Pillar 3 Disclosures

2021

Bank of Cyprus Holdings

TABLE OF CONTENTS

1. Executive Summary

The executive summary discloses a high level summary of the risk profile of Bank of Cyprus Holdings Public Limited Company Group (the 'Group'), and its interaction with its risk appetite. Bank of Cyprus Holdings Public Limited Company (the 'Company') is the holding company of Bank of Cyprus Public Company Limited (the 'Bank' or 'BOC PCL'). The Group comprises the Company, its subsidiary BOC PCL and the subsidiaries of BOC PCL. Risk appetite describes the types and level of risk that the Group chooses to accept in pursuit of its strategy whilst at the same time fulfilling regulatory requirements.

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.

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, 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.

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

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

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

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

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

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

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

1. Executive Summary (continued)

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

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

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

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 agenda; by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

1. Executive Summary (continued)

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	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)	• Grow net performing book by approximately 6% per year and extend new lending by approximately €9 billion over the medium term • Enhance fee and commission income, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of Digital Economy Platform • Profitable insurance business with further opportunities to grow, e.g. focus on high margin products, leverage on BOC PCL's strong franchise and customer base for more targeted cross selling enabled by digital transformation
Improving operating efficiency; by achieving leaner operations through digitisation and automation	• 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
Strengthening asset quality	• 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 agenda	• Implement ESG strategy with a shift of focus on environment • Embed ESG sustainability in the BOC PCL's culture • Continuous enhancement of structure and corporate governance • Invest in people and promote talent

1. Executive Summary (continued)

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 the agreements for the sale of NPEs (Project Helix 3 and Project Sinope – section 7.5).

Risk Profile

The Group is exposed to several key risks that include credit risk, market risk, liquidity and funding risk, concentration risk, and operational risk which includes but not limited to, legal risk, information security and cyber risks, technology risk and third-party risk. Further details on these risks are provided in Sections 2.4.1 and 4 of the current disclosures.

The Board is responsible to ensure that a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of all risks is in place. The framework, described in detail in Section 2.4 of the current disclosures, provides the infrastructure, processes and analytics needed to support effective risk management. It also ensures that material risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with its risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained. Furthermore, the risk appetite framework sets specific limits on credit risk including the level of NPEs, the cost of risk as well as concentration limits which are considered when defining the level of new lending in the business strategy.

To ensure that the risk profile of the Group is within the approved risk appetite a consolidated risk report and risk appetite dashboard is regularly reviewed and discussed by the Board. In case where violations occur, the Risk Appetite Framework provides the necessary escalation process to analyse the materiality and nature of the breach, notify the appropriate authorities, and decide the necessary remediation actions to address the problem.

The concise risk statement is derived from the Risk Profile section in conjunction with the acceptance of this disclosure Report by the Executive Director Finance & Legacy and the Chief Risk Officer.

1. **Executive Summary** (continued)

Ukrainian crisis

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

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

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

1. Executive Summary (continued)

The following key metrics reflect largely the Group's risk profile.

	2021 (proforma)[2]	2021 (as reported)[3]	2020 (as reported)[3]
Key Balance sheet ratios[1]			
NPE ratio	7.50%	12.40%	25.20%
NPE coverage ratio	61%	59%	62%
Leverage ratio	7.49%	7.45%	9.08%
Cost of risk	0.57%	0.47%	1.18%
Liquidity Coverage Ratio (LCR)	298%	298%	254%
Net Stable Funding Ratio (NSFR)[4]	147%	147%	139%
Capital ratios and Risk Weighted Assets[1]			
Common Equity Tier 1 (CET1) ratio (transitional)	15.76%	15.14%	14.80%
CET1 (fully loaded)	14.32%	13.75%	12.94%
Total Capital ratio (transitional)	20.78%	20.01%	18.35%
Risk weighted assets (€ million)	10,344	10,694	11,636
RWAs intensity	41%	43%	70%

1 **The financial information is derived from and should be read in conjunction with the Directors' Report included within the Company's Annual Financial Report for 2021.**

2 **Pro forma: Pro forma for the agreement for the sale of NPEs -Project Helix 3 and Project Sinope; calculations on a pro forma basis assume completion of Project Helix 3 and Project Sinope, which is subject to required customary regulatory and other approvals (additional information on the transaction of Helix 3 and Sinope is disclosed in Section 7.5.).**

3 **As reported: Including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'.**

4 **NSFR for 2021 is reported as per CRR II and for 2020 as per Basel III guidelines.**

Throughout this Report, all relevant figures are based on 31 December 2021 financial results, unless otherwise stated. Numbers on a pro forma basis are based on the 31 December 2021 figures and are adjusted for Project Helix 3 and Project Sinope, and assume its completion, which remains subject to required customary regulatory and other approvals. Where numbers are provided on a pro forma basis this is explicitly stated as pro forma.

- Credit Risk is managed in accordance with the Risk Appetite which sets targets for several key **asset quality metrics** described below.
  - During 2021, **NPEs** 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, NPEs are reduced by a further €572 million to €771 million on the basis of 31 December 2021 figures. Overall in 2021, NPEs were reduced by 75% on pro forma basis.
  - The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and normalising the cost of risk and other impairments, whilst managing the post-pandemic NPE inflows. The loan credit losses totaled €66 million for 2021, compared to €149 million in 2020. The annualised **loan credit losses charge (cost of risk)** for 2021 accounted for 0.57% of gross loans (compared to an annualised loan credit losses charge of 1.18% for 2020). The post-moratoria performance has exceeded expectations, allowing for a swifter normalisation in cost of risk.

1. Executive Summary (continued)

- The NPEs account for 12.40% of gross loans as at 31 December 2021, compared to 25.20% 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, the NPE ratio is reduced to 7.50% on the basis of 31 December 2021 figures.
- The Group has in place limits to manage concentration risk which can arise, among others, from sector, product, counterparty, currency, collateral and funding source concentration. Appropriate monitoring and reporting processes are in place and are frequently reviewed. There are restrictions on loan concentrations which are imposed by the Cyprus Banking Law, the relevant Central Bank of Cyprus (CBC) Directives and the Capital Requirements Regulation (CRR). According to these restrictions, a credit institution shall not incur an exposure after taking into account the effect of the credit risk mitigation and exempt exposures to a client or group of connected clients, the value of which exceeds 25% of Tier 1 Capital. The Group's Risk Appetite Statement (RAS) imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of the internal limits over time.

- As at 31 December 2021, the **leverage ratio** of the Group was 7.45% (2020: 9.08%) on a transitional basis and 6.80% (2020: 8.01%) using a fully phased-in definition of Tier 1 (T1). This ratio is well above the 3% regulatory limit.

- At 31 December 2021 the **LCR** stood at 298% compared to 254% at 31 December 2020 and was in compliance with the minimum regulatory requirement of 100%.

- As at 31 December 2021 the **NSFR** stood at 147% compared to 139% as at 31 December 2020. NSFR (calculated on the basis of Basel III standards) has been developed to promote a sustainable maturity structure of assets and liabilities and it became a regulatory indicator in June 2021, when CRR II was enforced, with the limit set at 100%.

- The **CET1 ratio on a transitional basis** stood at 15.14% as at 31 December 2021 and 15.76% pro forma for Project Helix 3 and Project Sinope sale agreements reached in the third quarter 2021 and in the fourth quarter 2021 respectively (referred to as 'pro forma for HFS') compared to 14.80% as at 31 December 2020 (and 15.16% pro forma for the Project Helix 2 Portfolios A and B sale agreements reached in the third quarter 2020 and in the first quarter 2021 respectively). During the year ended 31 December 2021, the CET1 ratio was positively affected mainly by the preprovision 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 Old Tier 2 Capital Notes and the cost relating to the Voluntary Staff Exit Plan.

- The **CET1 fully loaded ratios** amounted to 13.75% as at 31 December 2021 and 14.32% pro forma for HFS, compared to 12.94% as at 31 December 2020 (and 13.26% pro forma for Helix 2 (Portfolios A and B). On a transitional basis and on a fully phased in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

- The **Total Capital ratio** stood at 20.01% as at 31 December 2021 and 20.78% pro forma for HFS, compared to 18.35% as at 31 December 2020 (and 18.74% pro forma for the Project Helix 2 (Portfolios A and B)). Other than the main drivers for CET1, Total Capital was positively affected by the successful Tier 2 refinancing in 2021.

- The Standardised Approach has been applied to calculate the **Risk Weighted Assets** (RWAs) across all risks. The total RWA in 2021 (€10,694 million) decreased in comparison to 2020 (€11,636 million) with the main drivers being (a) the completion of Project Helix 2 Portfolios A and B sale transactions; (b) other reductions in higher risk balance sheet items (mainly stock of property held for sale, deferred tax asset); (c) an increase in real estate collateral coverage from improved real estate indices; and (d) the decrease in operational risk RWAs. The Credit Risk RWAs continue to be the main driver of minimum capital requirements.

2. Introduction

2.1. Corporate Information

The Company was incorporated in Ireland on 11 July 2016, as a public limited company under company number 585903 (LEI code: 635400L14KNHZXPUZM19) in accordance with the provisions of the Companies Act 2014 of Ireland (Companies Act 2014). Its registered office is 10 Earlsfort Terrance, Dublin 2, D02 T380, Ireland.

The Company is the holding company of BOC PCL. The Bank of Cyprus Holdings Group (the 'Group') comprises the Company, its subsidiary BOC PCL and the subsidiaries of BOC PCL.

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

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

2.2. Pillar III Regulatory Framework

Regulatory framework overview

The Pillar 3 report is prepared in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions (Capital Requirements Regulation – CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions (Capital Requirements Directive - CRD) as amended. The European Banking Authority (EBA) guidelines on Pillar 3 disclosure requirements have been fully adopted.

The CRR and CRD establish the prudential requirements for capital, liquidity and leverage that entities need to abide by. CRD governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of RWAs and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which was largely effective by 2019. In addition, the Regulation (EU) 2016/445 of the European Central Bank (ECB) on the exercise of options and discretions available in Union law (ECB/2016/4) provides certain transitional arrangements which supersede the national discretions unless they are stricter than the EU Regulation 2016/445.

As of 27 July 2019, the CRR was updated by the CRR Amendment Regulation (EU) 2019/876. As Regulation (EU) 2019/876 is an amendment to Regulation (EU) 575/2013, the term CRR is used consistently throughout this document. Unless further specified, the term CRR always means the currently applicable version, as last amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, in force since 27 June 2021.

Regulation (EU) 2019/876 which is that are applicable from June 2021 includes the introduction of a minimum leverage ratio of 3%, the new standardised EAD calculation for counterparty risk, known as SA-CCR, a minimum Net Stable Funding Ratio (NSFR) of 100%, the new limits for large exposures and the requirement to report under the standardised approach for market risk. The NSFR is calculated as the amount of "available stable funding" (ASF) relative to the amount of "required stable funding" (RSF).

2.2. Pillar III Regulatory Framework (continued)

The current regulatory framework comprises three pillars:
- Pillar I covers the regulatory capital calculations, including calculation of RWAs for credit risk, counterparty risk, market risk and operational risk.
- Pillar II covers the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy processes and whether additional capital is required over and above the Pillar I and provides for the monitoring and self-assessment of a bank's capital adequacy and internal processes.
- Pillar III covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

The Group's 2021 year end disclosures comply with all relevant CRD, CRR and associated EBA and ECB guidelines and technical standards in force at 31 December 2021.

Future Regulatory Developments

The Group continues to closely monitor EU and Cyprus regulatory developments, including among others the following:

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

2.2. Pillar III Regulatory Framework (continued)

Capital requirements

The minimum ratios presented below apply for the Group, BOC PCL and the BOC Group. In addition, the ECB has also provided non-public guidance for an additional Pillar II CET1 buffer.

Minimum Capital Requirements

	2022	2021	2020
	%	%	%
Pillar 1			
CET1	4.50	4.50	4.50
Tier 1	6.00	6.00	6.00
Total Capital requirement-Pillar 1	**8.00**	**8.00**	**8.00**
Pillar 2			
CET1	1.83	1.69	1.69
AT1	0.61	0.56	0.56
Tier 2	0.82	0.75	0.75
Total Capital requirement-Pillar 2 -Note 2	**3.26**	**3.00**	**3.00**
Buffers			
Capital Conservation Buffer (CCB) -Note 3	2.50	2.50	2.50
Countercyclical Capital Buffer (CCyB) -Note 4	-	-	-
Other Systematically Important Institutions (O-SII)-Note 5	1.25	1.00	1.00
Total minimum requirements CET1 -Note 6	**10.08**	**9.69**	**9.69**
Overall Capital requirement -Note 6	**15.01**	**14.50**	**14.50**

Notes:

1. Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015 which came into force on 1 January 2016, the CBC is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD.

2. In the context of the SREP conducted by the ECB in 2021, the Pillar II requirement was set at 3.26%, compared to 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 Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

2.2. Pillar III Regulatory Framework (continued)

Notes:

3. The Capital Conservation Buffer (CCB) was gradually phased-in at 0.625% in 2016, 1.25% in 2017, and 1.875% in 2018 and was fully implemented on 1 January 2019 at 2.50%.

4. In accordance with the provisions of the above law, the CBC determines, on a quarterly basis, the Countercyclical Capital Buffer rates in accordance with the methodology described in this law. The CCyB is effective as of 1 January 2016 and is determined for all the countries in the European Economic Area (EEA) by their local competent authorities ahead of the beginning of each quarter. The CBC has set the CCyB rate for risk weighted exposures in Cyprus at 0.00% for the years 2020 and 2021 as well as for the first quarter of year 2022. The CCyB for the Group for 2021 has been calculated at 0.00% (Section 5.4).

5. In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are O-SIIs and for the setting of the O-SII buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the CBC initially set the O-SII buffer for the Group at 2.00%, revised to 1.50% in November 2021 with effect from 1 January 2022. This buffer is phased in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% every year thereafter, until being fully implemented. In April 2020 the CBC decided to delay the phasing in of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently and following the revision to 1.50%, the O-SII buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set, increasing by 0.25% each year.

6. The Group’s minimum phased-in Common Equity Tier 1 (CET1) capital ratio for 2022 is set at 10.08% (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%) compared to the 9.69% in 2021 and the Group’s Total Capital requirement was set at 15.01% (comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of Additional Tier 1 (AT1) capital and up to 2.00% in the form of Tier 2 (T2) capital, a 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%), compared to 14.50% in 2021. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are effective from 1 March 2022.

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

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA announced that banks are temporarily allowed to operate below the level of capital defined by the P2G, the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the combined buffer requirement (CCB, CCyB, O-SII buffer) until end of 2022, without automatically triggering supervisory actions. In February 2022 the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

The capital position of the Bank and the Group at 31 December 2021 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

2.2. Pillar III Regulatory Framework (continued)

The subsidiaries of the Group which are not included in the prudential consolidation and have capital requirements to comply with, are the following insurance subsidiaries:

- General Insurance of Cyprus Ltd (GIC) and
- EuroLife Ltd (EuroLife)

The insurance subsidiaries of the Group complied with the requirements of the Superintendent of Insurance including the minimum solvency ratio throughout 2021. Therefore there is no capital shortfall to report with respect to the insurance subsidiaries of the Group in accordance with CRR Article 436(q). The Solvency and Financial Condition Report of the General Insurance of Cyprus Ltd and EuroLife Ltd is made public on a yearly basis beginning of April and is published on their websites, www.gic.com.cy and www.eurolife.com.cy (Solvency and Financial Condition Reports).

The regulated UCITS management company of the Group, BOC Asset Management Ltd, complied with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations throughout 2021. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complied with the minimum capital adequacy ratio requirements throughout 2021. In December 2019, the European Parliament approved the new prudential regime for Investment Firms ("IFs") in the Investment Firm Regulation (EU) 2019/2033 ("IFR") on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ("IFD") on the prudential supervision of IFs. IFR on the prudential requirements of IFs became directly applicable in all EU Member States on 26th June 2021 whereas IFD on the prudential supervision of IFs was transposed into national legislation by CySEC by issuing Law L.97(I)/2021 on the capital adequacy of IFs applicable as from 26th June 2021, Amending Law L.164(I)/2021 on the capital adequacy of IFs applicable as from the 5th November 2021 and Law L.165(I)/2021 on the prudential supervision of IFs applicable as from 5th November 2021. The new prudential framework introduced a new classification for IFs, the Systemic and Non-Systemic. Systemic firms are largest firms with assets over €30billion, that carry out risky activities (e.g. bank activities), and will remain under CRR/CRD and subject to banking supervision ("Class 1A" and "Class 1B"). Non-Systemic, are firms of either "Class 2" or "Class 3", based on certain criteria, which are subject to the new IFR/IFD Regime in full or with certain exceptions. The new classification of the IFs determines their new capital requirements and reporting obligations. CISCO has been classified as a Non-Systematic "Class 2" company. CISCO complies with the new capital requirements under the IFD/IFR as at 31 December 2021.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)
In December 2021, BOC PCL received notification from the Single Resolution Board (SRB) of the final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement was set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) and must be met by 31 December 2025. Furthermore, an interim requirement to be met by 1 January 2022 was set at 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

Comparative information

Comparative information was restated in Section 2.4.11, Covid-1 table to disclose in column 'Inflows to non-performing exposures' the corresponding inflows for the first six months period of 2021.

Disclosure policy

The Group maintains a Pillar 3 Disclosure Policy to support compliance with Articles 431-455 of the CRR and associated EBA guidelines and technical standards. The following sets out the key elements of the disclosure policy including the basis of preparation, frequency, media and location verification. In regard to the risk profile disclosure and their overall appropriateness please refer to Section 2.4.1 and Section 4.

2.2. Pillar III Regulatory Framework (continued)

Basis and preparation

The 2021 Pillar 3 Disclosures report (the 'Report') of the Group sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the CRR specify the Pillar 3 framework requirements (refer to Appendix V Specific References to CRR Articles at the end of the Report). The regulation is supplemented by the EBA implementing technical standards EBA/ITS/2020/04 of 24 June 2020 and the corresponding Commission implementing regulation (EU) 2021/637 of 15 March 2021, respectively, which specify the tables integrated in this report (refer to Appendix V Specific References to EBA guidelines at the end of the Report), which are now in force for the purposes of this Report. A CRR mapping table has been included in Appendix VI which details how the Group has complied with each article under Part Eight.

A number of significant differences exist between accounting disclosures published in accordance with IFRS and Pillar 3 disclosures published in accordance with prudential requirements, which prevent direct comparison in a number of areas. Of particular note are the differences surrounding the scope of consolidation (Section 3) and the definition of credit risk exposure.

The Report is presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus and all amounts are rounded to the nearest million, except where otherwise indicated. A comma is used to separate million and a dot is used to separate decimals. Due to rounding created from specific Pillar III regulation, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Frequency, media and location

The Report is published annually and in conjunction with the Group's Annual Financial Report, whilst certain disclosures are published on a more frequent basis if necessary on the Group's website http://www.bankofcyprus.com (Investor Relations), in accordance with regulatory guidelines. The Group publishes semi-annually and quarterly disclosures based on the Requirements of Art. 433a (1) CRR. The semi-annual disclosures are also published on the Group's website http://www.bankofcyprus.com (Investor Relations), are approved by the Board and published in conjunction with the Mid-Year Financial Report. The quarterly disclosures are reported in the Group Results announcement which is also approved by the Board.

Copies of the Group's Annual Report 31 December 2021 along with the Group's Pillar III Disclosures can be obtained from Group's website http://www.bankofcyprus.com (Investor Relations).

Verification

This Report is published by the Group as per the formal disclosure policy approved by the Board.

Group Compliance Division had an oversight of the framework and assurance procedures and Group Internal Audit performed a review of the process followed by the Group for the preparation of Pillar 3 Disclosures for 2021.

The Pillar 3 report pre its submission to the Board is reviewed and approved by the Executive Committee (ExCo). The Board, through the Risk and Audit Committees scrutinises and approves the Pillar 3 report. This governance process ensures that both management and the Board are given sufficient opportunity to challenge the disclosures.

The Report was approved by the Board through the Audit and Risk Committees.

2.2. Pillar III Regulatory Framework (continued)

Attestation

‘We, the Chief Risk Officer and the Executive Director Finance & Legacy, confirm that, to the best of our knowledge, Bank of Cyprus Holdings Public Limited Group’s 2021 Pillar 3 disclosures comply with Part Eight of the CRR and the EBA ITS related disclosure requirements have been prepared in accordance with the internal control processes agreed upon at the Board level, as well as that we provide assurance that the Risk Management Framework and the system of internal controls put in place are adequate taking into account the institution’s risk profile and its strategy.’

Demetris Th. Demetriou	**Eliza Livadiotou**
Chief Risk Officer	Executive Director Finance & Legacy

2.3. Governance Arrangements

2.3.1. Recruitment Policy

The Group recognises the benefits of having a diverse Board of Directors (BoD) which includes and makes use of differences in skills, experience, background, nationalities and gender among the directors. When determining the optimum composition of the BoD, consideration is given to balancing these differences and achieving the appropriate collective suitability to direct the Bank's activities and manage its risks.

The Nominations and Corporate Governance Committee (NCGC) is assigned the responsibility to regularly review the composition of the Board in order to identify, evaluate and select candidates whose skills will complement and add value to the collective knowledge and skills of the Board. Pursuant to this assessment the Committee then makes appropriate recommendations to the BoD in accordance with the Group Board Nominations Policy and in line with the Group Policy on the Suitability of members of the management body and key function holders approved by the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. Prior to the appointment, the Company must obtain the approval of the ECB.

Each director nominee should be of a professional and educational background that enables him/her to have a general appreciation of the major issues facing banks. Such issues include corporate governance issues, regulatory obligations of a public issuer, human resources, remuneration issues, technology, climate related and environmental risks and strategic business planning. Specialised knowledge and experience in the application of internal control procedures and accounting issues are also required when considering members for appointment to the Audit Committee who must have significant, recent and relevant financial experience.

Factors considered by the NCGC in its review of potential candidates include:
- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject.
- Integrity, honesty and the ability to generate public confidence.
- Demonstrated sound business judgement.
- Knowledge of financial matters including understanding financial statements and financial ratios.
- Knowledge of and experience with financial institutions.
- Risk management experience.
- The competencies and skills that the BoD considers each existing director to possess.
- Possible gaps in knowledge and skills identified by the latest review of the composition of the Board.
- Succession planning.
- The need to attain and maintain the targets set by the Group Board Nominations Policy for achieving and maintaining gender diversity on the BoD (published on the Group's website). The Board aims in achieving at least 40% representation of women as per the European Commission's recommendation.

When considering proposals for the re-election of incumbent directors, the NCGC takes into account the results of the most recent assessment of the BoD and the Chairperson's evaluation of the individual directors, the directors' attendance record in meetings, participation in BoD activities and overall contribution to the functioning of the BoD.

An internal evaluation of the performance of the Board, its committees and individual members is conducted annually, while an external evaluation is carried out triennially. The internal assessment considers overall performance relative to the role of the Board and consists of:

- Online questionnaires completed by each Director on the role of the Board and its committees.
- Online self-assessment of each Director.
- Assessment of each Director by the Chairman
- Assessment of the Chairman during an executive session of the non-executives led by the Senior Independent Directors (SID) (in the absence of the Chairman) and
- Discussion by the Board of the assessment and recommendations for improvements made in the report.

2.3.1. **Recruitment Policy** (continued)

Following the Board Performance Evaluation in 2021, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including inter alia, banking, insurance, audit and accounting, economics, risk management, dealing with competent authorities, strategy and business models, legal and consultancy services, Information Technology (IT) and human resource management. The NCGC further concluded that the Board could benefit from the appointment of a member with IT knowledge or Digital Transformation.

As at 31 December 2021 the Board comprised of twelve Directors: the Group Chairman, who was independent on appointment, two executive directors and nine non-executive directors. According to the provisions of the CBC Assessment of Suitability of members of the management body and key function holders Directive of 2020 ('CBC Suitability Directive') eight of the non-executive directors are independent.

2.3.2. **Other Directorships**

The NCGC considers amongst other whether a potential director is able to devote the requisite time and attention to the Bank's affairs, prior to the BoD's approval of the individual's appointment. In May 2021 the Chairman stepped down from one of his appointments so that he now holds four non-executive directorships.

The CBC Assessment of the Suitability of members of the management body and key function holders Directive 2020 which incorporates the provisions of Article 91 of CRD IV determines that a director cannot hold more than one of the following combinations:
- One executive directorship with two non-executive directorships.
- Four non-executive directorships.

For the purposes of the above, executive or non-executive directorships held within the same group shall count as a single directorship. Directorships in organisations which do not pursue predominantly commercial objectives do not count for the purposes of the above guidelines.

According to the CBC Directive mentioned above, the CBC may, in exceptional cases and taking into consideration the nature and complexity of the business of the Group, authorise members of the BoD to hold one additional directorship.

