	**1,930,388**	1,946,811	1,998,076	1,923,324	1,708,844
Less: Investments which are not interest bearing	**(5,534)**	(7,355)	(7,531)	(18,883)	(18,618)
Total interest earning assets	**21,833,910**	21,391,704	20,998,810	19,762,231	18,193,834
1.3. Quarterly average interest earning assets (€000)					
- 2021	**20,436,098**				
- 2020	17,930,637				

1. Net Interest Margin (continued)

1.4. Net interest margin (NIM)	**2021**	2020
Net interest income (as per table 1.1 above) (€000)	**296,616**	330,016
Quarterly average interest earning assets (as per table 1.3 above) (€000)	**20,436,098**	17,930,637
NIM (%)	**1.45%**	1.84%

2. Cost to income ratio

2.1. Reconciliation of the various components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2021	2020
	€000	€000
2.1.1. Reconciliation of Staff costs		
Total Staff costs as per the underlying basis	**202,487**	195,227
Reclassifications for:		
Staff costs – voluntary exit plans and other termination benefits, separately presented under the underlying basis (Note 14)	**16,146**	5,825
Total Staff costs as per the statutory basis (Note 14)	**218,633**	201,052

	2021	2020
	€000	€000
2.1.2. Reconciliation of Other operating expenses		
Other operating expenses as per the underlying basis	**147,194**	145,046
Reclassifications for:		
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis	**16,120**	25,925
Net reversal/(provisions) for pending litigations, claims, regulatory and other matters, separately presented under the underlying basis	**(2,632)**	7,202
Advisory and other restructuring costs – organic, separately presented under the underlying basis	**9,113**	10,284
Other operating expenses as per the statutory basis (Note 15)	**169,795**	188,457

	2021	2020 (restated)*
	€000	€000
2.1.3. Special levy on deposits and other levies/contributions		
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis (Note 15)	**36,350**	33,656

* 'Special levy on deposits and other levies/contributions' per the underlying basis for the year ended 31 December 2020 has been represented for the deferred tax credit levy of €3,445 thousand, which is now presented within 'Special levy on deposits and other levies/contributions' in line with current year presentation.

2. Cost to income ratio (continued)

2.2. Reconciliation of the various components of total income (as defined) used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2021	2020
	€000	€000
2.2.1. Reconciliation of Net fee and commission income		
Total Net fee and commission income as per the underlying basis/statutory basis	**171,796**	144,674

	2021	2020
	€000	€000
2.2.2. Reconciliation of Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates		
Net foreign exchange gains and net gains/(losses) on financial instruments transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis	**24,306**	14,650
Reclassifications for:		
Net (losses)/gains on loans and advances to customers measured at fair value through profit or loss (FVPL), disclosed within 'Loan credit losses' per the underlying basis (Note 11)	**(17,292)**	3,606
Net loss on early redemption of subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (Note 11)	**(12,558)**	-
Total Net foreign exchange gains and Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (see below)	**(5,544)**	18,256
Net foreign exchange gains as per the statutory basis	**16,503**	16,535
Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (Note 11)	**(22,047)**	1,721
Total Net foreign exchange gains and Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis	**(5,544)**	18,256

2. **Cost to income ratio** (continued)

	2021	2020
	€000	€000
2.3 Total Income as per the underlying basis		
Net interest income as per the underlying basis (as per table above)	**296,616**	330,016
Net fee and commission income as per the underlying basis (as per table above)	**171,796**	144,674
Net foreign exchange gains and net gains/(losses) on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis (as per table above)	**24,306**	14,650
Insurance income net of claims and commissions (as per the statutory basis)	**61,044**	56,063
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties (as per the statutory basis)	**11,468**	6,690
Net loss from revaluation of investment properties classified as held for sale, disclosed within 'Provisions/net loss relating to NPE sales' (as per the underlying basis)	**1,006**	-
Other income (as per the statutory basis)	**14,831**	14,957
Total Income as per the underlying basis	**581,067**	567,050