2.3.2. **Other Directorships** (continued)

The CBC had granted permission on appointment to two of the current directors to hold one additional non-executive directorship to the above. At present none of those directors hold additional directorships. In 2019 the ECB which supervises the Bank following the European Union Regulation 468/2014 granted permission to the Chairman Mr. Arapoglou to hold one additional directorship given the very limited time commitment required for his external directorships.

The number of outside directorships held by the members of the Board is as follows:

- Mr. Arapoglou 3 Non-executive directorships
- Mr. Nicolaou 2 Non-Executive directorships
- Mrs Lyn Grobler 1 Executive directorship
- Mr. Zographakis 1 Non-Executive directorship
- Mrs Hadjisotiriou 1 Non-Executive directorship
- Mr. Berggren 2 Non-Executive directorships
- Mr. Goldman 2 Non-Executive directorships
- Mr. Sofianos 2 Non-Executive directorship
- Mr. Iordanou 2 Non-Executive directorships

The biographies of the directors including experience and knowledge are presented in Appendix I and can be accessed on our website online and in the Annual Corporate Governance Report 2021 which is included in the Annual Financial Report for 2021 and is available at www.bankofcyprus.com (Who we are).

2.3.3. Diversity

The Board has a balanced and diverse range of skills, knowledge and experience, and is close to achieving its target for female representation. Following the approval of the Board Diversity Policy in May 2015 an action plan was prepared which set as target to achieve 40% female representation on the Board by 2020. This target was not achieved because of the resignation of Mrs Bar-Gera in May 2020 and the search for a member with relevant expertise and experience to take up the position of AC chair resulted in the appointment of Mr. Sofianos. The Board then, with a focus on diversity and deep knowledge of the Cyprus financial services sector, appointed as new executive director, Mrs Eliza Livadiotou. Concurrently, following nomination by a number of institutional shareholders, Mr. Dinos Iordanou was also appointed to the Board. The changes in the composition of the Board in 2020 and 2021 maintained gender diversity at 33.3%. The Board remains committed to achieving its set target the earliest possible by appointing members primarily based on merit but also taking into consideration nationality, gender, age, specialised skills and other relevant qualities in order to maintain an appropriate range of balance of skills, experience and background on the Board.

Following review in 2021, the NCGC determined that the skills and experience of the Board were appropriate in areas relevant to the business of the Group such as banking & financial services, strategy & business models, risk management, business/industry experience, audit/accounting & economics, insurance, international experience, capital markets, legal governance, IT, human resource management and dealing with regulators and governments. The NCGC further concluded that the Board could benefit from the appointment of a member with IT knowledge or Digital Transformation.

2.3.4. The Board

The Board is responsible to set, approve and oversee the overall risks strategy, including the Company's risk appetite and its risk management framework and measures to ensure that the Board devotes sufficient time to risk issues, including climate-related and environmental risks. The Board exercises the responsibility for approving and monitoring the Group's overall strategy, risk appetite and policies for managing risks through two of its Committees, namely the Board Risk Committee (RC) and the Board Audit Committee (AC). The CRO regularly reports to the Board, developments in the risk environment and performance trends.

The Board is also responsible to set, approve and oversee the implementation of, an adequate and effective internal governance and internal controls framework that includes a clear organisational structure and well-functioning independent internal risk management, information security, compliance and audit functions that have sufficient authority, stature and resources to perform their functions.

2.3.5. Board Risk Committee (RC)

The RC monitors the Group's risk profile against the approved Risk Appetite and ensures compliance with risk management strategy, policies and regulations. It reviews management proposals on the desired risk strategy at individual company as well as at Group level, i.e. the risk appetite/exposure in each area of risk (market, liquidity, credit, equity, regulatory, information security, operational and capital resources) and makes appropriate recommendations to the Board.

The RC evaluates and reports to the Board on the Group's overall current and future risk appetite and strategy, taking into account the financial and risk profile of the Group and the capacity of the Group to manage and control risk. It assists the Board in overseeing the effective implementation of the risk strategy by senior management, including the development of mechanisms to ensure material exposures that are close to, or exceed approved risk limits, are managed and where necessary mitigated in an effective and timely manner and the identification and escalation of breaches in risk limits and of material risk exposures in a timely manner.

The RC is also responsible for monitoring the effectiveness of the internal risk management framework and its integration with the Bank's decision-making process, covering the whole spectrum of the Bank's activities and units, as well as subsidiaries.

The RC currently comprises 4 Non-executive directors, the majority of whom are independent. During 2021 the RC held 29 meetings (2020: 17 meetings).

Additionally, the Terms of Reference of the RC include the following:

- Review pricing of products and where prices do not properly reflect risk, present a remedy plan to the BoD.
- Examine the adequacy and effectiveness of the contingency and insurance strategy of the Group and make appropriate recommendations to the Board.
- Examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
- Submit proposals to the BoD and recommendations for corrective action whenever weaknesses are identified in implementing the risk strategy.
- Appraise the CRO and the Chief Information Security Officer and submit appraisals to the BoD.
- Approve sufficient resources and budget for the Bank's Risk Management Division (RMD) and the Information Security function.
- Review and approve the organisational structure of the RMD.
- Assess and monitor the independence, adequacy and effectiveness of the RMD and the Information Security Function.
- Advise the BoD on the adequacy and effectiveness of the risk management framework and the information security framework, drawing on the reports of the AC, the RMD and external auditors.
- Advise the BoD on the adequacy, effectiveness and robustness of information and communications systems.
- Advise the BoD on the adequacy of the provisions and effectiveness of strategies and policies with respect to maintaining adequate internal capital and own funds to cover the risks of the Bank.

2.3.5. Board Risk Committee (RC) (continued)

- Ensure that stress tests and related procedure are carried out as appropriate on all major risks, at least on an annual basis and where necessary, challenge the appropriateness of limits and adequacy of capital and budgets.
- Review and recommend for approval to the Board the Group Recovery Plan and any revisions therein.
- Conduct a self-assessment and report its conclusions and recommendations for improvements and changes to the BoD.

The appointment and removal of the CRO and the Chief Information Security Officer are recommended by the RC and approved by the BoD.

2.3.6. Board Audit Committee (AC)

The AC regularly reviews the adequacy and effectiveness of the system of internal controls and information systems of the Group (being the systems established to identify, assess, manage and monitor financial risk).

Additionally, the AC reviews all publications of financial statements and related information of the Group, and reports to the Board on the significant financial reporting issues and estimates and judgements (including impairments) made therein.

The appointment and removal of the Internal Audit Director and the Director Compliance are recommended by the AC and approved by the BoD.

The AC comprises of 5 independent Non-executive directors. During 2021 the AC held 16 meetings (2020: 14 meetings).

The Chairman of the AC also sits on the RC and regular joint meetings of the two Committees take place.

2.3.7. Board Human Resources & Remuneration Committee (HRRC)

The HRRC keeps under review an overall remuneration policy for the Group to ensure among others that it is aligned with the Group's capital and liquidity position, as well as the interests of the shareholders; does not encourage excessive risk taking and ensures an appropriate balance between fixed and performance-related remuneration, immediate and deferred.

Further information on the Group Board Committees, their composition, number of meetings, their activities and terms of reference are contained in the Annual Corporate Governance Report for 2021 which is included in the Annual Financial Report 2021.

2.3.8. Reporting and Control

On an annual basis, the Chairman of the Risk Committee specifies both the information required by the Committee to discharge its duties and the calendar of the meetings. The agenda includes, among others, several regular topics described below:

- Risk appetite framework and risk appetite dashboard
- Financial plan risk assessment
- ICAAP and ILAAP
- Updates on all main risks faced by the Bank
- Credit portfolio overview
- Loan loss provisions
- Stress test results
- Risk quantification
- Regulatory communication
- Information security

2.3.8. Reporting and Control (continued)

- Updates on specific segment of the portfolio such as shipping, syndicated lending, real estate portfolio.

Further to the above topics, there are other, supplementary and ad-hoc reports that are brought to the Committees attention. Reports are generally presented by the CRO, other executives or managers of Risk Management Departments.

In addition to the Risk Committee, reports relating to the above topics are also discussed at ExCo and BoD.

2.4. Strategies and Processes to Manage Risks

2.4.1. Principal Risks

As part of its business activities, the Group faces a variety of risks, the most significant of which are described further in dedicated Section 4. Furthermore, a high-level summary of the principal risks facing the Group and the mitigating considerations are set out. The summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants. Furthermore, other factors either not yet identified or not currently material, may adversely affect the Group.

Principal Risks	
Risk	***Mitigating considerations***
Business Model	
- Business and strategic risk arises from changes in the external environment including economic trends and competition. - The Group faces competition from domestic banks, international banks and financial technology companies operating in Cyprus and in other parts of Europe. - A continuing deterioration of the macroeconomic environment stemming from the COVID-19 pandemic or other factors could lead to adverse financial performance which could deplete capital resources. - The Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated. - The Group is also dependent on the economic conditions and prospects of countries of the main counterparties with whom we do business.	- The Group has a clear strategy with key objectives to enable delivery. - The strategy is developed within the risk appetite and is monitored closely on a regular basis. - The Group remains ready to explore opportunities that complement its strategy. - The Group closely monitors the risks and impact of changing macroeconomic conditions on its strategy and objectives. - An internal stress testing framework (ICAAP) is in place to provide insights on projected capital adequacy. - The Group has a clear strategy with key objectives to address this risk including the diversification of income sources. - Country limits are set and are being monitored.

Principal Risks	
Risk	***Mitigating considerations***
Credit risk	
- The risk that arises when counterparty has failed to fulfil its financial obligations in a timely manner. This may be brought up as a result of negative changes in the economic environment leading to higher rates of non-payment by borrowers. The continuing COVID-19 pandemic has further heightened this risk. - The Group's financial condition and prospects are affected by the level of NPEs in its existing portfolio and the pace it is able to resolve these.	- Specific risk appetite limits on credit risk are in place. - A lending policy and related circulars, incorporating prudent lending criteria, aligned with the Group's RAS are in effect and are revised on an annual basis or a more frequent ad hoc basis if deemed necessary. - A credit risk monitoring framework is in place. - The management remains committed to carefully further de-risk its balance sheet through the further reduction of NPEs. - Counterparty limits are in place based on approved models.
Market risk	
The risk that the Group's capital or earnings are affected by adverse movement in market rates, in particular interest rates, credit spreads, foreign exchange movements, equity and property prices (refer to property risk below).	- The RAS sets limits on market risk losses and property exposures aiming to ensure that no major and material losses from market price related moves arise. - The Group does not maintain a trading book while equity holdings are not material. - Proper limit framework is in place for all market risk areas.

Principal Risks	
Risk	***Mitigating considerations***
Property risk	
- A significant proportion of the Group's loan portfolio is secured primarily by mortgages over Cypriot real estate. Furthermore, the Group retains a portfolio of real estate in Cyprus, mainly as a result of the enforcement of loan collateral and debt-for-asset swaps. - As a result of the above the Group's business and financial condition is affected by: o Changes in the demand for, and prices of, Cypriot real estate; or o Regulatory requests which may increase the capital requirement of stocks of properties.	- The Group has set up a specialised division to manage the repossessed portfolio (REMU) including employing appropriate disposal strategies. - The Group monitors regularly the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement. - As part of the Group's provisioning process, assumptions are made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. - For the valuation of properties owned by the Group judgement is exercised which takes into account all available reference points, such as expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.
Funding & Liquidity 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). - Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its commitments as they fall due.	- Sizeable surpluses in all regulatory (e.g. LCR & NSFR) and internal liquidity indicators. - Close monitoring of daily flows. - Daily internal stress testing. - An updated and tested Liquidity Contingency Plan and an internal stress testing framework are in place. - The MREL requirement is in line with the Bank's expectations, as reflected in the Funding Plan for 2022-2025.

<table>
<tr><th colspan="2">Principal Risks</th></tr>
<tr><th>Risk</th><th>Mitigating considerations</th></tr>
<tr><th colspan="2">Concentration Risk</th></tr>
<tr><td>- Concentration risk is the risk of loss due to exposures to any single entity or group of related entities with the potential to produce losses large enough (relative to capital, total assets, or overall risk level), to threaten the Group’s health, reputation, or ability to maintain its core operations.

- Concentration risk arises also through the Bank’s exposure to the Cyprus sovereign bonds

- Other sources of concentration risk arise from exposures to a specific sector (i.e. construction) or property exposures held as collateral or repossessed. As mentioned above (Property Risk) a significant proportion of the Group's loan portfolio is secured primarily by mortgages over Cypriot real estate</td><td>- The Group’s risk appetite statement imposes strict concentration limits and the Group is taking actions to run down problematic exposures which are in excess of these internal limits over time. Internal limits are stricter than the ones provided by the Banking Law.

- Concentration Risk Policy and related guidelines aligned with the Risk Appetite Statement are in place.

- Exposures are monitored and reported on a monthly basis.

- Thresholds are set for losses from changes in market prices</td></tr>
<tr><th colspan="2">Operational Risk</th></tr>
<tr><td>- The risk of direct or indirect impact/loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes Transaction Processing and Execution risk, Compliance risk, Business Continuity risk, as well as Reputational risk. It also includes Information Security and Cyber risk, Legal risk, Regulatory risk, Technology risk and Third-Party risk.

- Operational risks can arise from all business lines and from all activities carried out by the Bank and its third-party suppliers and are thus diverse in nature.</td><td>- The RAS sets limits on aggregate operational losses as well as across sub-categories of operational risk including, among others, fraud, conduct, legal, compliance and reputational risk.

- In addition, several processes, control and procedures are in place, such as:
o A Risk and Control Self-Assessment (RCSA) process.
o A rigorous monitoring of risk mitigation action implementation plans.
o Loss/Incident recording and analysis
o Established Key Risk Indicators.
o Disaster Recovery.</td></tr>
</table>

Principal Risks	
Risk	***Mitigating considerations***
Information Security & Cyber Risk	
- Cyber-attacks and data security are posing serious risks that can cause a material disruption to the operations of the Group. - Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar risks.	- The Group has an internal specialised Information Security team which constantly monitors current and future cyber security threats and invests in enhanced cyber security measures and controls to protect against such threats and to better detect breaches. - The Group collaborates with industry bodies and intelligence-sharing working groups to combat the growing threat from cyber criminals.
Legal Risk	
- The Group may, from time to time, become involved in legal, regulatory or arbitration proceedings or investigations which may affect its operations and results. - Legal risk arises from pending or potential legal or arbitration proceedings and regulatory investigations against the Group which has resulted, and may continue to result, in significant provisions and expenses incurred by the Group.	- The Legal Services Department (LSD) monitors pending litigation against the Group and assesses the probability of loss for each legal action against the Group based on International Accounting Standards as well as estimate the amount of the potential loss where deemed as probable. - The Group has procedures in place to ensure effective and prompt management of Legal risk including, among others, regulatory developments, new products and internal policies. - Legal risk reporting on pending litigations and latest developments to Board and management committees is in place.
Regulatory Risk	
- The Group conducts its businesses subject to on-going regulation and associated regulatory risk, including the effects of changes in the laws, Financial Crime, regulations, policies, voluntary codes of practice and interpretations. - Failure to comply with regulatory requirements could lead to, amongst other things, increased costs for the Group, and limitations on the Bank's capacity to lend and could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.	- There is strong commitment by the Management of the Group for an on-going and transparent dialogue with the Regulators (JST, ECB, and CBC). - A dedicated Executive Steering Group through the Regulatory Affairs department monitors the regulatory agenda and to ensure that all regulatory matters are brought to the attention of management in a timely manner.

Principal Risks	
Risk	***Mitigating considerations***
Technology Risk	
- Technology risk arises from system downtimes impacting customer service which may be due to inadequate, failed, or unavailable systems, use of outdated, obsolete and unsupported systems, or which do not fully support the requirements of business.	- The Bank is implementing its Digital Transformation Programme, involving changes to, or replacement of critical and/or outdated systems.
Third Party Risk	
- Third-Party and Outsourcing risk can arise from over-dependence on a few providers, un-satisfactory vendor monitoring, and possibly lower quality of service and possibly unsatisfactory continuity of service.	- The Group has a dedicated team, the Third-Party and Outsourcing Risk Management Unit, responsible to perform risk assessments on all outsourcing, strategic and intragroup arrangements of the Group As part of the risk assessment the team identifies and effectively handles any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing/strategic/intragroup arrangement, prior to their renewal or annually.
Insurance and Reinsurance Risk	
- The Group, through its subsidiaries EuroLife and GIC, provides life insurance and non-life insurance, respectively, and is exposed to certain risks particular to these businesses. - Insurance events are unpredictable and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial and statistical techniques. - In addition, although reinsurance arrangements mitigate insurance risk, the Group's insurance subsidiaries are not completely relieved of their direct obligations to their policyholders and also a credit (counterparty) exposure exists to the extent that any reinsurer is unable to meet its contractual obligations.	- Both Insurance companies perform their annual stress tests (ORSA) which aim to ensure among others: • The appropriate identification and measurement of risks; • An appropriate level of internal capital in relation to the Company's risk profile; • The application and further development of suitable risk management and internal control systems; - Reinsurance arrangements are monitored and reviewed to ensure their adequacy as per the Reinsurance Policy. - The lead re-insurer is of high credit rating and the rating is closely monitored for any signs of deterioration. In addition, counterparty risk assessment is performed on a frequent basis.

2.4.1.1. Risk Management Framework

The Group has in place a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of risk within the Bank. The Framework provides the infrastructure, process and analytics needed to support effective risk management and is based on the following key elements which are reviewed and approved on a frequent basis:

- Accountability and Authority
- Organisational model
- Implementation of the three lines of defence
- Risk appetite
- Risk communication and reporting
- Frameworks, policies, circulars
- Systems and Models
- Risk culture

The framework ensures that material risks are taken into consideration and that the Group's overall business strategy is aligned with its risk appetite.

2.4.1.2. Effectiveness of the Risk Management Framework

The Risk Management Framework has been developed based on the applicable governance requirements included in:

a) The CBC Directive on Governance and Management Arrangements in Credit Institutions, and
b) The EBA report on Internal Governance under Directive 2013/36/EU.

The Group's management and BoD needs to be satisfied that the Risk Management Framework is appropriate given the risk profile of the Group and its Strategy. As such, the Group has in place a process whereby certain confirmations/representations and warranties as to the effectiveness of Risk policies, procedures and monitoring activities, as part of the Corporate Governance Code's (Code) obligations, are provided by all the business lines and subsidiary companies to the BoD through its AC on an annual basis. Furthermore, RMD, having received such quarterly confirmations/representations from the business lines and subsidiary companies, subsequently provides confirmations/representations and warranties as to the effectiveness of its policies, procedures and monitoring activities to the BoD through its AC.

The RMD derives its authority from the BoD through the RC. It operates with a degree of independence as the CRO reports to the Chair of the RC and for administrative purposes has a dotted line to the Chief Executive Officer (CEO). Furthermore, the independence is established through:
- Organisational independence from the activities assigned to be controlled.
- Unrestricted and direct access to Executive Management and the BoD, either through the RC or directly.
- Direct and unconditional access to all business lines that have the potential to generate material risk to the Bank. Front Line managers are required to cooperate with the RMD Managers and provide access to all records and files of the Bank as well as any other information necessary.

2.4.2. Accountability and Authority

The RMD operates independently that is achieved through:
- Organisational independence from the activities assigned to be controlled.
- Unrestricted and direct access to Executive Management and the Board of Directors (BoD), either through the RC or directly.
- Direct and unconditional access to all business lines that have the potential to generate material risk to the Group. Front Line managers are required to cooperate with the RMD Managers and provide access to all records and files of the Group as well as any other information necessary.
- A separate budget.

2.4.2. Accountability and Authority (continued)

Furthermore, this independence is also ensured as:
- The CRO maintains a close working relationship with both the RC and its Chairman which includes frequent communication both during official RC meetings as well as unofficial meetings and discussions.
- The CRO is a member of the Executive Management Committee and holds voting or veto presence in key executive committees as well as operational committees.
- The RMD performs independent Risk assessments on key thematic areas such as the Financial Plan and new strategic initiatives which are escalated to the Risk Committee and BoD.

The RMD reports to the CRO and is ultimately accountable to the BoD through the RC on coordinating the effective and efficient running of the Group's Risk Management Framework. The AC and the ECCC as well as other Executive Committees such as the ExCo, ALCO, ADC, and TC are also responsible for monitoring the implementation of this Framework.

The Board and Executive Management provide the necessary support to the Division. Issues raised by the RMD managers receive the necessary attention from the Board, Executive Management and business units. The role of the Board, RC and AC is described in Sections 2.3.4 to 2.3.6 above.

Executive and Management Committees

Risk related topics are regularly covered by the various Executive and Management Committees in the discharge of their duties. This contributes to the overall monitoring of Risk Management while the CRO's participation in these committees ensures both that the topics are appropriately presented, and that Risk Management's position is clearly articulated.

Topics regularly covered include:
- Update on significant risks and performance trends;
- Risk perspective on the Group and divisional strategic plans;
- Risk appetite formulation;
- Stress test, ICAAP and ILAAP results and analysis;
- Product, sector and country limits;
- Risk policies review;
- Integrated risk monitoring;
- Asset disposal;
- On-boarding of risk;

In addition to regular topics, the committees consider ad-hoc papers on current risk topics such as economic and market developments, political events etc.

Senior Management

Certain roles within the Group are critical as they carry specific responsibilities with respect to Risk Management. These include:

Chief Executive Officer (CEO)

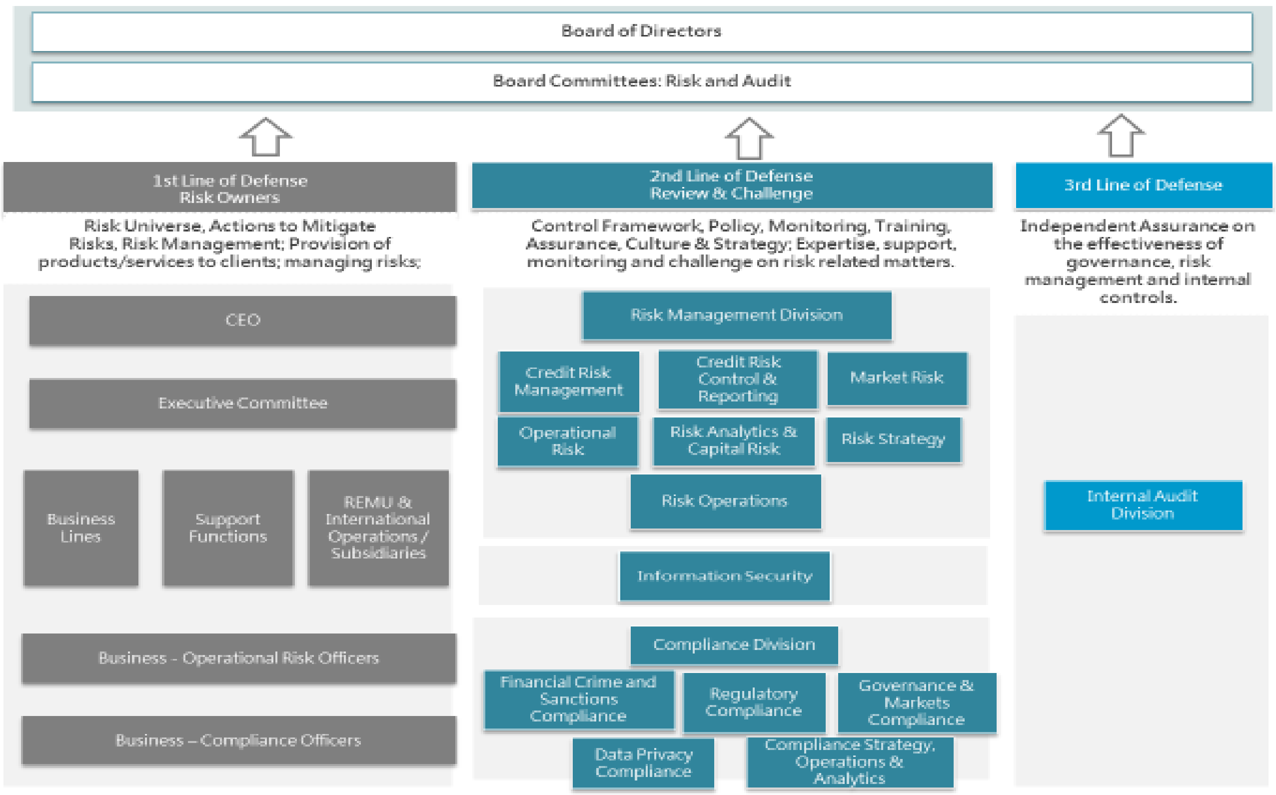
The CEO is accountable for leading the development of the Group's strategy and business plans in a manner that is consistent with the approved risk appetite and for managing and organising Executive Management to ensure these are executed. It is the CEO's responsibility to manage the Group's financial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

Chief Risk Officer (CRO)

The CRO leads the RMD across the Group including its subsidiaries. The CRO is responsible for and held accountable to the execution of the Risk Management Framework and development of risk management strategies. The CRO is also expected to challenge business strategy and overall risk taking and its governance within the Group and independently bring his findings, where necessary, to the RC.

2.4.2. Accountability and Authority (continued)

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



First Line of Defence
The first line of defence includes functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. It comprises of management and staff of business lines and support functions who are directly aligned with the delivery of products and/or services. Support functions include but are not limited to Treasury, HR, Legal Services, IT, Central Operations, etc.

The first line of defence ensures controls are designed into systems and processes under the guidance of the second line of defence. Assigned Local Compliance Officers and Operational Risk Management (ORM) Liaisons (part of the first line of defence) have the responsibility to pro-actively support Local Management in managing effectively key compliance risks in their area of business.

Second Line of Defence
The second line of defence includes functions that oversee compliance with the regulatory framework and management of risk. It comprises of the Risk Management, Information Security and Compliance functions. The second line of defence establishes policies and guidelines that the business lines should operate within. The second line of defence also provides support, as well as independent oversight of the risk profile and risk framework.

2.4.2. Accountability and Authority (continued)

Third Line of Defence

The third line of defence is the Internal Audit Division (IA) which provides independent assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

The standing authority and responsibility of IA and of the IA Director are defined in the Internal Audit Charter, which is formed in accordance with the International Standards for the Professional Practice of Internal Auditing and the requirements of the CBC Directive on Governance and Management Arrangements in Credit Institutions ("Governance Directive") and is approved by the Group Audit Committee.

Risk Management Division (RMD) relation with control functions

Control functions meet at regular intervals in order to assess and propose areas for further enhancement of cooperation and communication amongst them, as well as for taking advantage of synergies and avoiding duplication of work.

2.4.3. Risk Management Division (RMD)

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

The RMD organisational model is structured so that to:

- Ensure that all main risks have proper ownership, management, monitoring and clear reporting.
- Promote proper empowerment in key risk areas that will assist in the creation of a robust risk culture.
- Provide tools and methodologies for risk management to the business units
- Report losses from risks identified to Executive Management, RC and BoD and, where necessary, to the Regulatory Authorities
- To collect and monitor Key Risk Indicators (KRIs)
- The management of the Information Security Framework
- Provide consulting or advisory services or to carry out other special tasks

A risk management function is set up for the individual subsidiaries of the Bank. The exact structure of such functions differs from one subsidiary to another depending on the size and complexities of their operations. RMD has a dedicated unit overseeing the operations of the subsidiaries.

2.4.4. Risk Culture

A robust risk culture is a substantial determinant of whether the Group will be able to successfully execute its chosen strategy within its defined risk appetite. The Group has established a Board Committee (Ethics, Conduct and Culture Committee) with a role encompassing, among others, to support the Board in promoting its collective vision of values, conduct and culture.

An action plan towards the implementation of a firm-wide risk culture is in place across the Group and RMD has a leading role in it. During 2021, efforts focused on developing a Risk Culture Dashboard. The objective of the dashboard is to measure the maturity level of risk culture across the Bank. The area of focus is to determine the key risk culture metrics, based on data availability and stakeholders who will use these metrics for decision making. The first bank wide results of the Risk Culture Scoring System were presented to the ECCC in January 2022 together with 1-year and 3-year targets.

2.4.5. Risk Appetite Framework (RAF)

The RAF sets the holistic approach of the Group in setting, communicating and monitoring its risk appetite. It is comprised by the Risk Appetite Statement (RAS), associated policies and limits where appropriate as well as the roles and responsibilities for the implementation and monitoring of the RAF.

The RAF sets the holistic approach of the Group in:
- Assessing its risk capacity,
- Setting, communicating and monitoring its risk appetite through the articulation in written form of a risk appetite statement (RAS),
- Outlining the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

Separate RAFs is in place for all active subsidiaries which are subject to each subsidiary's board approval.

Risk Appetite Statement (RAS)

The RAS sets the boundaries within the business activity must be conducted and controlled in alignment with the objectives set by the Group's Board. For each material risk, several qualitative and quantitative statements are in place with the appropriate metrics / limit as applicable. The formulation of the risk appetite considers the Group's risk capacity, its financial position, the strength of its core earnings and the resilience of its reputation and brand.

The RAS considers, among others, the following risks:

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

Risk Appetite and Capital Plan Interaction

The RAS is subject to an annual review process during the period which the Group's financial plan as well as the divisional strategic plans are being devised. The interplay between these processes provides for an iterative cycle of feedback during which RAS indicators, with minimum regulatory requirements, act as backstop to the financial plan while for other indicators the financial plan provides input for risk tolerance setting.

2.4.6. Risk Management Policies & Frameworks

The entire Risk Management Policy and Framework universe enables a comprehensive and coherent framework for risk management linked to the Group's Risk Appetite. The policies, methodologies and procedures for the Risk Management Function are reviewed, updated and refined to better reflect market conditions and new regulatory requirements.

Each policy has a policy owner who is responsible to ensure its application across the Bank and the Group, provide advice to business units regarding its application, provide training on policy where required and undertake its annual review of the Policy.

The policies and / or any substantial changes to them are approved by the RC following recommendation by the ALCO or by the ExCo and are subject to annual review. Each subsidiary is expected to have in place its own risk policies which will be based on the principles of these Group Risk Policies. All BoC staff should be aware of the Risk policies.

2.4.7. Risk Measurement and reporting systems

RMD uses several systems and models to support key business processes and operations, including regulatory capital calculations, stress testing, credit approvals, financial crime risk management and financial reporting.

RMD has established a model governance and validation framework to help address risks arising from model use. Lastly, the division continues its work on improving data quality in the Group through the operations of the Data Governance Department.

2.4.8. Recovery Plan

The Group Recovery Plan (RP) is drawn up and maintained by the Group and is required to be updated at least annually or after a material change to the legal or organisational structure, the Group's business or financial situation (which could have a material effect on the RP) or when the competent authority requires more frequent update.

The Group's RP:

- Distinguishes between critical and non-critical functions, as well as core and non-core business lines including major subsidiaries.
- Provides for the governance mechanism, available during recovery emergency situations, which sets the escalation and decision making process and ensures timely and appropriate action plan during crisis situations.
- Defines the key recovery and early warning indicators to promptly identify stress situations.
- Includes stress scenarios in order to identify the level of losses in a near default situation.
- Determines specific recovery options that could be implemented to address liquidity and capital issues arising as a result of stress situations that leverage on the Group's own resources.
- Includes a communication plan in the event of a crisis.
- Describes the preparatory measures for the operationalisation of the RP in cases of stress.

The Bank prepared and submitted to the ECB the updated RP in September 2021 in line with the ECB's guidance.

2.4.9. Stress Testing

2.4.9.1. Purpose

Stress testing is a key risk management tool used by the Group to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Group: By carrying out exceptional but plausible scenarios, management can identify the ways in which the Group will be affected should that event take place and measure the effects on the Income Statement and Balance Sheet.
- The evaluation of the Group's capital adequacy in absorbing potential losses under stressed conditions: This takes place primarily in the context of the Group's ICAAP – required by Article 73 of CRD IV.
- The evaluation of the Group's strategy: Senior management considers the stress test results against the approved business and financial plan and determines whether any corrective actions need to be taken.
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different MR variables and portfolios.
- Assisting the Group to understand the events that might push the Group outside its risk appetite.

2.4.9.2. Development of stress tests

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

The approach to stress testing requires the following steps:

- Identification of the main risk factors (and drivers) which have a material impact on the risk analysis. These factors form the individual parameters that should be stressed.
- Building a number of scenarios for the local economy and projecting the key macro-economic variables and impact of these on the main risk factors. These scenarios vary in severity and include a severe economic downturn. This enables the Group to explore particular vulnerabilities that might be amplified by the state of the financial system and the wider economy at the time.

The scenarios used in the stress tests can be based upon historical events undertaken by re-running the event to identify the actual changes in risk factors that occurred. These changes can then be applied to the current portfolio/position. In addition, scenarios may be entirely hypothetical or forward looking.

The following are the main factors considered material for the Group or to a particular subsidiary that must be considered, among others, in the development of the stress tests:

a) Counterparty Credit Risk (CCR) (borrowers, issuers and interbank) – change in their probability to default, loss given default and assuming migration between risk grades.
b) Collateral valuation/coverage - drop in prices of property and other collateral.
c) Drop in real estate prices and effect on own properties.
d) Concentration risk – impact from default of largest counterparty/counterparties).
e) RWAs – impact following the change in risk category, past due, rating downgrade etc.
f) Interest rate risk of banking book.
g) Equity risk – significant drop in price.
h) FX risk – to include depreciation of domestic currency.
i) Liquidity and funding risk.
j) Operational risk – losses from operational risk events, including litigation and reputational related losses.

2.4.9.3. Stress Testing Coverage

Stressed portfolios contain the vast majority of an institution's balances. Some stress tests can be portfolio specific and other can address the whole book.

2.4.9.4. Regulatory Considerations

Stress testing is considered to be an important tool for determining the required internal capital based on the level of risks undertaken as prescribed by the following:

- Article 97 of Directive 2013/36/EU (CRD): competent authorities should evaluate risks revealed by stress testing, taking into account the nature, scale and complexity of an institution's activities.
- Article 73 of CRD: Institutions shall have in place sound, effective and comprehensive strategies and processes to assess and maintain on an on-going basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed.
- Article 290 (9) of Regulation (EU) No. 575/2013 (CRR), requires that the results of the stress testing under the programme shall be reported regularly (at least on a quarterly basis), to senior management.
- Article 100 of the Directive 2013/36/EU of the European Parliament, competent authorities shall carry out supervisory stress tests on institutions they supervise at least annually.

2.4.9.5. Evaluating and documenting mitigating actions

The results of the stress test is compared to available capital or liquidity in order to determine if there is sufficient capital or liquidity, under stress conditions or if there is a shortfall that management will need to find ways to eliminate.

The stress testing process incorporates the evaluation and documentation of mitigating actions.

2.4.9.6. Responsibility

The ultimate responsibility and ownership of the Group's stress testing policy rests with the RC. If the stress testing scenarios reveal vulnerability to a given set of risks, management should make recommendations to the BoD, through RC, for remedial measures or actions.

2.4.9.7. ECB 2021 Stress Test

The Group has participated in the ECB stress test of 2021. The EU-wide stress test is primarily focused on the assessment of the impact of risk drivers on the solvency of banks. Banks are required to stress a common set of risks (credit risk – including securitisations – market risk and counterparty credit risk, operational risk – including conduct risk and legal risk). The EU – Stress Test is a biannual exercise. While the exercise is coordinated by the EBA, it is carried out in cooperation with the ECB, the European Systemic Risk Board (ESRB), the European Commission and the National Competent Authorities (NCAs) from all relevant national jurisdictions.

The ECB 2021 stress test results were published on 30 July 2021. As per the relevant ECB press release 'the results of the 2021 stress test, which show that the euro area banking system is resilient to adverse economic developments. Banks were in better shape at the start of the exercise than they were three years ago, but capital depletion at the system level was higher. This was because the scenario was more severe than the scenario used in the 2018 stress test'. As in previous years, the stress test is not a pass / fail exercise. By its standard procedures, the ECB considers the Bank's quantitative performance in the adverse scenario as an input when reconsidering the level of the Pillar 2 Guidance in its 2021 SREP assessment and our qualitative performance as one aspect when holistically reviewing the Pillar 2 Requirement.

2.4.9.8. Other business and risk type specific stress tests

The Market Risk Department performs additional stress tests, which include the following:
- Monthly stress testing for interest rate risk (2% shock on Net Interest Income (NII) and EV).
- Quarterly stress testing for interest rate risk (based on the 6 predefined Basel rate scenarios which involve flattening, steepening, short down etc. rate shocks).
- Quarterly stress testing on items that are marked to market: impact on profit/loss and reserves is indicated from changes in interest rates and prices of bonds and equities.
- Quarterly and yearly stress test for the evaluation of ICAAP.
- Daily, quarterly and yearly stress tests for the evaluation of liquidity and ILAAP.
- Liquidity stress testing on cash flows by MR (one month horizon).

2.4.10. ICAAP, Pillar II and SREP

2.4.10.1. ICAAP

ICAAP is an annual process, the main purpose of which is to assess the Group's capital adequacy in relation to the level of risks it is or might be exposed to, under both normal and stress conditions from both the normative and economic perspectives. The ICAAP process considers the following:
- integration of the ICAAP in the overall management framework
- identification and quantification of all material risks
- assessment of the capital adequacy under adverse circumstances

Following the above process, the Group is in a position to:
- assess its capital absorption power under both stress testing and reverse stress testing
- assess whether additional capital is required
- establish the current and future capital needs for the risks identified
- review/revise its strategy to ensure its viability at all times, and
- provide to the regulator (ECB and CBC) sufficient information to enable them to assess the Group's internal capital adequacy.

The Group prepares the ICAAP report annually. The report for 2021 is in progress and will be submitted to the ECB by end of April 2022, once approved by the Board of Directors.

The Group also undertakes quarterly ICAAP reviews (with reference date 30 June and 30 September) as well as on an ad-hoc basis if needed results considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy.

The Board signs a capital adequacy statement on an annual basis as part of the annual ICAAP.

2.4.10.2. Pillar II and SREP

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

The minimum Pillar I Total Capital (TC) requirement is 8.00% and may be met, in addition to the 4.50% CET1 requirement, with up to 1.50% by AT1 capital and with up to 2.00% by T2 capital.

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

The Group's minimum phased in CET1 capital ratio requirement for 2021 was 9.69% (2020: 9.69%), comprising a 4.50% Pillar I requirement, a 1.69% P2R, the CCB of 2.50% and the O-SII Buffer of 1.00%.

The Group's minimum phased in TC ratio requirement for 2021 was 14.50% (2020: 14.50%), comprising a 8.00% Pillar I requirement (of which up to 1.50% could be in the form of AT1 capital and up to 2.00% in the form of T2 capital), a 3.00% P2R, the CCB of 2.50% and the O-SII buffer of 1.00%.

In the context of the SREP conducted by the ECB in 2021, the Pillar II requirement was set at 3.26%, compared to 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 Helix 3. It is dynamic and can be reduced during 2022 on the basis of in-scope NPEs and level of provisioning.

Following the annual SREP performed by the ECB in 2021 and based on the final 2021 ECB decision received in February 2022, the Group's minimum phased-in CET1 capital ratio for 2022 was set at 10.08% and TC ratio was set at 15.01%. The new SREP requirements are effective from 1 March 2022.

The Group's minimum phased in CET1 capital ratio requirement for 2022 of 10.08% comprises a 4.50% Pillar I requirement, a 1.83% P2R, the CCB of 2.50% and the O-SII Buffer of 1.25% (2021: 1.00%).

The Group's minimum phased in TC ratio requirement for 2022 of 15.01%, comprises an 8.00% Pillar I requirement, a 3.26% P2R, the CCB of 2.50% and the O-SII Buffer of 1.25% (2021: 1.00%).

The ECB had also provided non-public guidance for an additional Pillar II CET1 buffer.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of 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.

2.4.10.2. Pillar II and SREP (continued)

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA announced that banks are temporarily allowed to operate below the level of capital defined by the P2G, the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the combined buffer requirement until end of 2022, without automatically triggering supervisory actions. In February 2022 the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

Based on the SREP decisions of prior years, the Company and BOC PCL are under a regulatory prohibition for equity dividend distribution and hence no dividends were declared or paid during 2021 or 2020. Following the final 2021 SREP decision received in February 2022, the Company and BOC PCL are still remain under equity dividend distribution prohibition for 2022. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital.

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

Following the final 2021 SREP decision the previous restriction on variable pay was lifted (2020: capped at 10% of consolidated net revenues).

2.4.11. COVID 19 - Risk and Uncertainties

As the coronavirus outbreak unfolds, the Group is following the local government guidelines in its response to the virus. Furthermore, in accordance with its Business Continuity Plans (BCP), the Pandemic Incident Management Plan of the Group has been invoked and the Group has adopted a set of measures to ensure minimum disruption to its operations and to protect its customers and employees.

Exposures subject to measures applied in response to the COVID-19 crisis

In the context of measures to support borrowers affected by the COVID-19 virus and the wider Cypriot economy, the Cypriot Parliament voted to suspend the payment of capital and interest payments (moratorium) for the period until the end of 2020, for all eligible borrowers who showed no arrears beyond 30 days at the end of February 2020. Moratorium of payments expired on 31 December 2020.

The tables below have been prepared in accordance to EBA/GL/2020/07 and cover loans and advances subject to EBA-compliant moratoria (legislative and non-legislative). The templates provide information on the number of obligors subject to different statuses of EBA-compliant moratoria (requested/granted) and gross carrying amount for the granted ones. In addition, the templates contain a breakdown by the residual maturity of EBA-compliant moratoria.

The decrease, when compared to the last reporting period, 30 June 2021, in the gross carrying amount of the exposures participated in the moratorium scheme is attributed mainly to the repayments observed during the period between June and December 2021. The main part of the decrease is on non-financial corporations.

2.4.11. COVID 19 - Risk and Uncertainties (continued)

31 December 2021	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Loans and advances subject to moratorium	5,045	4,829	445	1,433	216	2	146	(84)	(31)	(2)	(25)	(53)	-	(35)	21
of which: Households	1,894	1,793	23	264	101	1	56	(31)	(11)	-	(9)	(20)	-	(12)	15
of which: Collateralised by residential immovable property	1,590	1,507	19	205	83	1	47	(19)	(5)	-	(4)	(14)	-	(8)	11
of which: Non-financial corporations	3,077	2,966	421	1,148	111	1	88	(50)	(19)	(2)	(15)	(31)	-	(22)	6
of which: Small and Medium-sized Enterprises	2,508	2,462	302	951	46	1	23	(32)	(16)	(1)	(13)	(16)	-	(7)	6
of which: Collateralised by commercial immovable property	2,777	2,675	415	1,084	102	-	83	(42)	(15)	(1)	(13)	(27)	-	(20)	6

2.4.11. COVID 19- Risk and Uncertainties (continued)

30 June 2021	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
Loans and advances subject to moratorium	5,397	5,146	396	1,600	251	5	180	(83)	(28)	(1)	(20)	(55)	-	(40)	31
of which: Households	2,000	1,890	20	385	110	1	69	(31)	(10)	-	(8)	(21)	-	(13)	20
of which: Collateralised by residential immovable property	1,671	1,582	16	310	89	1	58	(21)	(6)	-	(5)	(15)	-	(9)	14
of which: Non-financial corporations	3,318	3,181	375	1,190	137	4	108	(49)	(16)	(1)	(11)	(33)	-	(26)	11
of which: Small and Medium-sized Enterprises	2,467	2,414	124	756	53	4	35	(28)	(11)	(1)	(8)	(17)	-	(11)	11
of which: Collateralised by commercial immovable property	2,957	2,862	369	1,123	95	4	71	(38)	(13)	(1)	(9)	(25)	-	(20)	9

2.4.11. COVID-19 Risk and Uncertainties (continued)

31 December 2021	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Loans and advances for which moratorium was offered	**22,847**	**5,064**							
Loans and advances subject to moratorium (granted)	**22,839**	**5,045**	**5,045**	**5,045**	**-**	**-**	**-**	**-**	**-**
of which: Households		1,894	1,894	1,894	-	-	-	-	-
of which: Collateralised by residential immovable property		1,590	1,590	1,590	-	-	-	-	-
of which: Non-financial corporations		3,077	3,077	3,077	-	-	-	-	-
of which: Small and Medium-sized Enterprises		2,508	2,508	2,508	-	-	-	-	-
of which: Collateralised by commercial immovable property		2,777	2,777	2,777	-	-	-	-	-

30 June 2021	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Loans and advances for which moratorium was offered	**23,694**	**5,416**							
Loans and advances subject to moratorium (granted)	**23,605**	**5,397**	**5,397**	**5,377**	**20**	**-**	**-**	**-**	**-**
of which: Households		2,000	2,000	1,981	19	-	-	-	-
of which: Collateralised by residential immovable property		1,671	1,671	1,653	18	-	-	-	-
of which: Non-financial corporations		3,318	3,318	3,318	-	-	-	-	-
of which: Small and Medium-sized Enterprises		2,467	2,467	2,466	1	-	-	-	-
of which: Collateralised by commercial immovable property		2,957	2,957	2,956	1	-	-	-	-

3. Scope of Application

Differences on the basis of consolidation for financial reporting and prudential purposes

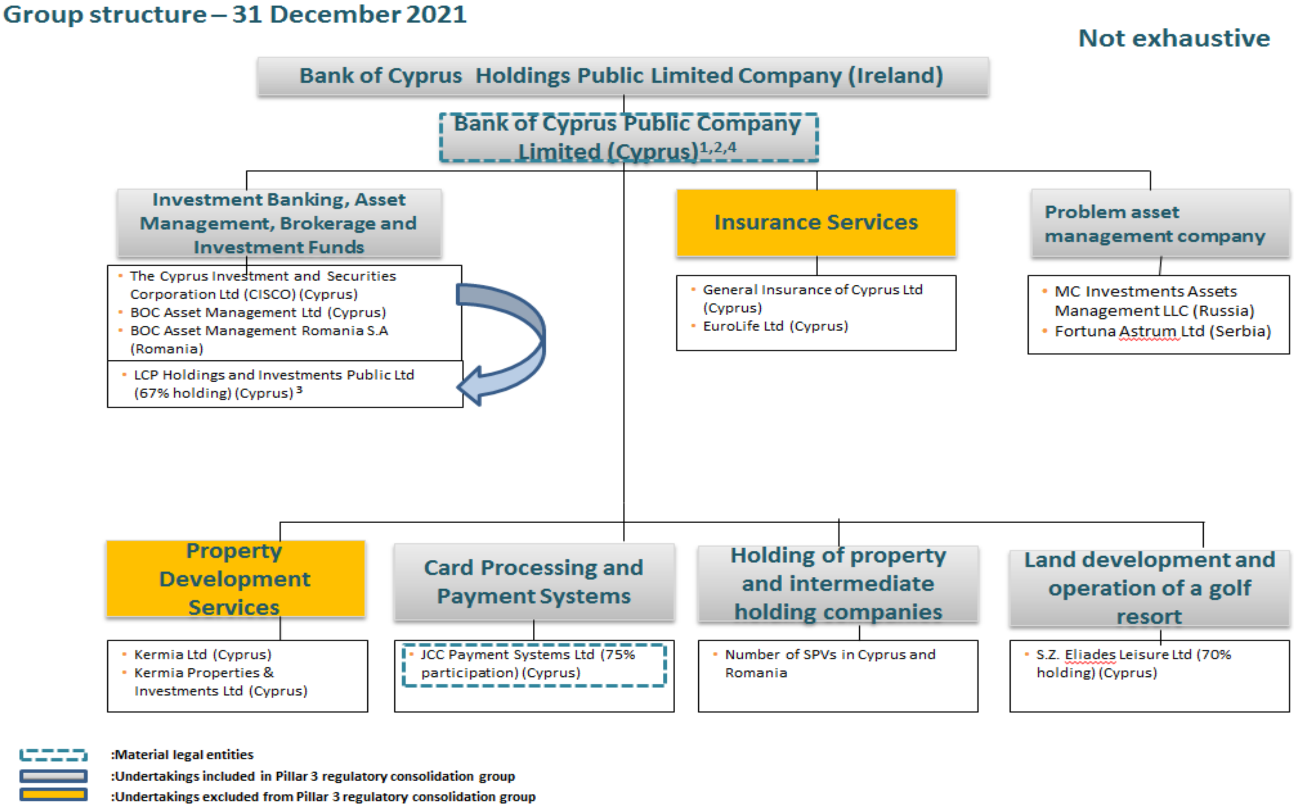
The data included in this Report may be different than the respective data of the Consolidated Financial Statements of the Company for 2021, which are prepared in line with IFRS, as adopted by the EU, mainly due to differences between the prudential consolidation basis and the accounting consolidation basis and/or differences in the definitions used. The reconciliation between the balance sheet presented in the Consolidated Financial Statements of the Company for 2021 and the balance sheet prepared for prudential purposes is disclosed in this section.

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.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRSs. The basis of consolidation for prudential purposes includes only those entities which form the basis for the calculation of regulatory capital requirements.

The chart below summarises the Group's structure on the basis of consolidated accounting and prudential purposes.

Group structure – 31 December 2021



[1]Activities of Bank of Cyprus Public Company Limited include mainly the provision of banking and financial services in Cyprus.
[2]All subsidiaries mentioned above are 100% unless otherwise stated.
[3] Indirect shareholding in subsidiaries through CISCO
[4]Full list of the subsidiaries is disclosed in Appendix II

3. Scope of Application (continued)

The basis of consolidation of all Group entities for accounting and prudential purposes is presented in Appendix II.