	2021	2020 (restated)*
	€000	€000
2.4 Total Expenses as per the underlying basis		
Staff costs as per the underlying basis (as per table above)	**202,487**	195,227
Special levy on deposits and other levies/contributions as per the underlying basis (as per table above)	**36,350**	33,656
Other operating expenses as per the underlying basis (as per table above)	**147,194**	145,046
Total Expenses as per the underlying basis	**386,031**	373,929
	2021	2020 (restated)*
Cost to income ratio		
Total expenses (as per table above) (€000)	**386,031**	373,929
Total income (as per table above) (€000)	**581,067**	567,050
Total expenses/Total income (%)	**66%**	66%

* 'Special levy on deposits and other levies/contributions' per the underlying basis for the year ended 31 December 2020 has been represented for the deferred tax credit levy of €3,445 thousand, which is now presented in 'Special levy on deposits and other levies/contributions' in line with current year presentation.

3. Operating profit return on average assets

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

	31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the Consolidated Balance Sheet	**24,962,785**	24,550,895	24,211,470	23,043,768	21,514,214
Quarterly average total assets (€000)					
2021	**23,656,626**				
2020	21,190,812				

	2021	2020 (restated)*
Total income (as per table 2.3 above) (€000)	**581,067**	567,050
Total expenses (as per table 2.4 above) (€000) (restated*)	**(386,031)**	(373,929)
Operating profit (€000)	**195,036**	193,121
Quarterly average total assets (€000)	**23,656,626**	21,190,812
Operating profit return on average assets (%)	**0.8%**	0.9%

* Operating profit return on average assets restated for the effect of the representation of 'Special levy on deposits and other levies/contributions' as described in table 2.4 above.

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

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

	2021	2020
Profit/(loss) after tax and before non-recurring items (attributable to the owner of the Company) per the underlying basis (as per table below) (€000)	**89,288**	(9,356)
Weighted average number of shares in issue during the year, excluding treasury shares (€000) (Note 18)	**9,597,945**	9,597,945
Basic earnings/(losses) after tax and before non-recurring items per share attributable to the owners of the Company (€cent)	**0.93**	(0.1)

The reconciliation between the 'Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)' per the underlying basis to the 'Profit/(loss) after tax (attributable to the owners of the Company)' per the statutory basis is provided in the table below:

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

4.1. Reconciliation of Profit/(loss) after tax-attributable to the owners of the Company

	2021	2020
	€000	€000
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis	**89,288**	(9,356)
Reclassifications for:		
Reversal loan credit losses /(loan credit losses) relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis (as per table 6 above)	**12,579**	(120,021)
Net loss from revaluation of investment properties classified as held for sale, disclosed within 'Provisions/net loss relating to NPE sales' (as per table 2.3 above)	**(1,006)**	-
Impairment loss relating to stock of properties of Project Helix 3, separately disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales'	**(19,424)**	-
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis (as per table 2.1.2 above)	**(16,120)**	(25,925)
Staff costs – voluntary exit plan and other termination benefits, separately presented under the underlying basis (Note 14) (as per table 2.1.1 above)	**(16,146)**	(5,825)
Advisory and other restructuring costs – organic, separately presented under the underlying basis (as per table 2.1.2 above)	**(9,113)**	(10,284)
Net loss on early redemption of Subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (Note 11) (as per table 2.2.2 above)	**(12,558)**	-
Profit/(loss) after tax (attributable to the owners of the Company) per the statutory basis	**27,500**	(171,411)

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

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

	2021	2020
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis (as per table 4.1. above) (€000)	**89,288**	(9,356)
Quarterly average tangible total equity (as per table 5.2 below) (€000)	**1,651,119**	1,745,154
ROTE after tax and before non-recurring items (%)	**5.4%**	-0.5%

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

5.1 Tangible total equity	**31 December 2021**	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	€000	€000	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**1,836,679**	1,843,202	1,823,071	1,843,361	1,830,739
Less: Intangible assets (as per the statutory basis)	**(184,034)**	(183,280)	(184,650)	(184,236)	(185,256)
Total tangible equity	**1,652,645**	1,659,922	1,638,421	1,659,125	1,645,483
5.2 Quarterly average tangible total equity (€000)					
- 2021	**1,651,119**				
- 2020	1,745,154				