As shown in table EU LI3 (Appendix II), as at 31 December 2021, the following subsidiaries were not included in the regulatory consolidation: EuroLife Ltd, General Insurance of Cyprus Ltd, Kermia Ltd, Kermia Properties & Investments Ltd, BOC Secretarial Company Ltd, Dominion Industries Ltd, Eurolife Properties Ltd, Ledra Estate Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Vieman Ltd, Laiki Bank (Nominees) Ltd, Nelcon Transport Co. Ltd, Kyprou Properties SA, Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Zois (branch of EuroLife Ltd) and Imperial Life Assurance Ltd. For none of these subsidiaries the actual own funds as at 31 December 2021, where applicable, were less than those required.

Material legal entities

The analysis is intended to show which legal entities within the Group contribute significantly to the asset, financial and earnings situation, or to provide or support critical functions and/or essential business activities.

A group company is classified as material in the following cases:

- if at least one of the following quantitative criteria is met or
- if at least the first of the following qualitative criteria is met.

Quantitative criteria:

- Contribution to the RWAs of the Group greater than 5%
- Contribution to Group revenues greater than 5%
- Contribution to the Total Assets of the Group greater than 5%

Qualitative criteria:

- Provision of a critical function or core business line
- Provide a service or support function to maintain a critical function or core business line.

Based on EBA Technical advice on critical functions and core business lines (EBA/Op/2015/05) and the Commission Delegated Regulation (CDR) 2016/778, 'Function' indicates a structured set of activities, services or operations that are delivered by an institution or group to third parties. Critical functions means activities, services or operations the discontinuance of which is likely to lead to the disruption of services that are essential to the real economy or to disrupt financial stability due to the size, market share, external and internal interconnectedness, complexity and cross-border activities of an institution or group, with particular regard to the substitutability of those activities, services or operations.

The results of the materiality analysis of the legal entities for 31 December 2021 are presented in Appendix IV. The fulfilled criteria are highlighted in each case for the legal entities identified as material. Based on the qualitative and quantitative criteria, the Bank and JCC have been identified as material entities as at 31 December 2021 and the Group will continue to assess Eurolife taking into account other qualitative aspects.

3.1. Reconciliation of regulatory own funds to balance sheet in the audited financial

EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial

	31 December 2021	a	b	c
		Consolidated Balance sheet as in published financial statements	Consolidated Balance Sheet under regulatory scope of consolidation	Reference [1]
		€ million	€ million	
	Assets			
1	Cash and balances with central banks	9,231	9,231	
2	Loans and advances to banks	292	278	
3	Derivative financial assets	7	7	
4	Investments	879	689	
5	Investments pledged as collateral	1,260	1,260	
6	Loans and advances to customers	9,836	9,836	
7	Life insurance business assets attributable to policyholders	552	-	
8	Prepayments, accrued income and other assets	616	547	
9	Stock of property	1,112	1,110	
10	Deferred tax assets	265	265	
11	Investment properties	118	92	
12	Property and equipment	252	224	
13	Intangible assets	184	45	(e)
14	Investments in Group undertakings	-	35	(h)
15	Non-current assets and disposal groups held for sale	359	359	
16	**Total assets**	**24,963**	**23,978**	
	Liabilities			
1	Deposits by banks	457	457	
2	Funding from central banks	2,970	2,970	
3	Derivative financial liabilities	32	32	
4	Customer deposits	17,531	17,561	
5	Insurance liabilities	736	-	
6	Accruals, deferred income, other liabilities and other provisions	362	305	
7	Pending litigation, claims, regulatory and other matters	104	104	
8	Loan stock	643	643	(g)
9	Deferred tax liabilities	47	25	
10	**Total liabilities**	**22,882**	**22,097**	
	Equity			
1	Share capital	45	45	(a)
2	Share premium	594	594	(b)
3	Revaluation and other reserves	213	99	(d)
4	Retained earnings	987	901	(c)
5	**Equity attributable to the owners of the Company**	**1,839**	**1,639**	
6	Other equity instruments	220	220	(f)
7	**Total equity excluding non-controlling interests**	**2,059**	**1,859**	
8	**Non-controlling interests**	22	22	
9	**Total equity**	**2,081**	**1,881**	
10	**Total liabilities and equity**	**24,963**	**23,978**	

(1) The references (a) to (h) refer to the items of template EU CC1 in Section 5.1.

3.1. Reconciliation of regulatory own funds to balance sheet in the audited financial (continued)

EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial

	31 December 2020	a	b	c
		Consolidated Balance sheet as in published financial statements	Consolidated Balance Sheet under regulatory scope of consolidation	Reference [(1)]
		€ million	€ million	
	Assets			
1	Cash and balances with central banks	5,653	5,653	
2	Loans and advances to banks	403	392	
3	Derivative financial assets	25	25	
4	Investments	1,876	1,679	
5	Investments pledged as collateral	37	37	
6	Loans and advances to customers	9,886	9,886	
7	Life insurance business assets attributable to policyholders	474	-	
8	Prepayments, accrued income and other assets	250	180	
9	Stock of property	1,350	1,347	
10	Investment properties	128	108	
11	Property and equipment	273	238	
12	Intangible assets	185	49	(e)
13	Investments in associates and joint ventures	2	-	
14	Deferred tax assets	341	341	
15	Investments in Group undertakings	-	43	(h)
16	Non-current assets and disposal groups held for sale	631	631	
17	**Total assets**	**21,514**	**20,609**	
	Liabilities			
1	Deposits by banks	392	391	
2	Funding from central banks	995	995	
3	Derivative financial liabilities	46	46	
4	Customer deposits	16,533	16,563	
5	Insurance liabilities	671	-	
6	Accruals, deferred income, other liabilities and other provisions	360	311	
7	Deferred tax liabilities	46	25	
8	Pending litigation, claims, regulatory and other matters	124	124	
9	Loan stock	272	272	(g)
10	**Total liabilities**	**19,439**	**18,727**	
	Equity			
1	Share capital	45	45	(a)
2	Share premium	594	594	(b)
3	Revaluation and other reserves	209	97	(d)
4	Retained earnings	983	904	(c)
5	**Equity attributable to the owners of the Company**	**1,831**	**1,640**	
6	Other equity instruments	220	220	(f)
7	**Total equity excluding non-controlling interests**	**2,051**	**1,860**	
8	**Non-controlling interests**	24	22	
9	**Total equity**	**2,075**	**1,882**	
10	**Total liabilities and equity**	**21,514**	**20,609**	

(1) The references (a) to (h) refer to the items of template EU CC1 in Section 5.1.

3.1.1. EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The difference between the carrying values reported in the Consolidated Financial Statements of the Company for 2021 and the carrying values under the scope of regulatory consolidation is due to the different basis of consolidation for prudential purposes. The basis of consolidation for prudential purposes includes only those entities which form the basis for the calculation of the regulatory capital requirements. A summary of the Groups structure on the basis of consolidation for the prudential purposes and the basis for consolidated accounting is presented in Section 3 'Differences on the basis of consolidation for financial reporting and prudential purposes'. Also, reconciliation between the Balance Sheet presented in Consolidated Financial Statements of the Company for 2021 and the Balance Sheet for regulatory purposes is presented in Section 3.1. The shift in the exposures under each framework between 2020 and 2021 is in line with the changes in column (b).

The table illustrates the balance sheet items as they are applied in the RWA and capital requirements calculation whereby the amounts included in column (b), the carrying values under the scope of regulatory consolidation are analysed into the framework they are subject to in calculating the RWAs through CRR, columns (c) to (g).

3.1.1. EU LI1-Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	31 December 2021	a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€million	€million	€million	€million	€million	€million	€million
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and balances with central banks	9,231	9,231	9,231	-	-	-	-
2	Loans and advances to banks	292	278	278	-	-	-	-
3	Derivative financial assets	7	7	-	7	-	-	-
4	Investments	879	689	665	-	24	-	-
5	Investments pledged as collateral	1,260	1,260	1,260	-	-	-	-
6	Loans and advances to customers	9,836	9,836	9,836	-	-	-	-
7	Life insurance business assets attributable to policyholders	552	-	-	-	-	-	-
8	Prepayments, accrued income and other assets	616	547	547	-	-	-	-
9	Stock of property	1,112	1,110	1,105	-	-	-	5
10	Investment properties	118	92	92	-	-	-	-
11	Property and equipment	252	224	224	-	-	-	-
12	Intangible assets	184	45	15	-	-	-	30
13	Investments in Group undertakings, associates and joint ventures	-	35	35	-	-	-	-
14	Deferred tax assets	265	265	265	-	-	-	-
15	Non-current assets and disposal groups held for sale	359	359	359	-	-	-	-
16	**Total assets**	**24,963**	**23,978**	**23,912**	**7**	**24**	**-**	**35**

3.1.1. EU LI1-Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	31 December 2021	a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€million	€million	€million	€million	€million	€million	€million
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits by banks	457	457	-	-	-	-	457
2	Funding from central banks	2,970	2,970	-	-	-	-	2,970
3	Derivative financial liabilities	32	32	-	32	-	-	-
4	Customer deposits	17,531	17,561	-	-	-	-	17,561
5	Insurance liabilities	736	-	-	-	-	-	-
6	Accruals,deferred income, other liabilities and other provisions	362	305	22	-	-	-	283
7	Deferred tax liabilities	47	25	-	-	-	-	25
8	Pending litigation, claims, regulatory and other matters	104	104	-	-	-	-	104
9	Loan stock	643	643	-	-	-	-	643
10	**Total liabilities**	**22,882**	**22,097**	**22**	**32**	**-**	**-**	**22,043**

3.1.1. EU LI1-Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

		a	b	c	d	e	f	g
	31 December 2020	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and balances with central banks	5,653	5,653	5,653	-	-	-	-
2	Loans and advances to banks	403	392	392	-	-	-	-
3	Derivative financial assets	25	25	-	25	-	-	-
4	Investments	1,876	1,679	1,646	-	33	-	-
5	Investments pledged as collateral	37	37	37	-	-	-	-
6	Loans and advances to customers	9,886	9,886	9,886	-	-	-	-
7	Life insurance business assets attributable to policyholders	474	-	-	-	-	-	-
8	Prepayments, accrued income and other assets	250	180	180	-	-	-	-
9	Stock of property	1,350	1,347	1,347	-	-	-	-
10	Investment properties	128	108	108	-	-	-	-
11	Property and equipment	273	238	205	-	-	-	33
12	Intangible assets	185	49	22	-	-	-	27
13	Investments in Group undertakings, associates and joint ventures	2	43	43	-	-	-	-
14	Deferred tax assets	341	341	341	-	-	-	-
15	Non-current assets and disposal groups held for sale	631	631	631	-	-	-	-
16	**Total assets**	**21,514**	**20,609**	**20,493**	**25**	**33**	**-**	**60**

3.1.1. EU LI1-Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

		a	b	c	d	e	f	g
31 December 2020		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits by banks	392	391	-	-	-	-	391
2	Funding from central banks	995	995	-	-	-	-	995
3	Derivative financial liabilities	46	46	-	46	-	-	-
4	Customer deposits	16,533	16,563	-	-	-	-	16,563
5	Insurance liabilities	671	-	-	-	-	-	-
6	Accruals,deferred income, other liabilities and other provisions	360	311	20	-	-	-	291
7	Deferred tax liabilities	46	25	-	-	-	-	25
8	Pending litigation, claims, regulatory and other matters	124	124	-	-	-	-	124
9	Loan stock	272	272	-	-	-	-	272
11	**Total liabilities**	**19,439**	**18,727**	**20**	**46**	**-**	**-**	**18,661**

3.1.2. Main sources of differences between regulatory exposure amounts and carrying values in the Financial Statements

The table presents the main sources of differences between the carrying values under the scope of regulatory consolidation and the exposure amounts that are used to calculated the RWA under each regulatory framework of the CRR.

Row 5, "Differences in valuations", refers to additional valuation adjustments following regulatory supervisory recommendations.

Row 6, "Differences due to netting rules", presents the impact of the application of netting agreements under the SA-CCR approach in calculating RWA for derivatives.

Row 7, "Differences due to consideration of provisions", refers to transitional arrangements adjustments described in section 5.1.

Row 8, "Differences due to the use of credit mitigation techniques", presents financial collateral amounts that are used in decreasing the exposures values for RWA calculation purposes under the Financial Collateral Comprehensive Method.

Row 9, "Differences due to credit converstion factors", presents the adjustment on the off-balance sheet items presented in row 4 converting them to credit equivalents.

Row 11, "Other differences", presents the balance sheet items that due to their nature do not participate in the RWA and capital requirements calculations and they are analysed in rows 11.01 and 11.02

There are no material shifts between 2020 and 2021 other the shifts in the carrying values under the scope of regulatory consolidation analysed in section 3.1.1 above.

3.1.2. Main sources of differences between regulatory exposure amounts and carrying values in the Financial Statements (continued)

EU LI2-Main sources of differences between regulatory exposure amounts and carrying values in the Financial Statements

		a	b	c	d	e
31 December 2021		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
		€ million	€ million	€ million	€ million	€ million
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**23,978**	**23,912**	**24**	**7**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)**	**(22,097)**	**(22)**	**-**	**(32)**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**1,881**	**23,890**	**24**	**(25)**	**-**
4	**Off-balance-sheet amounts**	**2,600**	**2,600**	**-**	**-**	**-**
5	Differences in valuations	(129)	(123)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	51	-	-	51	-
7	Differences due to consideration of provisions	171	171	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(741)	(741)	-	-	-
9	Differences due to credit conversion factors	(2,026)	(2,026)	-	-	-
10	Differences due to Securitisation with risk transfer		-	-	-	-
11	Other differences	22,013	-	-	-	-
11.01	Deductions from Capital - Total Assets (EU LI1: column g less EU LI1 column (g) row 9 included in EU LI2 row 5)	(30)	-	-	-	-
11.02	Deductions from Capital - Total Liabilities (EU LI1: column g)	22,043	-	-	-	-
12	**Exposure amounts considered for regulatory purposes**	**23,820**	**23,772**	**24**	**26**	**-**

3.1.2. Main sources of differences between regulatory exposure amounts and carrying values in the Financial Statements (continued)

EU LI2-Main sources of differences between regulatory exposure amounts and carrying values in the Financial Statements

		a	b	c	d	e
	31 December 2020	**Total**	**Items subject to**			
			Credit risk framework	**Securitisation framework**	**CCR framework**	**Market risk framework**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**20,609**	**20,493**	**33**	**25**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)**	**(18,727)**	**(20)**	**-**	**(46)**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**1,882**	**20,473**	**33**	**(21)**	**-**
4	**Off-balance-sheet amounts**	**2,650**	**2,650**	**-**	**-**	**-**
5	Differences in valuations	(108)	(108)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	34	-	-	34	-
7	Differences due to consideration of provisions	249	249	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(724)	(723)	-	(1)	
9	Differences due to credit conversion factors	(2,056)	(2,056)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	18,601	-	-	-	-
11.01	Deductions from Capital - Total Assets (EU LI1: column g)	(60)	-	-	-	-
11.02	Deductions from Capital - Total Liabilities (EU LI1: column g)	18,661	-	-	-	-
12	**Exposure amounts considered for regulatory purposes**	**20,528**	**20,485**	**33**	**12**	**-**

4. Risk Management Objectives and Policies

4.1. Credit Risk Management

Credit Risk Definition

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

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

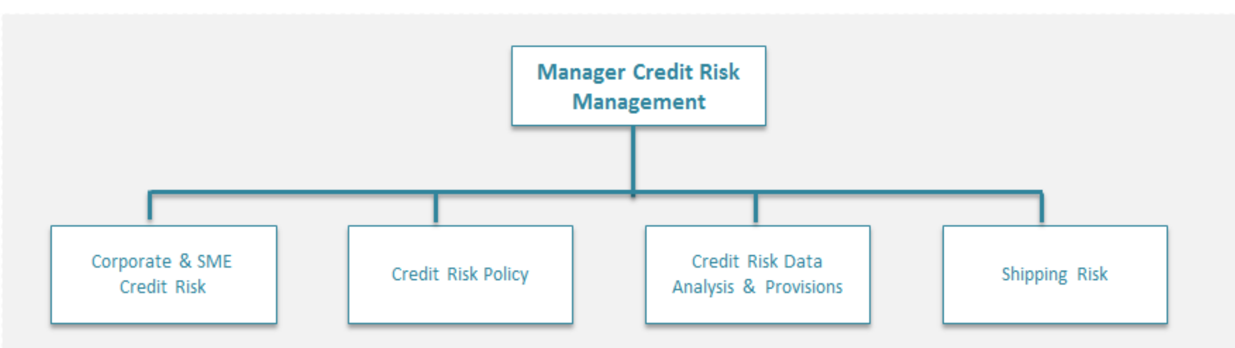
The Group takes a comprehensive approach to risk management with a defined Risk Management Framework and a specific RAS which is approved annually by the RC and the BoD as indicated in Section 2.4.

The Credit Risk Management Department (CRMD) covers a wide range of activities, which commences at the stage of the assessment of credit risk, continues at the stage of credit risk identification and measurement through reporting and provisions respectively, and ending up at the workout and collection stage.

There are various tools involved in the management of credit risk, including systems used to measure and assess customer risk, credit approval limits and structure, lending criteria, monitoring of customer advances and methods of mitigating risk. In addition, Credit Risk Management is involved in the review of new products offered by the Bank, the strategies put forward by the various Divisions as well as being involved in key Group projects such as the automation of the credit submission and approval process.

The functional activities of Credit Risk Management are organised through the following sub-departments, each of which has distinct responsibilities and covers specific risk areas.

The structure of the CRMD is as indicated in the diagram below:



4.1. Credit Risk Management (continued)

Credit Risk Policy (CRP)

The CRP department develops policies, guidelines and approval limits necessary to address the credit risk in the Group. These documents are reviewed and updated at least annually or earlier if deemed necessary to reflect any changes in the Group's risk appetite and strategy and the work environment/economy.

The Group has implemented prudent policies and a proactive approach for the monitoring of credit risk.

The key elements of the Group's CRP processes are:
- The implementation of prudent credit risk assessments with a primary focus on the ability of the borrower to repay and the viability of the project being financed, in addition to the value of the underlying collateral. This is combined with the assessment of a customer's creditworthiness using credit scores and credit ratings obtained from systems developed and maintained by the Risk Modelling and the Risk Solutions & Model Risk Management departments
- Frequent review of credit approval limits.

In addition, through Restructuring and Recoveries Division (RRD), the Group has strengthened the management and recovery of its delinquent loans.

Corporate & SME Credit Risk (CSCR)

Corporate & SME Credit Risk (CSCR) is responsible for the well-functioning of the main Credit Committees and its Head or his delegates, is delegated to act on behalf of the CRO with the power to Veto decisions in the lower credit committees (Joint CC1/CC2) when the CRO is not present. CSCR appraises all applications from an independent credit risk perspective and prepares recommendations to Credit Committees with suggestions to improve credit proposals and mitigate credit risks.

Data Analysis and Provisions department (DA&P)

The DA&P is responsible for monitoring the Group's credit portfolio, implementing the credit provisioning policy and reports on the relevant credit risk metrics.

The Shipping Risk Finance Department

The Shipping Risk Finance Department is a specialised unit, set up to ensure Policy compliance and prepare independent risk recommendations to CC3 (for Shipping Finance Transactions). The Shipping Risk Finance Department main functions/responsibilities include:

- Development & review/update on the Shipping Finance Lending Policy and on the Specialized Shipping Finance Procedures.
- Reviews all Shipping Finance Transactions and prepares specialised Risk Recommendation for approval by Credit Committee (CC3).
- Monitors compliance of financing proposals with Lending policy and identify deviations & propose possible mitigants/improvements.
- Follow up the development of the Shipping portfolio (from a risk point of view), within the Bank's risk appetite policy for the Industry.

4.1. Credit Risk Management (continued)

4.1.1. Credit Limits and Process

The Bank sets and monitors Risk Appetite limits around credit risk. Furthermore, a limit framework is in place in relation to the credit granting process and its structure as well as the general rules are documented in the Group's Lending Policy. The specific limits granted to each approving authority are communicated through circulars issued by the CRP department.

Approval limits are reviewed at least annually or whenever there is a specific requirement or request. The structure of the limits takes into account:
- The type and size of each credit facility.
- The type-quality and value of the collateral.
- The security gap.
- Other credit policy rules

4.1.2. Risk Identification, Measurement, Control and Reporting

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

In addition, any extraordinary circumstances e.g. Covid-19 pandemic, may initiate a review of policies and strategies/actions to comply with relevant decrees or legislation and to address special economic circumstances and assess revised repayment ability of customers.

Management, monitoring and control of customer advances

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

A key aspect of credit risk is credit risk concentration which is defined as the risk that arises from the uneven distribution of exposures to individual borrowers, specific industry or economic sectors, geographical regions, product type or currencies. The monitoring and control of concentration risk is achieved by limit setting (e.g. sector and name limits) and reporting them to senior management.

Furthermore, post-approval monitoring is in place to ensure adherence to both, terms and conditions set in the approval process and Credit Risk policies and procedures.

With the aim of identifying credit risk at an early stage, the following key reports are prepared for the Senior Management of the Bank:
- Risk report which is prepared on a monthly basis and includes KPIs on a Group and business line level, such as gross advances, provisions, NPEs, 90+DPD, restructurings etc.
- Daily report of the NPEs inflow/outflow and restructurings.
- Daily report of arrears / excesses

4.1.2. Risk Identification, Measurement, Control and Reporting (continued)

Collateral revaluations
Credit Risk Control & Monitoring produces a comprehensive report, on a monthly basis, of all mortgaged properties that require revaluation, broken down per unit and per banker. This report is communicated to the responsible business line directors in order to take necessary actions to minimise the number of mortgaged property revaluations that are overdue. In addition, mortgaged collateral is monitored through the relevant CBC property indices (Central Bank Commercial and Residential Property indices). Indexed values of mortgaged properties have been incorporated in the customer's collateral report, so that credit officers can take the appropriate action when submitting an application for credit/restructuring.

Borrowers' audited financial statements
Risk Solutions & Model Risk Management monitors the submission of borrowers' audited financial statements as well as management accounts on a quarterly basis by preparing an analysis of all pending financial statements. This report is communicated to the line directors so that the appropriate corrective measures are taken.

Internal Audit
The Internal Audit department conducts, on a periodic basis, compliance audits in order to determine that credit activities and in particular approval authorities are in compliance with the Bank's credit policies and procedures and to ensure that approved credits are authorised within the established guidelines and limits.

Concentration
The Data Analysis & Provisions Unit actively monitors on a monthly basis the concentration limits set and reports these to the senior management through the monthly Risk Report.

New products/services
The Group's products and services have an inherent credit risk, therefore Credit Risk Management is in close cooperation with other departments (e.g. Retail) and examines all new, expanded or modified products and services from a credit risk perspective; that is, whether the new product satisfies the Group's RAS, its characteristics are according to the credit policy and the financial analysis includes all related risks.

Portfolio Quality Indicators/KPIs
Monitoring closely the quality/performance of the Group's client portfolio is of great importance. Sound credit monitoring practices can help the Group detect early signs of credit deterioration and thus take promptly remedial action to minimise losses. Monitoring is done both on a single loan/customer level/customer group (where applicable) and on an overall portfolio level.

Customer Reviews
Frequent reviews of customer facilities depending on the risk level and customer exposure in adherence with the relevant CBC Directive on Credit Granting and Review Processes. In general, legal entities are reviewed on an annual basis while physical entities every three years (except for exposures over €300 thousand which are reviewed every two years). The Bank has also introduced an automated process for the review of both physical and legal entities, based on specific criteria and thresholds set by CRM.

4.1.3. Credit Risk with Correspondent Banks and Countries

The Market Risk Department (MR) is responsible for the credit risk, with correspondent banks and countries. CCR is discussed in Section 7.1.1 and Country risk is analysed below.

Country Risk
Country Risk refers to the possibility that sovereign borrowers of a particular country may be unable or unwilling to fulfil their foreign obligations for reasons beyond the usual risks which arise in relation to all lenders.

4.1.3. Credit Risk with Correspondent Banks and Countries (continued)

Country risk affects the Group via its operation in other countries and also via investments in other countries (Money Market (MM) placements, bonds, shares, derivatives, etc.). In addition, the Group is indirectly affected by credit facilities provided to customers for their international operations or due to collateral in other countries.

In this respect, country risk is considered in the risk assessment of all exposures, both on-balance sheet and off-balance sheet.

Risk Reporting and measurement system for Country Risk
On a quarterly basis, country exposures compared to country limits and reported to ALCO. The BoD, through its RC is also informed on a regular basis and at least annually, on any limit breaches. Country risk is monitoring at the level of the below transactions, on an aggregate basis.

- Treasury transactions: relate to investments in bonds, MM placements, FX and derivative transactions.
- Lending: All loans given to or guaranteed by residents of a country are taken into account, except those loans where the customer also holds a deposit with the Group with a clear right of set-off. In the case where a loan is granted to a resident of one country and the collateral is in another country, these loans are included as exposures to both countries.
- Commercial transactions: relate to letters of credit, letters of guarantee or other similar products.
- Committed lines of credit are also taken into account.
- Properties owned by the Bank.
- Investments in branches/subsidiaries abroad: relate to the carrying value of branch/subsidiary's net assets, plus any funding provided by the Bank to the branch/subsidiary.

The country limits are allocated based on the CET1 capital of the Group, the country's credit rating and internal scoring.

The internal scoring is based on the assessment of economic and political parameters specific to each country.

In addition to the above, other factors are also taken into account before setting any limits, such as the:
- Strategy of the Group in respect of its international activities.
- Group's Risk Appetite Statement.
- Perceived business opportunities in a country.
- Risk/reward ratio of an investment.
- The Group's capital base
- The needs of the several units of the bank (i.e. Treasury, Business lines)

All limits are reviewed at regular intervals (at least once per year) and approved by the BoD through the RC. All policy documents relating to country and counterparty risk are approved by the RC at least once a year.

MR monitors the Treasury country limits on a daily basis. Any excesses are reported to CRO, ALCO and/or RC, depending on the size of the breach

MR may reduce the limits already approved by the BoD if market conditions deteriorate.

4.1.4. Policies for Credit Risk Mitigation (CRM)

CRM is implemented through a number of policies, procedures, guidelines circulars and limits, such as:

Sanctioning limits
Relevant circulars and guidelines are in place that provides limits and parameters for the approval of credit applications and related credit limits as well as parameters. The Group currently has credit committees (Joint CC1/CC2 and CC3), for the approval of customer applications submitted through Corporate and SME Credit Risk. Credit Committees comprise of members from various Group divisions outside Risk Management, to ensure independence of opinion and need to comply with specific eligibility criteria which are monitored by the Credit Risk Control and Monitoring (CRC&M) to ensure they are adhered to. For restructuring and recoveries cases, applications are submitted for approval to the Restructuring and Recoveries Committee (RRC).

Applications falling outside the approval limits of these credit committees are submitted to the RC or the BoD, depending on the total exposure of the customer group. In addition, approval limits have been granted to lower authority levels (unit managers and Credit Sanctioning Retail & SME which examines applications below the credit committees' approval level).

Lending Policy
This is the main credit risk policy of the Group which includes collateral, customer and facility types, lending criteria, repayment ability calculation and loan-to-value rules. Deviations, Specialised Lending, Leveraged Transactions and Restructuring and Forbearance Policies, discussed below, have also been incorporated in the Bank's Lending Policy. The Lending Policy establishes the framework for safe and prudent banking and provides guidelines regarding the lending functions and how to maintain sound credit - granting standards.

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

Restructuring policy for private individuals and legal entities
The purpose of the Restructuring Policy is to create efficient and effective strategies, policies, structures, procedures and mechanisms for the management of arrears and the attainment of fair and sustainable restructurings of credit facilities of borrowers with financial difficulties. It includes:
- Definition of restructuring and forbearance.
- General principles and guidelines for viable restructurings.
- Description of different restructuring solutions that are available (traditional and specialised).

Specialised Lending
Specialised lending exposures possess unique risk characteristics; in particular given the source of repayment, specialised lending exposures exhibit higher risk volatility than other corporate exposures, and therefore in times of distress, Credit Institutions are likely to be faced with both high default rates and high loss rates. Therefore, because of their inherent high risk, all credit decisions regarding specialised lending exposures are made after careful consideration of a number of factors, such as financial strength, political and legal environment, transaction and/or asset characteristics, strength of the sponsor and developer and security package.

4.1.4. Policies for Credit Risk Mitigation (CRM) (continued)

Leveraged Transactions

This covers the requirements related to the corresponding ECB Guidance (Guidance on Leveraged Transactions – May 2017). A Leveraged Transaction is any transaction that meets at least one of the conditions below:

- All types of loan or credit exposure, where the borrower's post-financing level of leverage exceeds a Total Debt to EBITDA ratio of 4.0 times;
- All types of loan or credit exposures where the borrower is owned by one or more financial sponsors.

Transactions identified as leveraged are subject to more strict scrutiny and approval at higher authority levels.

Deviations
The Deviations/Exceptions Policy is a key component of the Lending Policy. Credit facilities that do not align/comply with the general provisions of the Lending Policy, can only be approved for exceptional cases by the Bank's higher approving authorities only to the extent that they are justified and have received explicit approval.

Asset acquisition and disposal policy
This policy sets out the authorities, scope and procedures for the acquisition and disposal of the Bank's owned assets.

Write-off policy
This policy sets out the procedures, authorities, required documentation and governance for the write-offs (contractual) and accounting set-offs (non-contractual) that are carried out by the Bank. CRC&M performs sample checks on applications approved with write-offs to ensure adherence to policies and limits.

Concentration Risk Policy
Covers name, sector, product, geographical, counterparty, currency, collateral, shadow banking, leveraged transactions, CRAM loans, funding source and derivative concentration. Regarding collateral, limits are imposed on shares/marketable securities as well as on the type of real estate that can be accepted for lending purposes.

The policy as well as the concentration limits have been recently revisited to align the limits to the risk bearing capacity of the Group.

Valuation policy
For each collateral type, the relevant guidelines are given on when to value/revalue as well as on the determination of the recoverable amount based on ECB/EBA/CBC directives and the Group's policy. Emphasis is placed on the valuations of mortgaged property which accounts for the great majority of the Group's collateral for credit facilities.

Credit Risk Monitoring policy
The Credit Risk Monitoring policy addresses the Bank's commitment to monitor the implementation of Credit Risk policies and procedures in collaboration with quality and efficiency. Various actions are performed both by RMD and Business Lines to ensure the implementation of the policy and reports are produced presenting results of compliance. Monitoring actions and procedures and the resulting reports produced are described in detail in the Credit Risk Monitoring policy.

4.1.5. Measurement and Assessment - Systems

The effective management of the Group's credit risk is achieved through a combination of training and specialisation as well as appropriate credit risk assessment systems. The Group aims to continuously upgrade its systems and models used in assessing the creditworthiness of Group customers.

Credit Scoring Systems

Retail (SAS Credit Scoring for Banking – In house-solution)
The Bank maintains in-house credit scoring systems for new customers through Application Scorecards providing real time score. For existing customers, the Bank uses, amongst others, behavioural scoring which takes into account factors such as the conduct of existing accounts and whether the customer has been in arrears, has consumed their overdraft limits, etc. The implementation of behavioural score is carried out in SAS Credit Scoring for Banking.

Small Medium Enterprises (SMEs) and Corporates (Credit Rating Models – Moody's Risk Analyst)
Moody's Risk Analyst is a system used to set the basis for consistent and accurate credit risk analysis on commercial borrowers by collecting, analysing and storing financial statement and qualitative/judgmental data.

This credit scoring system calculates the following customer ratings/scores:

- *The financial index (based on Moody's Risk Analyst)*: The assessment of the financial position of the customers is performed based on recent audited financial statements as well as management accounts, assessing performance with respect to operational efficiency, liquidity, debt service and capital structure. This index is used for assessing financial position/credit worthiness of business/corporate customers.
- *The borrower rating*: The assessment of the customers' credit worthiness is performed taking into account the financial index, the account behaviour with the Bank, the management of the enterprise and sectorial risks, as well as the liquidity and capital structure of the business.

Shipping exposures - scorecards
The Bank has developed a customised scorecard for rating shipping exposures. The score that is produced is based on assessment of both the customer and the underlying object (vessel). Some of the drivers of the assessment are current fleet gearing, projected interest coverage, management experience, diversification outside of shipping for the customer and current brake even coverage, projected brake even coverage, geographic diversification, quality of security vessel for the project, etc.

Special Purpose Vehicle exposures
The Bank has developed a scorecard for rating special purpose vehicles. The scorecard is based on an expert judgement approach with the main drivers being financial ratios that indicate borrower's ability to repay, asset/transaction characteristics, strength of sponsor and security package such as the nature of lien etc.

Project Finance exposures
The Bank also developed a project finance scorecard, also based on an expert judgment approach. The main drivers of the scorecard are the financial ratios that indicate borrower's ability to repay, asset/transaction characteristics and security package such as assignment of contracts and accounts, lender's control over cash flow etc.

4.2. Credit Risk Control & Monitoring

The Credit Risk Control & Monitoring Department (CRC&M) is a separate and independent function which reports directly to the CRO and is responsible to perform a second line of defence role in managing credit risk exposures in a manner that best safeguards the current and future capital base.

The Department's work revolves around two main functions:
- Control function: carry out analysis of information to establish adherence to Credit Risk policies and procedures through the utilization of existing and new controls in the Bank's systems.
- Monitoring function: carry out analysis on a granular level of Bank's portfolio to identify areas of risk and establish if the risk is within the appetite of the Bank.

This is achieved through a number of actions including:
- Quality assurance and sample testing to analyse and report adherence to the main pillars of various Credit Risk policies.
- Organization of the Watch Forum meetings during which the transfer of customers from/to RRD are decided.
- Quantitative Analysis of existing bank's portfolio.

4.3. Market Risk Management

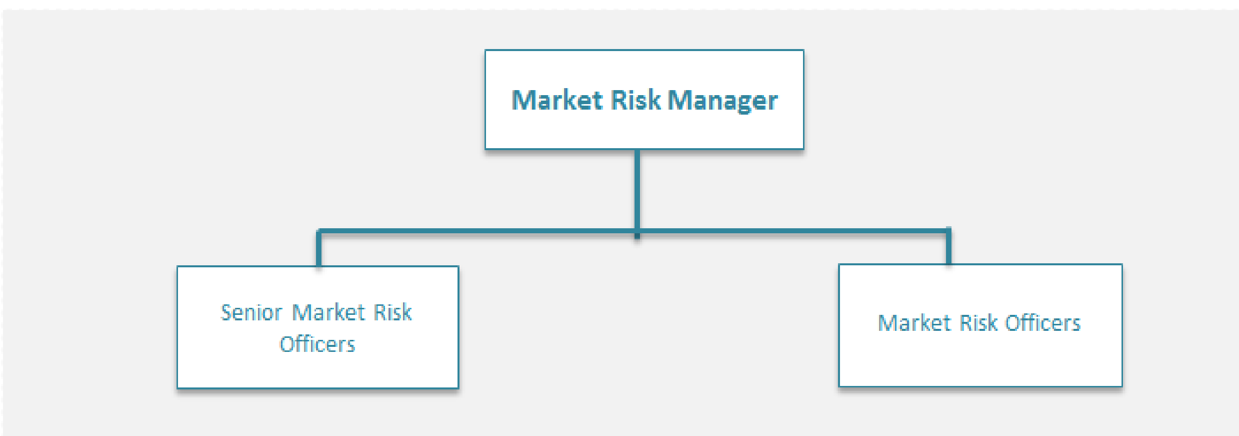
Market risk is the risk of loss in on and off-balance sheet positions from adverse changes in market prices namely from changes in interest rates, exchange rates, security and property prices.

The MR reports to the CRO and is responsible for measuring and monitoring the following risks:
- Credit Risk with Correspondent Banks and Countries (Section 4.1.3)
- Interest Rate Risk, including Credit Spread Risk in the Banking Book (CSRBB) (Section 4.3.1)
- Currency Risk (Section 4.3.2)
- Liquidity Risk and Funding (Section 4.3.3)
- Securities Price Risk (Section 4.3.4)
- Property Risk (Section 4.3.5)
- Commodities Risk – The Group does not currently have any such exposures

The Group has a low appetite for market risk. It does not take open positions on its own account (proprietary trading) but rather seeks to have square or near square positions in all currencies or other market instruments.

The ALCO recommends the policy and limits for the management of the risks stated above, which are then approved by the BoD through the RC.

The structure of the MR is as indicated in the diagram below:



4.3.1. Interest Rate Risk, including Credit Spread Risk in the Banking Book (CSRBB)

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets, liabilities and off balance sheet items. The Group measures the impact of interest rate risk on its banking book using two methods: changes in NII and changes in EV.

The Bank measures the NII and EV sensitivity in order to identify all potential aspects of interest rate risk under a wide range of different scenarios for potential changes in the:
- Level of the interest rate yield curve
- Shape of the interest rate yield curve and
- Relationship between different market rates

MR also measures the impact of a standard shock of 2% change in interest rates on the EV of the Group as per the CBC guidelines.

4.3.1. Interest Rate Risk, including Credit Spread Risk in the Banking Book (CSRBB) (continued)

In order to manage the interest rate risk, there is a 1 Year Interest Rate Exposure (IRE) limit on the maximum reduction of NII under the various rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the Group NII (when positive). There are also different limits for EUR and USD.

The EV of the Group from a 2% change in interest rates has to be within the 20% limit, as per the CBC guidelines. ALCO has set a maximum internal limit for this change equal to 15% of Group CET1 capital compared to the 20% regulatory maximum ratio.

As at 31 December 2021, the total EV effect for a 200bps increase/decrease in the yield curves in all currencies was €15.1 million/minus €5.3 million (+0.9% and -0.3% of CET1 capital respectively) (2020: minus €80.9 million (-4.7% of CET1 capital)).

The 2% change in interest rates on the EV of the Group is within the RAF approved limit of 15% and the regulatory limit of 20% (limit applies to decline in the EV).

Interest Rate Risk Management
The nature of interest rate risk as well as the impact from changes in interest rates is covered in Section 9.2.

Interest rate risk is managed centrally at Group level in conjunction with local Treasuries. Corrective actions include:

- On balance sheet solutions, including among others purchase of fixed rate assets, introduction of new customer accounts or loans with the desired characteristics, and
- The use of derivatives e.g. Interest Rate Swaps (IRS).

Treasury and Market Risk, with the approval of ALCO will determine:

- The percentage/amount of the core deposits to be hedged, if any.
- The type of instruments to be used for the hedging of core deposits.

Credit Spread Risk in the Banking Book (CSRBB)

The Credit Spread Risk in the Banking Book (CSRBB) is the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components, which is not explained by IRRBB or by expected credit/(jump-to-) default risk. In the case of the Bank, CSRBB refers to the debt securities price risk which is the risk of loss as a result of adverse changes in the prices of bonds, not related to interest rate changes that are Held for Trading or in the Held to Collect and Sell book.

4.3.2. 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 FX rates.

4.3.2. Currency Risk (continued)

In order to limit the risk of loss from adverse fluctuations in exchange rates, overall open currency position limits have been set as presented in the table below. These limits are well within the maximum permissible regulatory limits.

2021	Intraday	Overnight
	€ million	€ million
Cyprus	**20**	**20 (10 per currency)**
Total	**20**	**20 (10 per currency)**
2020		
Cyprus	20	20 (10 per currency)
Total	20	20 (10 per currency)

Risk Reporting and measurement system for Currency Risk:
MR is responsible for monitoring both their intraday and overnight FX position limits. Any breaches are reported daily.

Policies for Hedging and Mitigating Currency Risk
The Group aims to minimise currency risk through hedging. Only minimal open positions are allowed.

The Bank mitigates currency risk using hedge instruments available in the market. These hedge instruments are evaluated and monitored by MR.

The currency risk for the Bank arises mainly from:
- Customer driven transactions.
- The net assets of the foreign subsidiaries and branches of the Group.
- Provisions of the foreign currency loan book.

All customer driven transactions are immediately hedged by Institutional Wealth Management (IWM) by entering into FX deals with other banks. The currency risk arising from the net assets of the foreign subsidiaries and branches of the Group is also hedged on a monthly basis unless:
- ALCO considers that the cost of hedging is not acceptable (compared to the underlying risk), or
- There is no liquidity in the market for the specific currency pair.

Currency Risk Management
The table below sets out the Group's currency risk resulting from its FX open positions as at 31 December 2021 and 2020 (including the impact on equity from the revaluation of the net assets of the foreign operations and the relevant hedging instruments), assuming reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations:

2021	Change in foreign exchange rate	Impact on profit/(loss) after tax	Impact on equity
	%	€ 000	€ 000
US Dollar	+10	(21)	-
Russian Rouble	+25	(1)	(235)
Romanian Lei	+10	-	34
Swiss Franc	+5	299	-
British Pound	+10	(323)	-
Japanese Yen	+10	52	-
Other currencies	+10	136	-
US Dollar	-10	17	-
Russian Rouble	-25	-	141
Romanian Lei	-10	-	(28)
Swiss Franc	-5	(270)	-
British Pound	-10	265	-
Japanese Yen	-10	(42)	-
Other currencies	-10	(111)	-

4.3.2. Currency Risk (continued)

2020	Change in foreign exchange rate %	Impact on profit/(loss) after tax € 000	Impact on equity € 000
US Dollar	+15	470	-
Russian Rouble	+25	-	(203)
Romanian Lei	+10	-	(13)
Swiss Franc	+15	1,286	-
British Pound	+10	3	(1)
Japanese Yen	+10	80	-
Other currencies	+10	11	-
US Dollar	-15	(347)	-
Russian Rouble	-25	-	122
Romanian Lei	-10	-	10
Swiss Franc	-15	(951)	-
British Pound	-10	(3)	1
Japanese Yen	-10	(66)	-
Other currencies	-10	(9)	-

4.3.3. Liquidity Risk and Funding

Definition
Liquidity risk is defined as the risk that the Group is unable to fully or promptly meet its current and future payment obligations and potential payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at higher cost or sell assets at a discount to fully and promptly satisfy its obligations.

Governance and Oversight
Every year, with the completion and approval of ILAAP, the BoD signs the Liquidity Adequacy Statement (LAS) which is sent to the ECB as part of ILAAP. Last year's LAS states among others that 'The Bank has a sound Liquidity Risk Management Framework which includes the Risk Appetite and Liquidity Policy. Processes, methods, systems and controls are in place to enable the Bank to identify measure, manage and monitor liquidity risk. This ensures that the Bank maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions'.

The BoD approves the strategy and significant policies related to the management of liquidity. The BoD ensures that senior management takes the steps necessary to monitor and control liquidity risk and provides adequate reporting regarding liquidity.

The BoD reviews the Liquidity Policy Statement, at least annually, to take account of changing operating circumstances. Every month, the MR submits the liquidity reports to the RC. While the BoD has the ultimate responsibility for liquidity management, it has appointed ALCO to ensure the timely and effective implementation of the liquidity policy.

The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group.

4.3.3. Liquidity Risk and Funding (continued)

Treasury is responsible for liquidity management, to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity needs.

Liquidity is also monitored daily by MR, which is an independent department responsible to monitor compliance, with both internal policies and limits, and with the limits set by the regulatory authorities. Market Risk reports to ALCO and Board RC the regulatory liquidity position, at least monthly. It also provides the results of various stress tests to ALCO and Board RC on a quarterly basis.

MR prepares daily stress testing for bank-specific (6 month tenor), market wide (6 month tenor) and combined scenarios (12 month tenor). The requirement is to have sufficient liquidity buffer to enable the Bank to survive the first 3 months of the combined stress test and sufficient liquidity buffer plus capacity to raise liquidity to survive the 12-month stress horizon, under the combined scenario. The combined stress scenario is the longest and most severe liquidity scenario performed by the bank. The liquidity risk is mitigated through the daily calculation of the stress scenarios. The total outflows are compared to available liquidity buffer as well as the capacity to raise liquidity in order to ensure that the bank's liquidity risk is kept at minimum.

The designing of the stress tests follows the best practice guidance and is based on the liquidity risk drivers which are recognised internationally by both the PRA and EBA SREP and the Bank's risk inventory. The stress test assumptions are included in the 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 by ALCO and the RC.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a LCP for handling liquidity difficulties. The LCP details the steps to be taken in the event those 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 possible actions that can be taken. This LCP is part of the Liquidity Policy thus reviewed by ALCO at least annually. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the RC for approval. The approved Liquidity Policy is notified to the SSM.

Any breaches of limits are promptly reported to the MR who reports them to the:
- CEO
- Executive Director Finance & Legacy
- CRO
- Director Treasury

All regulatory limit breaches with the recommended remedy are reported to the ALCO and RC. A number of mitigating actions exist that are analysed in the Group Recovery Plan, the Group Liquidity Policy and the Group LCP

Risk Reporting and measurement system for Liquidity and Funding Risk
The Bank has an automated daily/monthly/quarterly reporting process for liquidity and funding in place. The system utilised covers for (a) internal reporting and stress testing and (b) regulatory reporting. The system is constantly enhanced to cover the increasingly demanding needs stemming from both internal and external requirements. This tool enables the Bank to increase efficiency and effectiveness of liquidity monitoring.

Minimum Regulatory Liquidity Requirements
EU limit requirement
The Group LCR is calculated monthly by MR and sent to CBC/ECB 15 days after the month end.

During 2021, an increase in liquid assets was observed mainly due to the increase in customer deposits of c.€1 billion, the increase in ECB funding collateralised by non-LCR eligible assets of c.€900 million and the Tier2 and Senior bond issuances with net benefit equal to c.€371 million.

4.3.3. Liquidity Risk and Funding (continued)

The Group LCR was as follows as at 31 December 2021 and 2020:

Group LCR	2021 %	2020 %
31 December	298	254
Average Ratio[1]	288	245
Highest ratio	303	282
Lowest ratio	250	215

[1] Average ratio represents the average of the end of month ratios for the whole year.

The LCR of the Group amounted to 298% as at 31 December 2021 (31 December 2020: 254%).

The LCR is designed to promote short-term resilience of a Bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid resources to survive an acute stress scenario lasting for 30 days.

The table below shows a quantitative analysis of LCR which complements Article 435(1) (f) of Regulation No 575/2013.

As per Article 30 (1), (2) and (3) of Commission Delegated Regulation (EU) 2015/61, potential outflows due to derivative and financing transactions are calculated based on:

a) Credit deterioration of the bank's credit quality.
During the actual acute stress period experienced in 2013, additional independent amounts had to be placed by the Bank (reflecting the increased credit risk of the bank as perceived by counterparties). The potential outflow takes into account the percentage increase of independent amounts experienced in 2013 as well as the current outstanding derivatives in terms of notional, the type of derivative and the currency pair in the case of FX swaps.

b) Adverse market movements affecting the mark to market.

The potential negative impact on the mark to market of derivatives and the underlying collateral of repos is calculated in the case of adverse market movements. The methodology followed is based on the Historical Look Back Approach for market valuation changes as per Commission Delegated Regulation (EU) 2017/208.

With regards to the currency mismatch, it is noted that for US Dollars, the ratio presents a gap when comparing the buffer with its net outflows. The Bank maintains large amounts of customer deposits in USD (included in LCR outflows). The proceeds received are invested in either USD MM placements (which form part of the LCR inflows and not the liquidity buffer) or are converted to Euro through the use of short term FX Swaps which are very liquid instruments. Smaller amounts are invested in USD liquid assets in the form of bonds. Thus, although a gap exists, the Bank is in a position to cover any USD requirements either through the cash invested in USD MM placements or by terminating or not renewing the EUR/USD FX Swaps.

The Group also monitors its position against the CRRII NSFR. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities. It became a regulatory indicator when Capital Requirements Regulation 2 (CRR II) was enforced with the limit set at 100% in June 2021. At 31 December 2021 the Group's NSFR stood at 147% (compared to 139% at 31 December 2020 calculated on the basis of the Basel III standards).

4.3.3. Liquidity Risk and Funding (continued)

EU LIQ1 - Quantitative information of LCR

Scope of consolidation: **Consolidated**

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				**Total weighted value (average)**			
Quarter ending on:		**31 December 2021 € million**	**30 September 2021 € million**	**30 June 2021 € million**	**31 March 2021 € million**	**31 December 2021 € million**	**30 September 2021 € million**	**30 June 2021 € million**	**31 March 2021 € million**
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					8,261	7,622	7,059	6,495
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	7,652	7,411	7,141	6,824	501	483	463	446
3	Stable deposits	6,011	5,857	5,673	5,430	301	294	284	275
4	Less stable deposits	1,641	1,554	1,468	1,394	200	189	179	171
5	Unsecured wholesale funding	4,191	4,098	4,016	4,017	2,268	2,206	2,157	2,141
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	4,186	4,097	4,016	4,017	2,262	2,205	2,157	2,141
8	Unsecured debt	5	1	-	-	5	1	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	312	313	303	280	123	119	115	110
11	Outflows related to derivative exposures and other collateral requirements	104	100	96	93	104	100	96	92
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	208	213	207	188	19	20	19	18
14	Other contractual funding obligations	131	135	127	113	129	133	125	117
15	Other contingent funding obligations	2,432	2,442	2,448	2,430	215	217	217	216
16	TOTAL CASH OUTFLOWS					3,236	3,158	3,078	3,031
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	271	328	367	375	195	255	298	320
19	Other cash inflows	880	869	872	912	178	176	177	182
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	1,151	1,197	1,239	1,287	373	430	474	502
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,151	1,197	1,239	1,287	373	430	474	502
21	LIQUIDITY BUFFER					8,261	7,622	7,059	6,495
22	TOTAL NET CASH OUTFLOWS					2,863	2,727	2,603	2,529
23	LCR (%)					288%	279%	271%	257%

4.3.3. Liquidity Risk and Funding (continued)

EU LIQ2: Net Stable Funding Ratio

31 December 2021		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		€ million	€ million	€ million	€ million	€ million
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**1,840**	-	-	**300**	**2,140**
2	Own funds	1,840	**-**	-	300	2,140
3	Other capital instruments		**-**	**-**	-	-
4	**Retail deposits**		**10,595**	**1,021**	**707**	**11,616**
5	Stable deposits		8,213	876	562	9,198
6	Less stable deposits		2,382	145	145	2,418
7	**Wholesale funding:**		**7,853**	**66**	**880**	**2,706**
8	Operational deposits		**-**	**-**	**-**	**-**
9	Other wholesale funding		7,853	66	880	2,706
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	**Other liabilities:**	1	**242**	**-**	**449**	**449**
12	NSFR derivative liabilities	1				
13	All other liabilities and capital instruments not included in the above categories		242	-	449	449
14	**Total available stable funding (ASF)**					**16,911**

4.3.3. Liquidity Risk and Funding (continued)

31 December 2021		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		€ million	€ million	€ million	€ million	€ million
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**33**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		**25**	**-**	**-**	**13**
17	**Performing loans and securities:**		**784**	**392**	**7,958**	**7,773**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		212	6	94	118
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		389	274	4,449	1,117
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	Performing residential mortgages, of which:		149	112	3,007	3,071
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*136*	*102*	*2,727*	*2,821*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		34	-	408	374
25	Interdependent assets		-	-	-	-
26	**Other assets:**		**1,416**	**14**	**2,597**	**3,536**
27	Physical traded commodities		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		12	-	-	10
29	NSFR derivative assets		1	-	-	1
30	NSFR derivative liabilities before deduction of variation margin posted		29	-	-	1
31	All other assets not included in the above categories		1,374	14	2,597	3,523
32	Off-balance sheet items		**1,966**	**156**	**493**	**160**
33	**Total RSF**					**11,515**
34	**Net Stable Funding Ratio (%)**					**147%**

4.3.3. Liquidity Risk and Funding (continued)

As at 31 December 2021, the Group is in compliance with its regulatory liquidity requirement with respect to the LCR and NSFR.

RAS for Liquidity Risk and Funding
The Bank's risk appetite on Liquidity risk is described below:

- The Bank has a very limited appetite for liquidity risk and maintains strict limits relating to its high-quality liquid asset holdings. Further, the Bank has a zero tolerance for any limit breaches and aims to comply with regulatory and internal limits.
- The Bank aims to ensure that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank aims to ensure that, it has enough liquid assets including the capacity to raise liquidity to survive a twelve-month stress test, under the ILAAP combined liquidity scenario.
- The Bank aims at no reliance on emergency funding from the Central Bank but in having contingency plans in place that provide access to liquidity.
- The Bank aims to:
    - Maintain an LCR of at least 140%.
    - Maintain an NSFR of at least 110%.

The Group has been in compliance with all RAS limits all throughout the year.

The Bank's risk appetite on Funding is described below:

- The Bank has low tolerance in mismanaging its liquidity and funding needs. To this end, it recognises the confidence sensitive nature of part of its liabilities pool, adapting its funding and liability management strategy accordingly, in order to maintain business volumes and meet its obligations as they fall due.
- All material subsidiaries to be self-funded and any group assistance should be of temporary nature or for specific business activities with a clear repayment source.
- For the medium term, the Bank plans to diversify its funding sources through an increase in its wholesale funding driven by the requirement to comply with the final MREL Requirement. The MREL Requirement remains subject to annual review and revision by the SRB. The increase in wholesale funding is expected to consist of senior preferred issuances.
- The reliance on confidence-sensitive deposits from non-residents needs be closely monitored. This is measured as the ratio of Internal Business Unit (IBU) deposits / Total deposits. This ratio should not exceed 23%.

The Group's Liquidity Policy is designed to avoid reaching a crisis point. However, in case liquidity or a funding crisis arises, the Bank will address it, as analysed in the Contingency Funding Plan. A number of internal and regulatory ratios are in place to monitor Liquidity and these are further analysed in the approved LCP.

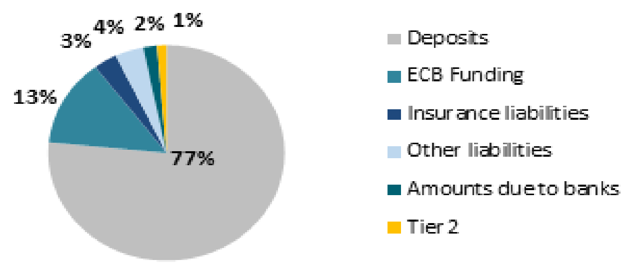
4.3.3. **Liquidity Risk and Funding** (continued)

Regarding the Group's liquidity and funding strategy:
- The Group has continuously been monitoring the market and has taken all necessary actions to be ready to access the wholesale market.
- The Group aims to provide lending to promising sectors of the domestic economy that will support and diversify further the economic activity.
- The Group continues its deleveraging efforts and disposal of non-core assets.
- The Group continues the efforts to minimise problem loans.
- The Group continues to evaluate opportunities to initiate its MREL issuances.

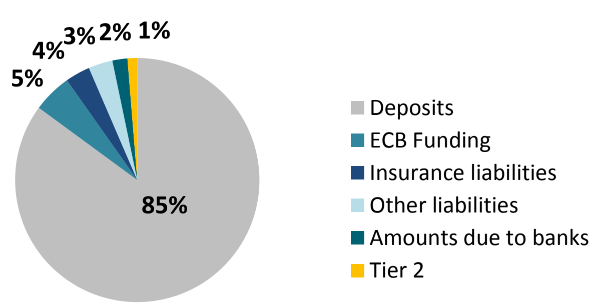
Current State of Funding and Funding sources
As at 31 December 2021, the Group had available liquids of €9.8 billion compared to €8 billion at the end of 2020. The increase is primarily due to the increase in customer deposits by c.€1 billion and €2 billion ECB funding in the form of TLTRO took place in March and June 2021. This does not have an impact on the internal liquidity buffer given that the ECB available credit line is substituted by the respective increase in cash with Central Bank.

As presented in the chart below, as at 31 December 2021 the Group's liabilities as per the Consolidated Balance Sheet in published financial statements were mainly composed of customer deposits amounting to 77% (2020: 85%).

Dec 2021



Dec 2020



4.3.3. Liquidity Risk and Funding (continued)

The credit ratings of the Republic of Cyprus by S&P and Fitch have remained at investment grade level during 2021 and thus the Cyprus Government Bonds have remained eligible collateral for Eurosystem monetary operations.

The ECB pool currently contains ACCs, the retained issue of the Bank's covered bond and eligible bonds. Most of the pool is used as collateral for the outstanding €3 billion ECB funding.

Impediments for the prompt transfer of funds between the parent entity and its subsidiaries
The funding provided by the Bank to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements. Any new funding and capital injection to subsidiaries require approval of the ECB.

Following the deleveraging of the Bank and the disposal of all its foreign units, the Group's main operations comprise the BOC banking unit. The rest of the other local units (the insurance companies, JCC and CISCO) are immaterial in size and they manage their liquidity independently.

4.3.4. Securities 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.

The Group has an outstanding equity holding including preference shares and fund's portfolio classified for accounting purposes as either financial assets at fair value through other comprehensive Income (FVOCI) or financial assets at fair value through profit or loss (FVPL). The policy is to manage the current portfolio with the intention to run it down. No new purchases are allowed without ALCO approval. New equities may only be obtained from repossessions of collateral for loans. The equity shares portfolio is managed by IWM.

The table below shows the impact on the profit/loss before tax (from investments classified at FVPL) and on equity (from investments classified at FVOCI) 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.

4.3.4. **Securities Price Risk** (continued)

	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 issuers change and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in debt securities, in highly rated debt 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).

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 a Monte Carlo conditional Value-at-risk (VaR) with a confidence level of 99%. The calculation is performed on a bond level.

4.3.4. Securities Price Risk (continued)

2021	**Impact on profit/ loss before tax**	**Impact on equity**
Change in market prices	**€ 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**
Change in market prices	**€ 000**	**€ 000**
2020		
+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)	-

4.3.5. Property Risk

The Group is exposed to the risk on changes in the fair value of property which is held either for own use or, as stock of property or as investment property. Stock of property is predominately acquired in exchange of debt and is intended to be disposed of in line with the Group's strategy. Such property exposures, due to their nature, are difficult to hedge. Any decision to hedge will be taken on a case by case basis by the ALCO committee of the Bank following recommendation from Group Treasury and Group Finance.

4.4. Operational Risk Management (ORM)

4.4.1. Definition and Structure

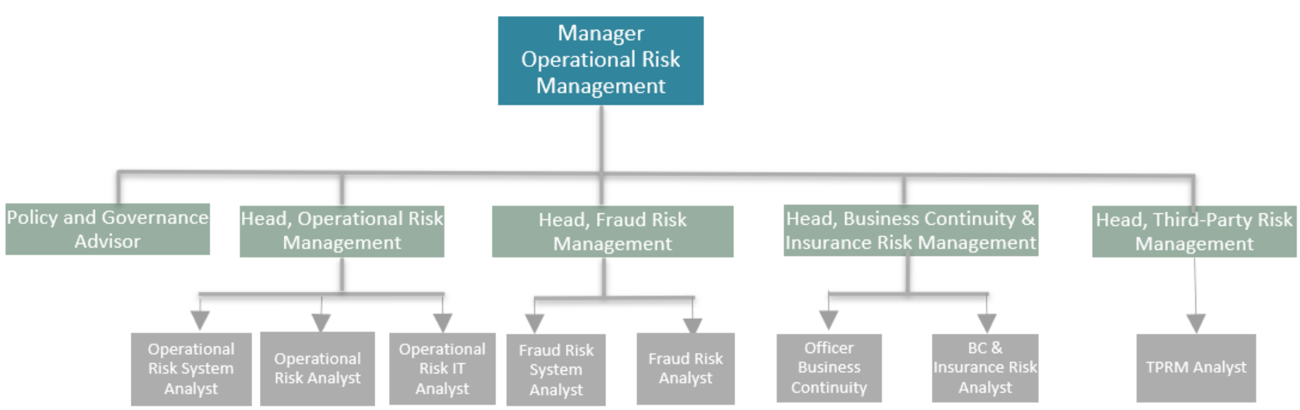
Operational risk is defined as the risk of direct or indirect impact/loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes compliance and legal risk.

The Group uses a broader scope when defining operational risk (to include other important risks such as reputational risks), for the purposes of its ORM Framework. As such, operational risk encompasses the following risks (which are reflected by the Level 1 categories of the Bank's Risk Taxonomy):

- Regulatory/Conduct risk
- Financial Crime and Sanctions Compliance risk
- Internal Fraud risk
- External Fraud risk
- People risk
- Business Continuity risks
- Information Security risk (including Cyber risk)
- Technology risk
- Data accuracy and data integrity risk
- Physical security and safety risk
- Model risk
- Legal risk
- Third-party risk
- Statutory Reporting and Tax Risk
- Transaction processing and execution
- Project risk
- Reputational risk

Operational regulatory risk policies and procedures contribute to the management of these risks, some of which are also directly managed by specialised departments, i.e. Information Security Department, Group Compliance and Legal Services. The ORM Department is responsible to embed explicit and robust ORM practices into all areas of the business process from the initial design of the Bank's business strategy to the sale of services and products to its customers. This is achieved by implementing a sound, coherent and comprehensive framework for the identification, assessment, monitoring and control of operational risk within the Bank (see Section 4.3.2 below) that improves the service provided to customers, the Bank's productivity and cost effectiveness and which ultimately protects shareholder value. ORM also ensures that the level of operational risk faced by the Bank is consistent with the BoD's overall risk appetite and corporate objectives.

ORMD Structure



4.4.1. **Definition and Structure** (continued)

Operational Risk Management Unit
The Operational Risk Management unit is responsible -inter alia - for:
- Providing direction to the first line of defence through policy, education, tools and training.
- Developing and maintaining a framework and supporting policies for the management of operational risks, to ensure timely and effective identification, assessment, monitoring, control and mitigation of operational risks, as well as, alignment with regulatory requirements.
- Exercising oversight and challenge to the process of identification and assessment of operational risk and the necessary follow-up for remedial actions, including the operational risk for new products, services, or implementation of new systems, or processes.

Business Continuity Risk Management Unit
- The Business Continuity Risk Management unit is responsible to maintain a comprehensive Business Continuity Management Policy and establish an automated System which follows best practice and the relevant ISO standard requirements ("ISO 22301 – Business Continuity Management").
- Business continuity risks are managed to ensure that the Group has business resiliency and continuity plans in place and is able to operate on an on-going basis and limit losses in the event of severe business disruption. To this effect, an IT Disaster Recovery (DR) plan is maintained and is annually reviewed and tested. The Business Continuity Management Framework includes incident and crisis response plans and procedures.

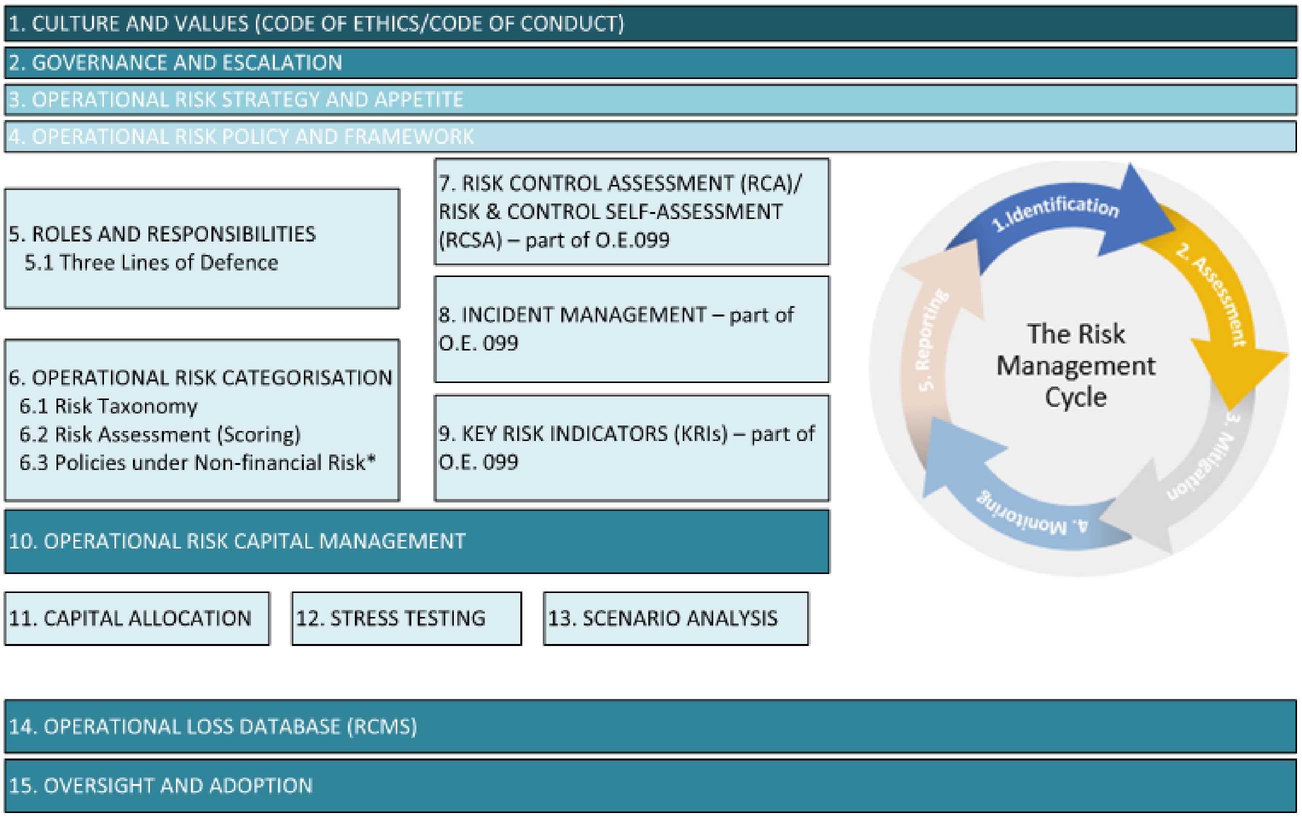
Insurance Risk Management Unit
The Insurance Risk Management unit is responsible to ensure that adequate insurance policies are purchased to cover the Group against material insurable risks. To this end Group insurance coverage includes, inter alia, the following insurance policies:
- Directors and Officers Liability Insurance,
- Bankers' Blanket Bond, Computer Crime and Civil Liability Insurance, and
- Cyber Insurance.

Fraud Risk Management Unit
The Fraud Risk Management unit is responsible for:
- Co-ordinating the Group's approach to fraud risk management in cooperation with Internal Audit, Compliance division and Information Security.
- Developing and maintaining a framework and supporting policies for the management of internal and external fraud risks.
- Promoting and adopting automated fraud systems and controls.
- Providing guidelines on the prevention, detection, investigation and response of actual and suspected fraud.
- Promoting direction through policy, education, tools and training.

Third-Party Risk Management (TPRM) Unit
The TPRM unit is responsible for:
- Assessing arrangements qualified as outsourcing, strategic or intragroup (based on the CBC's Directive to Credit Institutions on Governance and Management Arrangements 2021).
- Performing risk assessments for all aforementioned types of arrangements of the Group, in coordination with the other control functions.

4.4.2. Management and Control of Operational Risk

The following diagram summarises the ORM Framework and its components:



**Operational Risk Management Policy, Fraud Risk Management Policy, Business Continuity Management Policy, Insurance Management Policy, Reputational Risk Management Policy, Third-party/Outsourcing Risk Management Policy, New Products/Services Policy.*

The Operational Risk Management Framework includes all other non-financial risks, which are overseen by the relevant control functions (including Compliance [Regulatory Compliance, Financial Crime Compliance, DPO], Information Security).

The ORM framework addresses the following objectives:

- Fostering awareness and understanding of operational risk among all staff and promoting a culture where staff is more conscious of risks.
- Ensuring effective operational risk monitoring and reporting.
- Providing transparent reporting of operational risks and material exposure to losses, to the management and providing all stakeholders with updates on implementation of action plans as well as the risk profile of the Group;
- Promoting the implementation of a strong system of internal controls to ensure that operational incidents do not cause material damage to the Group's franchise and have a minimal impact on the Group's profitability and reputation;
- Improving productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.

4.4.2. Management and Control of Operational Risk (continued)

It should be noted that the Group conducts all its dealings with customers within high ethical standards and follows a very prudent and cautious strategy with regards to compensation or provision of incentives that could lead to risks of mis-selling. A thorough framework is in place for assessing all the relevant risks for new or changed products/services as a key control for minimising the risk of products or services being promoted to the customers that create the potential for unfair treatment, or are otherwise not appropriate or relevant for certain customers. Additionally, the Group maintains a Customers Complaints Management process, the purpose of which is to provide the foundation for implementing a consistent, diligent, efficient, and impartial approach throughout the Group for the handling of customer complaints. The Group cultivates a culture where complainants are treated fairly and the complaints handling mechanism is perceived as a valuable opportunity to re-build and enhance relationships with customers.

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

Risk Control Self-Assessment (RCSA)
A RCSA methodology is established across the Group. The methodology follows a three-phase process: (i) Preparation (ii) Workshop and (iii) Reporting and Follow-up. It is a team exercise, which enables/empowers the business unit management and employees to: (i) identify the inherent and residual risks to the achievement of their objectives, (ii) assess and manage critical/high risk areas of the business processes, using a uniform Likelihood x Impact scale that forms a central point of reference within the ORM framework, (iii) self-evaluate the adequacy of controls and identify the lack of controls and (iv) develop and prioritize risk treatment action plans.

According to the RCSA methodology, business owners are requested to place emphasis on identifying risks that arise primarily from the risk areas under a full Risk Taxonomy (as outlined under Section 4.4.1).

With primary input from the process of RCSA, ORMD maintains a detailed risk register for each Unit, which forms an important component of the ORM analysis and reporting. Updating/enriching the risk register in terms of existing and potential new risks identified and their mitigation is an on-going process, sourced from RCSAs as mentioned above, but also from other risk and control assessments (RCAs) performed, e.g. by the Information Security Department, Third-Party and Outsourcing risk assessments, New Product/Services Risk Assessments, Data Protection Impact Assessments, etc.

Risk-based Business Process Management
Risk based Business Process Management involves the assessment of risks, the provision of opinions on the acceptability of the risks assessed and the recommendation of additional controls in relation to changes made in business processes, new products or services, outsourced activities and new projects/initiatives. ORMD actively participates in the evaluation of new or amended procedures/policies, new technology systems and other important decisions or developments, with an objective to facilitate and carry out the identification and assessment of any operational risks.

4.4.2. Management and Control of Operational Risk (continued)

Incident recording and analysis
Data on operational risk events (actual and potential losses, as well as near misses) is collected from all Group entities, with a threshold of €100 per actual/potential loss. An operational risk event is defined as any incident where through the failure or lack of a control, the Group could actually or potentially have incurred a loss. The definition includes circumstances whereby the Group could have incurred a loss, but in fact made a gain, as well as, incidents resulting in potential reputational or regulatory impact.

The data collected is categorised and analysed to facilitate the management of operational risks and, where possible, to prevent future losses by implementing relevant mitigating actions. Emphasis is constantly placed on carrying out root-cause analysis of both operational risk incidents with a significant impact and repeated operational risk incidents which present worrying trends. In 2021, 323 loss events with gross loss equal to or over €1,000 were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2021, compared to 314 loss events in 2020.

Key Risk Indicators (KRIs)
A KRI is an operational or financial variable, which tracks the likelihood and/or impact of a particular operational risk. KRIs serve as a metric, which may be used to monitor the level of particular operational risks. KRIs are similar to, and often coincide with, KPIs and Key Control Indicators. KRIs are established from a pool of business data/indicators considered useful for the purpose of risk tracking. These indicators are used for the on-going monitoring of the Bank's operational risks, and mitigating actions are initiated in the case KRI limit violations are observed. Key observations from the KRIs are reported to top management and the RC.

Operational Risk Capital Requirements and ICAAP
Regulatory and economic capital requirements for operational risk are calculated using the Standardised Approach. Additional Pillar II Regulatory capital is calculated for operational risk on a scenario-based approach. Scenarios are built after taking into consideration the Key Risk Drivers, which are identified using a combination of methods and sources, through top-down and bottom-up approaches. Both approaches are complementary and are simultaneously used in order to identify all key risks the organization is faced with. The Key Risk identification process is reviewed every quarter as part of the ICAAP process and new risks identified are added, while others that become obsolete are removed. Risk scores are updated depending on changes to circumstances (e.g. added controls, changes in the regulatory environment, etc.). The Bank, following the EBA's methodology guidelines on stress-testing for Conduct and other operational risks, projects the P&L impact of losses arising from non-material conduct risks and other operational risks using its internally built scenarios (quantitative method) and in the case of material conduct risk, available qualitative information and feedback from the Subject Matter Experts. In order to determine which operations/actions and events may lead to material conduct risks, the Bank analyses all material conduct risk events which took place in the preceding 5 years, but also takes into account the prevailing environment in which it operates, as well as the strategy it has formulated for the following 3 years. Such analysis/assessment results in the identification of potential material conduct risks that may materialise within a 3-year horizon in an adverse environment.

Network of ORM liaisons
Operational risk liaisons act as the point of contact with the aim to enable the effective implementation of the various operational risk methodologies across the Bank, by liaising with their departmental and unit management.

Training and awareness
Training is carried out throughout the Bank with the aim to promote risk culture and enhance awareness in relation to operational risks. As training and awareness regarding operational risk is one of the main objectives of the ORM Framework, on-going training sessions are established covering awareness on principles of Operational Risk, its management Framework and tools.

4.4.3. Management of Litigation risk

The LSD has set in place processes and procedures to ensure the effective and prompt management of Legal Risk. These processes and procedures primarily include the following:

a) Handling requests for legal advice from all Divisions;
b) Handling litigation against the Bank and providing support to Group entities for the handling of litigation against them;
c) On-going review and assessment of the legal framework and regulatory developments;
d) Reviewing new products/advertisements/internal policies, circulars and manuals, engagement letters with external counterparties, agreements, etc.;
e) Participation of the Chief Legal Officer in Bank's committees and various ad-hoc committees; and
f) Frequent reporting on pending litigation and latest developments in a number of Board and management committees.

Software systems are in place both for the filing of legal advice requests from all Divisions, as well as for the monitoring of litigation against the Bank. The structure of the LSD in teams of lawyers enables the timely allocation and completion of work. External Legal counsel is engaged for the representation of the Group before legal forums, as well as, for obtaining legal advice on issues/areas of Law which are not within LSD's specialisation/expertise.

A framework for the engagement, monitoring and assessment of the performance of external legal counsel has also been put in place in order to ensure that the best possible service is received. The participation and reporting of legal risk by the Chief Legal Officer in a number of Board and Management committees and in particular of all pending litigation against the Group ensures that the Bank is kept informed and updated of the Group's exposure in this respect. Such committees and groups include the Provisions Committee, the BoD, the BoD Committees, the Regulatory Steering Group, the ExCo and any other ad hoc committees. Additionally, LSD reports all litigation on a monthly basis to Operational Risk and other management bodies.

Pending litigation, claims, regulatory and other matters

The Group in the ordinary course of business is subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent Restructuring of BOC PCL in 2013 as a result of the bail-in Decrees, BOC PCL is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the bail-in Decrees.

The Group considers that none of these matters are material, either individually or in aggregate. Nevertheless provisions have been made where: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

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 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 and capital adequacy of the Group.

4.4.4. Major developments relating to ORM during 2021

The Group invoked its Pandemic Incident Management Plan since early February 2020. The Pandemic Incident Management Team (PIMT) initiated regular updates to the Crisis Management Committee, also invoked to effectively deal with a potential crisis. Business continuity arrangements were put in place (i.e. split operations for critical units, granting access to work remotely for other units).

During the year, Operational Risk performed an increased number of assessments for new products/procedures triggered by the pandemic. A new Risk Taxonomy for Non-Financial risks was defined, while a number of RCMS system enhancements were designed (e.g. introduction of workflows, web module for risks). Annual review of RCSAs within 2021 was completed for 146 Units. By the end of the year, 4 RCSAs were pending but on track for completion within agreed deadlines.

The Third-party Risk Management unit (under Operational Risk Management) has reviewed all in-scope existing and new outsourcing arrangements within the Group by 31 December 2021, to ensure their alignment with the EBA guidelines on outsourcing arrangements and to identify and effectively handle any potential gaps or weakness.

The Fraud System (EFRM) is currently monitoring more than 250 thousand Web & Mobile transactions daily, through the use of predefined rules and behavioural profile analytics creating Alerts, for any abnormal behavioural. The Cards Fraud system is currently in detection mode, building cards behaviour profiles and detection alerts created for analysis and investigation will be enhanced to a prevention mode level within 2021, with plans to implement a prevention mode within 2022. Both fraud systems are considered as an additional layer to the existing fraud prevention framework of controls across the Bank. In addition, a Fraud Management Policy and Fraud Incident Management Response plans are in place. Within 2021, the Fraud Risk Management unit established the specialized fraud risk assessment process for the Group's business activities, which goes beyond the existing RSCA process, ensuring the prompt identification and management of internal and external fraud risks.

4.4.5. Reporting

Important operational risks identified and assessed through the various tools/methodologies of the ORM framework, are regularly reported to top management, as part of overall risk reporting. More specifically, the CRO reports on risk to the ExCo and the RC on a monthly basis, while annual risk reports are submitted to the Regulators. Ad-hoc reports are also submitted to top management, as needed. Dashboards with metrics against the Bank's defined risk appetite are also submitted on a monthly basis to ExCo and the BRC through the CRO.

5. Own Funds

5.1. CRD Regulatory Capital

The tables below disclose the components of regulatory capital as at 31 December 2021 and 2020.

This disclosure has been prepared using the format set out in Annex VII of the 'Commission Implementing Regulation (EU) No 2021/637', which presents Common Equity Tier 1 capital, Additional Tier 1 Capital, Tier 2 capital as well as Provision and Deduction items'.

EU CC1 - Composition of regulatory own funds

		(a)	(a)	(b)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	639	639	(a) plus (b)
2	Retained earnings	880	1,081	(c)
3	Accumulated other comprehensive income (and other reserves)	68	66	(d)[1]
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	21	-	(c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,608**	**1,786**	

5.1. CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(129)	(108)	
8	Intangible assets (net of related tax liability) (negative amount)	(30)	(27)	(e)2
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	(177)	(c)
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	171	249	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**12**	**(63)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,620**	**1,723**	

5.1. CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	220	220	
31	of which: classified as equity under applicable accounting standards	220	220	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**220**	**220**	(f)
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	
44	**Additional Tier 1 (AT1) capital**	**220**	**220**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,840**	**1,943**	

5.1. CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	300	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	212	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**300**	**212**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-	
EU-56b	Other regulatory adjustments to T2 capital	-	(20)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**(20)**	
58	**Tier 2 (T2) capital**	**300**	**192**	(g)[4]
59	**Total capital (TC = T1 + T2)**	**2,140**	**2,135**	
60	**Total Risk exposure amount**	**10,694**	**11,636**	

5.1. CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	15.14%	14.80%	
62	Tier 1 capital	17.20%	16.70%	
63	Total capital	20.01%	18.35%	
64	Institution CET1 overall capital requirements	9.69%	9.69%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical capital buffer requirement	0.00%	0.00%	
67	of which: systemic risk buffer requirement	0.00%	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.00%	1.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.69%	1.69%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**8.95%**	**7.35%**	

5.1. CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2021	**31 December 2020**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	23	31	(h)[5]
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	-	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

1. No restrictions apply on the items listed above for the purpose of the calculation of own funds in accordance with the CRR. It should be noted that on the basis of Article 26(i) of the CRR and the EBA guidelines on prudent valuations, a part of the fixed assets revaluation reserve (31 December 2021: c.€31 million) is not allowed to be included in CET1 capital.
2. The amount reported in line 7, in addition to Additional Value Adjustments includes prudential charges relating to specific credits.
3. As at 31 December 2021 an amount of c.€15 million was not deducted from CET1 capital as a result of the revised rules of CRR II on the prudential treatment of software assets (31 Decenber 2020: c.€22 million).
4. The corresponding reference in the balance sheet also includes loan stock which does not qualify for T2 capital.
5. The corresponding reference in the balance sheet also includes holdings which are not CET1 instuments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions).

5.1. CRD Regulatory Capital (continued)

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

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

On 27 June 2019, the revised rules on capital and liquidity (Regulation (EU) 2019/876 (CRR II) and Directive (EU) 2019/878) came into force. As this was an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities (MREL)), but most changes became effective as of June 2021. The key changes introduced consist of, among others, implementation of the new counterparty credit risk approaches, changes in the calculation of RWA for investments in collective investment undertakings (CIUs), changes to qualifying criteria for CET1, AT1 and T2 instruments, introduction of requirements for MREL and a binding Leverage Ratio requirement (as defined in the CRR) and a Net Stable Funding Ratio (NSFR).

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other brought forward certain CRR II changes in light of the COVID 19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs) which was implemented in 2020, extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020.

In October 2021, the European Commission published legislative proposals for further amendments to CRR, CRD and the BRRD (the "2021 Banking Package"). Amongst other things, the 2021 Banking Package transposes the Basel III revised framework into EU law. The 2021 Banking Package includes:

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

5.1. CRD Regulatory Capital (continued)

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

During the year ended 31 December 2021, the CET1 was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2021, provisions and impairments, the prudential charge relating to the Group's foreclosed assets (further explained below), costs relating to the tender process for the Old Tier 2 Capital Notes and the cost of the Voluntary Staff Exit Plan, and was positively affected by pre-provision income, the impact of NPE transactions, the movement in other prudential items and the decrease in risk-weighted assets (refer to section 5.5).

As a result of the above, the CET1 ratio has increased by 34 bps during the year.

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New Tier 2 Capital Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New Tier 2 Capital Notes on terms substantially identical to the terms and conditions of the New Tier 2 Capital Notes.

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

At a meeting held on 30 November 2021, the Board of Directors resolved to exercise BOC PCL's option to redeem the remaining c.€43 million nominal amount outstanding of the Old Tier 2 Capital Notes. The outstanding Old Tier 2 Capital Notes were redeemed on 19 January 2022.

The issuance of the New Tier 2 Capital Notes has resulted in the increase of the Group's Total Capital ratio in 2021.

During the year ended 31 December 2021, the Group's Total Capital ratio increased by 166 bps.

Prudential filters and deductions

Prudential filters

The Group capital, in accordance with CRR Article 34 is subject to the prudential filter of additional value adjustments for assets measured at fair value. These adjustments are deductible from CET1 capital. As such, Additional Valuation Adjustments (AVA) relating to assets and liabilities measured at fair value are deducted from CET1 capital in accordance with the Commission Delegated Regulation (EU) 2016/101. Under the Commission Delegated Regulation (EU) 2016/101, the Group satisfies the conditions for using the simplified approach. The AVA deduction for 2021 and 2020 is reported within the Additional Value Adjustments line 7 in the tables above.

In addition, for the year ended 31 December 2021 and the year ended 31 December 2020 the Group deducted from CET1 prudential charges relating to specific credits. The deduction amounted to c.€108 million as at 31 December 2020 and to c.€129 million as at 31 December 2021. The amount includes a prudential charge resulting from the findings of the ECB's onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The prudential charge will decrease based on BOC PCL's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021.

The prudential filters of Articles 32 and 33 of the CRR are not applicable to the Group.

5.1. CRD Regulatory Capital (continued)

Deductions from own funds

The following items which are deductible from CET1 capital in accordance with Article 36 of the CRR are as follows:

- Intangible assets, which include mainly computer software, were deducted from CET1 capital as per CRR provisions (Article 36(1) (b)). The amount deducted in 2021 and 2020 is reported within the 'Intangible assets' line 8 in the tables above. In December 2020 the revised rules on the prudential treatment of software assets as amended by CRR II came into force, under which, EU banks no longer have to fully deduct prudently valued software and IT systems from CET1 capital.
- In line with the CRR provisions (Articles 47 and 48) and subject to the transitional arrangements, the excess DTA of 10% of CET1 is deducted from CET1 capital and the amount of less than 10% is risk-weighted at 250%. Following the application of the provisions of the EU Regulation 2016/445, the phase-in period in respect of the deductible amount of DTA is 5 years. On 1 March 2019 the Cyprus Parliament adopted legislative amendments allowing for the conversion of DTA into DTC for regulatory purposes, under the CRR.
- The Group's Insurance business is deconsolidated for regulatory capital purposes and replaced by the amount of the Group's investment in insurance entities. In line with the CRR provisions (Articles 47 and 48) and subject to the transitional arrangements, the excess of 10% of CET1 is deducted from the capital (shown as 'Direct and indirect holdings of financial sector entities where the Group has a significant investment' in the tables above) and the amount of less than 10% is risk-weighted at 250%.
- In addition and in line with Article 48 of the CRR, DTA and direct and indirect holdings of financial sector entities where the Group has a significant investment are subject to a combined threshold of 17.65% of CET1 capital.

There were no deductions from CET1 relating to DTAs and 'Direct and indirect holdings of financial sector entities where the Group has a significant investment in 2021 and 2020.

In addition, during 2021 and 2020, the Group deducted from CET1 a prudential charge relating to specific credits as mentioned above.

There are no deductions from the T2 capital under Article 66 of the CRR. However, in 2020 the T2 capital instruments were subject to qualifying own funds deductions (non-controlling interests) in accordance with Article 87 of the CRR. The New Tier 2 Capital Notes issued by the Group during 2021 is not subject to such deductions.

There are no deductions from the AT1 capital under Article 56 of the CRR.

Items not deducted from own funds

As described above (in section 'Deductions from own funds') and subject to Articles 47 and 48 and the transitional arrangements, the amount of DTA and of direct and indirect holdings of financial sector entities where the Group has a significant investment that is not deducted from CET1 capital it is risk-weighted at 250%.

There are no items which are not deducted from own funds under Articles 56, 66 and 79 of the CRR.

5.1. CRD Regulatory Capital (continued)

IFRS 9 Financial Instruments and CRR Article 468

The Group applied the IFRS 9 on 1 January 2018. The accounting standard allows the impact on the implementation date, 1 January 2018, to be recognised through equity rather than the income statement. The Group's IFRS 9 impacts on transition resulted in a decrease of shareholders' equity of €308 million and was primarily driven by credit impairment provision.

The Group has elected in prior years to apply the static-dynamic approach in relation to the transitional arrangements for the initial application of IFRS for regulatory capital purposes where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually, pursuant to EU Regulation 2017/2395 and it therefore applies paragraph 4 of Article 473(a) of the CRR. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, so as to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The Group has notified its regulator about its election to adopt the transitional arrangements. The amount added back over the transitional period decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The impact on the capital position for the year 2018 was 5% of the impact on the impairment amounts from the initial application of IFRS 9, increasing to 15% (cumulative) for the year 2019 to 30% (cumulative) for the year 2020 and 50% (cumulative) for the year 2021. This will increase to 75% (cumulative) for the year 2022 and will be fully phased in (100%) by 1 January 2023.

Following the June 2020 amendments to the CRR, the Group applied the amendments in relation to the IFRS 9 transitional arrangements for Stage 1 and Stage 2 loans (i.e. the dynamic component) which provide for the extension of the transitional period for the dynamic component. A 100% add back of IFRS 9 provisions is allowed for the years 2020 and 2021 reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is to be made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the static component has not been amended.

For regulatory capital purposes, the Group also applies, from the third quarter of 2020, the temporary treatment of unrealized gains and losses for certain exposures measured at fair value through other comprehensive income, in accordance with CRR Article 468 as amended by Regulation EU 2020/873 which allows institutions to remove from their CET1 the amount of unrealized gains and losses accumulated since 31 December 2019, excluding those of financial assets that are credit-impaired. The unrealised gains/(losses) relate mainly to investments in debt securities.

Additional disclosures on IFRS 9 impact on capital ratios are shown in Section 5.6.

5.1. CRD Regulatory Capital (continued)

Issued share capital

The issued share capital consists of 446,200 thousand (2020: 446,200 thousand) number of shares at nominal value of €0.10 each. The movement of the share capital for the years 2021 and 2020 is shown on the table below:

	2021		2020	
	Number of shares (million)	**€ million**	Number of shares (million)	€ million
Authorised				
Ordinary shares of €0.10 each	**10,000**	**1,000**	10,000	1,000
Issued				
1 January and 31 December	**446**	**45**	446	45

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.

Treasury shares of the Company

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

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

The treasury shares represent 0.03% of the total issued share capital of the Company (2020: 0.03%).

The Company did not provide financial assistance permitted by Section 82 of the Companies Act 2014 for the purchase of its shares.

Share Premium reserve
2021
There were no changes to the share premium reserve during the year ended 31 December 2021.

2020
The Company, following relevant reduction of its shareholders at the May 2020 Annual General Meeting and subsequent approval by the ECB in September 2020 and the Irish High Court (pursuant to section 85(1) of the Companies Act of 2014 of Ireland), implemented a capital reduction process in November 2020, which resulted in the reclassification of €700 million of the Company's share premium balance as distributable reserves (retained earnings).

5.1. CRD Regulatory Capital (continued)

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

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

Other equity instruments
In December 2018 the Company issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (AT1). AT1 constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2021, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2020: €27,500 thousand). The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. AT1 is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary subject to the prior approval of the regulator. The AT1 notes are listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

Dividends
Based on the 2019 SREP decision which remained in effect during 2021 following relevant communication by the ECB, the Company and BOC PCL are under a regulatory prohibition for equity dividend distribution, similar to prior years. Following the 2021 SREP decision, the Company and BOC PCL remain under equity dividend distribution prohibition. This prohibition does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 capital. No dividends were declared or paid during the years 2021 and 2020.

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

5.2. Summary of the terms and conditions of Capital Resources

The capital base of the Group for regulatory purposes consists of ordinary shares (CET1 instruments) and AT1 and T2 instruments.

Group CET1 instruments consist only of ordinary shares (Sections 5.1 and 5.3).

Reset Perpetual Additional Tier 1 Capital Securities
In December 2018, the Company issued €220 million AT1 Capital Securities. AT1 is unsecured and subordinated to the share capital (CET1). Additional information of the AT1 Capital Securities is disclosed in Section 5.1. The full terms and conditions of the AT1 Capital Securities are presented in Section 5.3.

For financial reporting purposes AT1 is classified as other equity instrument within equity and the coupon payments are recognised in retained earnings.

Subordinated Tier 2 Capital Note - January 2017
In January 2017, BOC PCL issued a €250 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5 year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The note had a maturity date on 19 January 2027. BOC PCL had the option to redeem the note early on 19 January 2022, subject to applicable regulatory consents. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. In April 2021, BOC PCL invited the holders of this note to tender it for purchase by BOC PCL at a price of 105.5% plus accrued interest. BOC PCL received valid tenders of €207 million nominal amount, all of which were accepted. By 31 December 2021, the Group purchased from the open market a further €7 million nominal amount of the notes, which were held by BOC PCL. BOC PCL incurred a cost of €12,558 thousand. In December 2021, BOC PCL decided to exercise its option to redeem the remaining €43 million nominal amount outstanding (of which €7 million are held by BOC PCL) of the notes on 19 January 2022 and notified the noteholders accordingly. The full amount was redeemed at par on 19 January 2022.The full terms and conditions of the Note are presented in Section 5.3.

As at 31 December 2021 the Note was not recognised as regulatory capital.

Subordinated Tier 2 Capital Note - April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 6.625% per annum payable annually in arrears and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The note matures on 23 October 2031. BOCH has the option to redeem the note early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market.

For financial reporting purposes the subordinated Tier 2 Capital Notes are treated as Subordinated loan stock. The subordinated 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 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 subordinated loan stock. Interest on subordinated loan stock is included in 'Interest expense' in the consolidated income statement.

Senior Preferred Notes - June 2021
In June 2021, BOC PCL issued a €300 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 2.50% per annum, payable annually in arrears and resettable on 24 June 2026. The note matures on 24 June 2027. BOC PCL has the option to redeem the note early on 24 June 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards BOC PCL's MREL requirements.

5.3. Full terms and conditions of Capital Resources

The main features of the Group CET1 instruments (ordinary shares), AT1 and T2 instruments are presented in Appendix III. No restrictions apply on these instruments for the purpose of the calculation of the own funds in accordance with the CRR.

AT1 instruments

In December 2018 the Company issued €220 million AT1 Capital Securities.

The main features of the AT1 are presented in Appendix III.

The listing particulars and detailed information on the terms and conditions of the AT1 are available published on the website https://www.bourse.lu/security/XS1865594870/274816.

Tier 2 instruments

In January 2017, BOC PCL issued a €250 million unsecured and subordinated T2 Capital Note (Note) under BOC PCL's EMTN Programme. As at 31 December 2021 the Note was not recognised as regulatory capital.

In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme.

The main features of the subordinated Tier 2 Capital Notes are presented in Appendix III.

The pricing supplement and detailed information on the terms and conditions of the T2 instruments is published on the website https://www.bourse.lu/security/XS2333239692/335184 and https://www.bourse.lu/security/XS2355059168/338796).

5.4. Disclosure of countercyclical capital buffers

The vast majority of the CCyB relevant exposures of the Group arise in Cyprus and other countries with a 0% CCyB rate hence the calculated 0% CCyB capital requirement for the Group for both 2021 and 2020. The decrease in CCyB relevant exposures (table EU CCyB1) and the total risk exposure (table EU CCyB2) was mainly driven by the Project Helix 2 Portfolios A and B sale transactions and other reductions in higher risk balance sheet items (mainly stock of property held for sale, deferred tax credit) in Cyprus.

The CCyB relevant exposuses are exposure values after credit conversion factors (CCF) and credit risk mitigation (CRM) applied in the calculation of RWA and they relate to all exposure classes other than the below:

a) exposures to central governments or central banks;
b) exposures to regional governments or local authorities;
c) exposures to public sector entities;
d) exposures to multilateral development banks;
e) exposures to international organisations;
f) exposures to institutions;

The institution specific countercyclical capital buffer is the average CCyB weighted by the relevant total own fund requirements by country.

5.4. Disclosure of countercyclical capital buffers (continued)

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposure		**Relevant credit exposures – Market risk**				**Own fund requirements**						
31 December 2021		**Exposure value under the standardised approach**	**Exposure value under the IRB approach**	**Sum of long and short positions of trading book exposures for SA**	**Value of trading book exposures for internal models**	**Securitisation exposures Exposure value for non-trading book**	**Total exposure value**	**Relevant credit risk exposures - Credit risk**	**Relevant credit exposures – Market risk**	**Relevant credit exposures – Securitisation positions in the non-trading book**	**Total**	**Risk-weighted exposure amounts**	**Own funds requirements weights**	**Countercyclical buffer rate**
010	**Breakdown by country:**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**%**	**%**
0101	Cyprus	11,167	-	-	-	-	11,167	672	-	-	672	8,400	91.34%	0.00%
0102	Greece	259	-	-	-	-	259	20	-	-	20	250	2.75%	0.00%
0103	United Kingdom	161	-	-	-	-	161	10	-	-	10	125	1.29%	0.00%
0104	Marshall Islands	77	-	-	-	-	77	5	-	-	5	63	0.70%	0.00%
0105	Liberia	76	-	-	-	-	76	5	-	-	5	63	0.69%	0.00%
0106	Canada	73	-	-	-	-	73	1	-	-	1	13	0.09%	0.00%
0107	Luxembourg	36	-	-	-	24	60	3	-	2	5	63	0.61%	0.50%
0108	Ireland	43	-	-	-	-	43	3	-	-	3	38	0.39%	0.00%
0109	Russian Federation	42	-	-	-	-	42	2	-	-	2	25	0.34%	0.00%
0110	France	29	-	-	-	-	29	2	-	-	2	25	0.27%	0.00%
0111	Virgin Islands, British	26	-	-	-	-	26	2	-	-	2	25	0.25%	0.00%
0112	United States	21	-	-	-	-	21	2	-	-	2	25	0.21%	0.00%
0113	Romania	20	-	-	-	-	20	2	-	-	2	25	0.26%	0.00%
0114	Norway	20	-	-	-	-	20	-	-	-	-	-	0.02%	1.00%
0115	Sweden	19	-	-	-	-	19	-	-	-	-	-	0.03%	0.00%
0116	Netherlands	15	-	-	-	-	15	-	-	-	-	-	0.07%	0.00%
0117	Australia	11	-	-	-	-	11	-	-	-	-	-	0.02%	0.00%
0118	Denmark	10	-	-	-	-	10	1	-	-	1	13	0.13%	0.00%
0119	Finland	10	-	-	-	-	10	1	-	-	1	13	0.13%	0.00%
0120	Islamic Republic of Iran	9	-	-	-	-	9	1	-	-	1	13	0.09%	0.00%
0121	Spain	9	-	-	-	-	9	1	-	-	1	13	0.08%	0.00%
0122	United Arab Emirates	7	-	-	-	-	7	-	-	-	-	-	0.05%	0.00%
0123	South Africa	5	-	-	-	-	5	-	-	-	-	-	0.03%	0.00%
0124	Ukraine	3	-	-	-	-	3	-	-	-	-	-	0.02%	0.00%
0125	Israel	3	-	-	-	-	3	-	-	-	-	-	0.02%	0.00%
0126	Germany	2	-	-	-	-	2	-	-	-	-	-	0.01%	0.00%
0127	Switzerland	2	-	-	-	-	2	-	-	-	-	-	0.01%	0.00%
0128	Belgium	2	-	-	-	-	2	-	-	-	-	-	0.02%	0.00%
0129	Bahrain	1	-	-	-	-	1	-	-	-	-	-	0.01%	0.00%
0130	Other countries with total relevant exposure values < EUR 1 million	10	-	-	-	-	10	-	-	-	-	-	0.07%	0%, 0.5%, 1%
020	**Total**	**12,168**	**-**	**-**	**-**	**24**	**12,192**	**733**	**-**	**2**	**735**	**9,188**	**100%**	

5.4. Disclosure of countercyclical capital buffers (continued)

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Other countries with total relevant exposure values < EUR 1 million	88 countries with 0% CCyB except for the ones indicated: Algeria, Andorra, Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Bangladesh, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, **Bulgaria (0,5%)**, Cameroon, Cayman Islands, China, Colombia, Congo, Croatia, **Czech Republic (0,5%),** Dominican Republic, Egypt, Estonia, Georgia, Ghana, Gibraltar, **Hong Kong (1%)**, Hungary, Iceland, India, Indonesia, Iraq, Isle of Man, Italy, Japan, Jersey, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Malawi, Malaysia, Malta, Mauritius, Mexico, Moldova, Monaco, Montenegro, Morocco, Namibia, Nepal, New Zealand, Nigeria, North Macedonia, Oman, Pakistan, Occupied Palestinian Territory, Panama, Paraguay, Philippines, Poland, Portugal, Qatar, Saint Kitts and Nevis, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, **Slovakia (1%),** Slovenia, Somalia, Syrian Arab Republic, Taiwan Province of China, Thailand, Tajikistan, Turkmenistan, Turks and Caicos Islands, Uzbekistan, Vietnam, Yemen, Zambia, Zimbawe.

5.4. Disclosure of countercyclical capital buffers (continued)

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
30 June 2021		General credit exposure		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
010	**Breakdown by country:**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**%**	**%**
0101	Cyprus	11,170	-	-	-	-	11,170	683	-	-	684	8,544	91.22%	0.00%
0102	Greece	267	-	-	-	-	267	21	-	-	21	263	2.79%	0.00%
0103	United Kingdom	172	-	-	-	-	172	10	-	-	10	125	1.35%	0.00%
0104	Marshall Islands	84	-	-	-	-	84	6	-	-	6	75	0.76%	0.00%
0105	Canada	80	-	-	-	-	80	1	-	-	1	13	0.10%	0.00%
0106	Luxembourg	47	-	-	-	30	77	4	-	3	6	75	0.83%	0.50%
0107	Liberia	54	-	-	-	-	54	4	-	-	4	50	0.49%	0.00%
0108	Russian Federation	46	-	-	-	-	46	3	-	-	3	38	0.37%	0.00%
0109	Ireland	44	-	-	-	-	44	3	-	-	3	38	0.39%	0.00%
0110	Romania	29	-	-	-	-	29	3	-	-	3	38	0.38%	0.00%
0111	Virgin Islands, British	28	-	-	-	-	28	2	-	-	2	25	0.26%	0.00%
0112	Australia	24	-	-	-	-	24	-	-	-	-	-	0.04%	0.00%
0113	Norway	20	-	-	-	-	20	-	-	-	-	-	0.02%	1.00%
0114	Sweden	18	-	-	-	-	18	-	-	-	-	-	0.02%	0.00%
0115	Netherlands	16	-	-	-	-	16	1	-	-	1	13	0.07%	0.00%
0116	United States	15	-	-	-	-	15	1	-	-	1	13	0.12%	0.00%
0117	France	10	-	-	-	-	10	1	-	-	1	13	0.10%	0.00%
0118	Saudi Arabia	10	-	-	-	-	10	-	-	-	-	-	0.02%	0.00%
0119	Denmkark	10	-	-	-	-	10	1	-	-	1	13	0.13%	0.00%
0120	Islamic Republic of Iran	9	-	-	-	-	9	1	-	-	1	13	0.09%	0.00%
0121	Finland	9	-	-	-	-	9	1	-	-	1	13	0.12%	0.00%
0122	Spain	9	-	-	-	-	9	1	-	-	1	13	0.09%	0.00%
0123	United Arab Emirates	7	-	-	-	-	7	-	-	-	-	-	0.04%	0.00%
0124	South Africa	6	-	-	-	-	6	-	-	-	-	-	0.04%	0.00%
0125	Ukraine	3	-	-	-	-	3	-	-	-	-	-	0.02%	0.00%
0126	Israel	3	-	-	-	-	3	-	-	-	-	-	0.02%	0.00%
0127	Jersey	2	-	-	-	-	2	-	-	-	-	-	0.02%	0.00%
0128	Germany	2	-	-	-	-	2	-	-	-	-	-	0.01%	0.00%
0129	Switzerland	2	-	-	-	-	2	-	-	-	-	-	0.01%	0.00%
0130	Belgium	2	-	-	-	-	2	-	-	-	-	-	0.02%	0.00%
0131	Bahrain	2	-	-	-	-	2	-	-	-	-	-	0.01%	0.00%
0132	Other countries with total relevant exposure values < EUR 1 million	9	-	-	-	-	9	-	-	-	-	-	0.05%	0%, 0.5%, 1%
020	**Total**	**12,209**	**-**	**-**	**-**	**30**	**12,239**	**747**	**-**	**3**	**750**	**9,375**	**100%**	

5.4. Disclosure of countercyclical capital buffers (continued)

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Other countries with total relevant exposure values < EUR 1 million	88 countries with 0% CCyB except for the ones indicated: Albania, Algeria, Andorra, Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Bangladesh, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, **Bulgaria (0,5%)**, Cameroon, Cayman Islands, Chile, China, Colombia, Congo, The Demotratic Republic of Congo, Croatia, **Czech Republic (0,5%),** Dominican Republic, Egypt, Estonia, Gambia, Georgia, Ghana, Gibraltar, Guinea, **Hong Kong (1%)**, Hungary, Iceland, India, Indonesia, Iraq, Isle of Man, Italy, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, The Former Yugolsav Republic of Macedonia, Malawi, Malaysia, Malta, Mauritius, Mexico, Moldova, Monaco, Morocco, Namibia, New Zealand, Nigeria, Oman, Pakistan, Occupied Palestinian Territory, Panama, Paraguay, Philippines, Poland, Portugal, Qatar, Saint Kitts and Nevis, Senegal, Serbia, Seychelles, Singapore, **Slovakia (1%)**, Slovenia, Somalia, Syrian Arab Republic, Taiwan Province of China, Tajikistan, Thailand, Turkmenistan, Turks and Caicos Islands, Uzbekistan, Viet Nam, Yemen, Zambia, Zimbawe.

5.4. Disclosure of countercyclical capital buffers (continued)

Amount of specific Countercyclical Capital Buffer

EU CCyB2 - Amount of institution specific countercyclical capital buffer

	a	b
	31 December 2021	**30 June 2021**
	€ million	**€ million**
Total risk exposure amount	**10,694**	**11,048**
Institution specific countercyclical capital buffer rate	0.00%	0.00%
Institution specific countercyclical capital buffer requirement	-	-

5.5. Minimum Required Own Funds for Credit, Market and Operational Risk Group's approach to assessing the adequacy of its internal capital

The Group assesses its capital requirements taking into consideration its regulatory requirements, risk profile and risk appetite set by the BoD. A Financial Plan (Plan) is annually prepared revising the financial forecasts and capital projections over a three year (as a minimum) horizon in light of recent developments and it is approved by the BoD. The Plan takes into account the Group key strategic pillars and RAF. The Plan is rolled forward on a quarterly basis after taking into account the actual results of each quarter.

The Group capital projections are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group's risk profile, regulatory and business needs. These are frequently monitored against relevant internal target capital ratios to ensure they remain appropriate, and consider risks to the plan, including possible future regulatory changes. An internal assessment of the Group's capital adequacy is undertaken through the ICAAP (Section 2.4.10.1).

The main strategic and business risks are monitored regularly by the ExCo, the ALCO and the RC. These committees receive regular reports of risk and performance indicators, from relevant managers and make decisions to ensure adherence to the Group's strategic objective, while remaining within the Group RAS.

The key pillars of the Group's strategy are to:
- Complete balance sheet de-risking
- 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
- Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

As of 1 January 2018 the RWAs are reported on an IFRS 9 transitional basis under article 473(a) of the CRR by which until 27 June 2020 provisions amounts are decreased by an appropriate ratio. As of 27 June 2020 following the amendment of the CRR, the IFRS 9 amount added back to CET1 capital is included as an exposure to "Other Items" and risk weighted at 100%. Both approaches create higher exposures compared to the actual balance sheet values and as a result comparatively higher RWAs and capital requirements. The IFRS 9 transitional basis effect for the "static component" will be phased out by 1 January 2023 and for the "dynamic component" will be phased out by 1 January 2025. Furthermore, as of 27 June 2020 the RWA of debt securities are reporting on a transitional basis under article 468 of the CRR by which provision amounts are decreased by the amount that is added back to CET1 capital. The transitional basis effect is phased out by 1 January 2023. Further information is disclosed in Section 5.6.

The Standardised Approach has been applied to calculate the Risk Weighted Assets (RWAs) across all risks and minimum capital requirements are calculated as 8% of the RWAs. The total capital requirement decreased for in 2021 (€856 million) in comparison to 2020 (€931 million) with the main drivers behind this decrease being (a) the Project Helix 2 Portfolios A and B sale transactions; (b) other reductions in higher risk balance sheet items (mainly stock of property held for sale, deferred tax credit); (c) an increase in real estate collateral coverage from improved real estate indices; and (d) the decrease in operational risk RWA. The Credit Risk RWAs continue to be the main driver of minimum capital requirements. The table below presents the RWA and capital requirements under each regulatory framework.

5.5. Minimum Required Own Funds for Credit, Market and Operational Risk Group's approach to assessing the adequacy of its internal capital (continued)

EU OV1 – Overview of total risk exposure amounts

The table presents the RWA and own fund requirements by framework.

		a	b	c
		Risk weighted exposure amounts (RWEAs)		**Total own funds requirements**
		31 December 2021	**30 September 2021**	**31 December 2021**
		€ million	**€ million**	**€ million**
1	Credit risk (excluding CCR)	9,637	9,811	771
2	*Of which the standardised approach*	*9,637*	*9,811*	*771*
3	*Of which the Foundation IRB (F-IRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the Advanced IRB (A-IRB) approach*	-	-	-
6	Counterparty credit risk - CCR	17	17	1
7	*Of which the standardised approach*	*10*	*8*	*1*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	-	-	-
EU 8b	*Of which credit valuation adjustment - CVA*	*7*	*9*	*1*
9	*Of which other CCR*	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	25	32	2
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	*25*	*32*	*2*
EU 19a	*Of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	*Of which the standardised approach*	-	-	-
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,015	1,131	81
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,015*	*1,131*	*81*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	57	57	5
25	Not applicable	-	-	-
26	*Not applicable*	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**10,694**	**10,991**	**856**

The main drivers behind material changes in RWA by type of risks are analysed respectively in sections 5.6.1, 5.6.2, 7.1, 7.2 and 8.

5.5. Minimum Required Own Funds for Credit, Market and Operational Risk Group's approach to assessing the adequacy of its internal capital (continued)

EU OV1 – Overview of total risk exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		**Total own funds requirements**
		31 December 2020	**30 September 2020**	**31 December 2020**
		€ million	**€ million**	**€ million**
1	Credit risk (excluding CCR)	10,462	10,417	837
2	*Of which the standardised approach*	*10,462*	*10,417*	*837*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	-	-	-
6	Counterparty credit risk - CCR	6	8	-
7	*Of which the standardised approach*	-	-	-
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	-	-	-
EU 8b	*Of which credit valuation adjustment - CVA*	*2*	*2*	-
9	*Of which other CCR*	*4*	*6*	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	37	40	3
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	*37*	*40*	*3*
EU 19a	*Of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	*Of which the standardised approach*	-	-	-
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,131	1,343	90
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,131*	*1,343*	*90*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	79	79	6
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**11,636**	**11,808**	**931**

The main drivers behind material changes in RWA by type of risks are analysed respectively in sections 5.6.1, 5.6.2, 7.1, 7.2 and 8.

5.5.1. Market Risk

There are no minimum capital requirements for market risk for 2021 or 2020. Foreign Exchange (FX) risk does not require any capital since the materiality threshold set by Article 351 of the CRR is not met. Other than the foreign exchange risk, the Group does not hold any trading book positions that would fall under Title VI of the CRR.

5.5.2. Operational Risk

The minimum capital requirement for operational risk is calculated in accordance with Title III: Own funds requirements for operational risk of the CRR.

The Group uses the Standardised Approach for the operational risk capital calculation.

Under the Standardised Approach, net interest and non-interest income are classified into eight business lines, as set out in CRR. The capital requirement is calculated as a percentage of the average income over the past three years, ranging between 12% and 18% depending on the business line. If the total capital requirement of all business lines in any given year is negative, then the capital requirement is set to zero in the average calculation.

The minimum capital requirement of the Group in relation to operational risk calculated in accordance with the Standardised Approach amounts to €81 million for 2021 (2020: €91 million). The reduction in the operational risk capital requirement is driven mainly by lower Net Interest Income at bank level. Furthermore, the three-year period from the disposal of the Bank of Cyprus (UK) Ltd has elapsed, and as a result it is not considered in the operational risk capital calculation.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
	Banking activities	**Relevant indicator**			**Own funds requirements**	**Risk exposure amount**
		2019	**2020**	**2021**		
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	617	526	543	81	1,015
3	*Subject to TSA:*	617	526	543		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

5.5.3. Insurance participations

EU INS1 insurance participations

		a	b	a	b
		2021		**2020**	
		Exposure value	**Risk-weighted exposure amount**	**Exposure value**	**Risk-weighted exposure amount**
		€ million	**€ million**	**€ million**	**€ million**
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	23	57	23	57

The Group is not subject to supplementary own fund requirements for financial conglomerates as at 31 December 2021, and therefore does not report the EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio.

5.6. Comparison of institution’s own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		a	b	c	d	e
		31/12/2021	**30/09/2021***	**30/06/2021**	**31/03/2021***	**31/12/2020**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	Common Equity Tier 1 (CET1) capital	1,620	1,601	1,571	1,665	1,723
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,460	1,436	1,412	1,489	1,477
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	1,608	1,595	1,566	1,661	1,720
3	Tier 1 capital	1,840	1,821	1,791	1,885	1,943
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,680	1,656	1,632	1,709	1,697
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	1,828	1,815	1,786	1,881	1,940
5	Total Capital	2,140	2,150	2,124	2,081	2,135
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,980	1,987	1,966	1,920	1,909
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	2,128	2,144	2,118	2,077	2,132
	Risk-weighted assets					
7	Total risk-weighted assets	10,694	10,991	11,048	11,546	11,636
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,534	10,826	10,888	11,370	11,391

5.6. Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (continued)

		a	b	c	d	e
		31/12/2021	**30/09/2021***	**30/06/2021**	**31/03/2021***	**31/12/2020**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
	Capital ratios					
9	CET1 (as a percentage of risk exposure amount)	15.14%	14.57%	14.22%	14.42%	14.80%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.86%	13.26%	12.96%	13.09%	12.97%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.04%	14.51%	14.17%	14.39%	14.78%
11	Tier 1 (as a percentage of risk exposure amount)	17.20%	16.57%	16.22%	16.33%	16.70%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.95%	15.29%	14.99%	15.03%	14.90%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.10%	16.51%	16.17%	16.29%	16.67%
13	Total Capital (as a percentage of risk exposure amount)	20.01%	19.56%	19.23%	18.02%	18.35%
14	Total Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.79%	18.35%	18.06%	16.88%	16.76%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19.90%	19.50%	19.18%	17.99%	18.32%
	Leverage ratio					
15	Leverage ratio total exposure measure	24,695	24,273	23,922	22,853	21,406
16	Leverage ratio	7.45%	7.50%	7.49%	8.25%	9.08%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.85%	6.87%	6.87%	7.54%	8.02%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7.41%	7.48%	7.47%	8.23%	9.06%

* Amounts and ratios exclude interim profits

5.6. Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (continued)

The Group has elected in prior years to apply the 'static-dynamic' approach in relation to the transitional arrangements for the initial application of IFRS 9 for regulatory capital purposes where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually, pursuant to EU Regulation 2017/2395 and it therefore applies paragraph 4 of Article 473(a) of the CRR. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, so as to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The impact on the capital position for the year 2018 was 5% of the impact on the impairment amounts from the initial application of IFRS 9, increasing to 15% (cumulative) for year 2019 to 30% (cumulative) for year 2020 and 50% (cumulative) for the year 2021. This will increase to 75% (cumulative) for the year 2022 and will be fully phased in (100%) by January 2023.

Following the June 2020 amendments to the CRR, the Group applied the amendments in relation to the IFRS 9 transitional arrangements for Stage 1 and Stage 2 loans (i.e. the 'dynamic component') which provide for the extension of the transitional period for the 'dynamic component'. A 100% add back of IFRS 9 provisions is allowed for the years 2020 and 2021 reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is to be made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

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

5.7. Key Metrics

EU KM1 - Key metrics template

		a	b	c	d	e
		31/12/2021	**30/09/2021***	**30/06/2021**	**31/03/2021***	**31/12/2020**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,620	1,601	1,571	1,665	1,723
2	Tier 1 capital	1,840	1,821	1,791	1,885	1,943
3	Total capital	2,140	2,150	2,124	2,081	2,135
	Risk-weighted exposure amounts					
4	Total risk exposure amount	10,694	10,991	11,048	11,546	11,636
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.14%	14.57%	14.22%	14.42%	14.80%
6	Tier 1 ratio (%)	17.20%	16.57%	16.22%	16.33%	16.70%
7	Total capital ratio (%)	20.01%	19.56%	19.23%	18.02%	18.35%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.00%	3.00%	3.00%	3.00%	3.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.25%	2.25%	2.25%	2.25%	2.25%
EU 7d	Total SREP own funds requirements (%)	11.00%	11.00%	11.00%	11.00%	11.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	3.50%	3.50%	3.50%	3.50%	3.50%
EU 11a	Overall capital requirements (%)	14.50%	14.50%	14.50%	14.50%	14.50%
12	CET1 available after meeting the total SREP own funds requirements	957	915	880	811	855

5.7. Key Metrics (continued)

		a	b	c	d	e
		31/12/2021	**30/09/2021***	**30/06/2021**	**31/03/2021***	**31/12/2020**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
	Leverage ratio					
13	Total exposure measure	24,695	24,273	23,922	22,853	21,406
14	Leverage ratio (%)	7.45%	7.50%	7.49%	8.25%	9.08%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	0.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	0.00%	0.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	8,261	7,622	7,059	6,495	6,146
EU 16a	Cash outflows - Total weighted value	3,236	3,158	3,078	3,031	3,028
EU 16b	Cash inflows - Total weighted value	373	430	474	502	517
16	Total net cash outflows (adjusted value)	2,863	2,728	2,604	2,529	5,388
17	Liquidity coverage ratio (%)	288%	279%	271%	257%	245%
	Net Stable Funding Ratio **					
18	Total available stable funding	16,911	18,171	19,429		
19	Total required stable funding	11,516	12,314	12,945		
20	NSFR ratio (%)	147%	148%	150%		

* Amount and ratios exclude interim profits

** Net Stable Funding Ratio since 30 June 2021 is calcuated as per CRR II enforced in 30 June 2021. Thus, no comparatives of previous periods exist.

During the year ended 31 December 2021, pre-provision income, the movement in other prudential items and the decrease in risk-weighted assets had a positive impact on CET1, whereas provisions and impairments had a negative impact.

Additionally, during the first quarter of 2021, the CET1 ratio was negatively affected by the phasing in of IFRS 9 transitional arrangements on 1 January 2021.

During the second quarter of 2021, the CET1 ratio was negatively affected mainly by the costs relating to the tender process for the Old Tier 2 Capital Notes and the prudential charge relating to the Group's foreclosed assets, and was positively affected by the impact of the completion of Project Helix 2.

5.7. **Key Metrics** (continued)

During the third quarter of 2021, the CET1 ratio was positively affected mainly by the impact of Project Helix 3. The cost of the Voluntary Staff Exit Plan completed in the fourth quarter of 2021 had a negative impact on capital. As a result of the above, the CET1 ratio has increased by 34 bps during the year ended 31 December 2021.

Other than the main drivers for CET1, Total Capital was positively affected by the successful Tier 2 refinancing in 2021 in April 2021.

During the year ended 31 December 2021, the Group's Total Capital ratio increased by 166 bps.

The increasing trend of LCR is mainly due to the increasing customer deposits throughout 2021 totalling to c. €1 billion, the increase in ECB funding collateralised by non-LCR eligible assets equal to c. €900 million and the net benefit of the Tier 2 and Senior bond issuances equal to c. €371 million.

As at 31 December 2021 the NSFR stood at 147% compared to 139% as at 31 December 2020. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities and it became a regulatory indicator in June 2021, when CRR II was enforced, with the limit set at 100%.

During the year ended 31 December 2021, RWA decreased substantially from mainly due to (a) the Project Helix 2 Portfolios A and B sale transactions observed in the second quarter of 2021; (b) other reductions in higher risk balance sheet items (mainly stock of property held for sale, deferred tax credit); (c) an increase in real estate collateral coverage from improved real estate indices; and (d) the decrease in operational risk RWA in the last quarter of 2021. (b) and (c) movements apply across all quarters of 2021.

The decrease in the Tier 1 Capital and the increase in the leverage exposure measure from balance sheet movements had a negative impact on the leverage ratio which is still well above the regulatory minimum requirement of 3%.

6. Leverage

The leverage ratio is calculated by dividing the Tier 1 capital with total leverage exposure measure. It is expressed as a percentage and it is reported on a transitional basis.

To avoid excessive leverage the Group's Leverage Ratio (RPI) is monitored on a quarterly basis. Its level is measured against a defined early warning and an in-breach threshold. The early warning threshold is high enough to allow adequate time to evaluate the position and trend. In the case of an in-breach threshold violation, the violation is escalated to the Executive Committee and subsequently to Board's Risk Committee if needed and a discussion can take place about whether any of the recovery plan provisions need to be considered/executed.

The overall leverage ratio (transitional) has decreased due to the combined decrease in "Tier 1 capital" (refer to Section 5.1) and due to an in increase in the balances placed with Central Bank (increase by c. €3,5 billion) which was mainly due to:
- Increase in ECB funding: €2 billion
- Increase in deposit: c.€1 billion
- Senior bond issuance: €300 million

Sections 6.1 to 6.3 below provide analyses on the leverage ratio components.

6.1. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

The table presents the regulatory adjustments applied to the total assets as per published financial statements to arrive at the total leverage measure used in the calculation of the leverage ratio in line with Part 7 of the CRR.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a	b
		31 December 2021	**30 June 2021**
		€ million	**€ million**
1	**Total assets as per published financial statements**	**24,963**	**24,211**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(985)	(961)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	42	(40)
9	Adjustment for securities financing transactions (SFTs)	-	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	663	663
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments	12	49
13	**Total exposure measure**	**24,695**	**23,922**

6.2. Leverage Ratio Common Disclosure

The table provides information on the components of the leverage exposure measure, Tier 1 Capital and minimum leverage ratios.

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2021	30 June 2021
	On-balance sheet exposures (excluding derivatives and SFTs)	€ million	€ million
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**23,849**	23,260
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	135	(33)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**23,984**	**23,227**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	19	11
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	29	21
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**48**	**32**

6.2. Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2021	30 June 2021
	Securities financing transaction (SFT) exposures	€ million	€ million
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,600	2,627
20	(Adjustments for conversion to credit equivalent amounts)	(1,937)	(1,964)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**663**	**663**

6.2. Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	**b**
		31 December 2021	**30 June 2021**
	Excluded exposures	**€ million**	**€ million**
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	-	-
	Capital and total exposure measure		
23	**Tier 1 capital**	**1,840**	**1,791**
24	**Total exposure measure**	**24,695**	**23,922**

6.2. Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2021	30 June 2021
	Leverage ratio	€ million	€ million
25	Leverage ratio	7.45%	7.49%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.45%	7.49%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.45%	7.49%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	**Transitional**	**Transitional**
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	24,695	23,922
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	24,695	23,922
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.45%	7.49%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.45%	7.49%

Rows 6 and 23 are reported on a transitional basis.

6.3. Split-Up of on-Balance Sheet Exposures (excluding derivatives and SFTs)

The table analyses the on-balance sheet exposures which form part of the leverage exposure measure by Credit Risk exposure classes under the Standardised Approach in calculating RWA.

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a	b
		CRR	
		Leverage ratio exposures	
		31 December 2021	**30 June 2021**
		€ million	**€ million**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**23,850**	**23,259**
EU-2	**Trading book exposures**	**-**	**-**
EU-3	**Banking book exposures, of which:**	**23,850**	**23,259**
EU-4	Covered bonds	133	149
EU-5	Exposures treated as sovereigns	10,930	9,950
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	27	21
EU-7	Institutions	638	794
EU-8	Secured by mortgages of immovable properties	3,799	3,695
EU-9	Retail exposures	1,464	1,488
EU-10	Corporates	3,431	3,281
EU-11	Exposures in default	608	679
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,820	3,202

7. Credit Risk

7.1. Counterparty Credit Risk (CCR)

CCR arises from the possibility a counterparty failing to perform on an obligation arising from derivative transactions and SFTs such as repurchase agreements. The Group does not have exposures in SFT transactions.

Following the implementation of the amending regulation 2019/876 of the CRR, referred to as CRR2, the Mark-to-Market (MTM) method which the Group applied up to 28 June 2021 in calculating the exposure value of derivative positions has been abolished and the new Standardised Approach for Counterparty Credit Risk (SA-CCR) was implemented. Under the new approach laid down in Part 3, Title II Chapter 6 of the CRR/CRR2, the exposure values on which RWA for counterparty credit risk and Credit Valuation Adjustment (CVA) are calculated, are considerably higher compared to the application of MTM. The RWA impact for the Group remains negligible due to (a) decreased derivative positions and (b) the Group's derivative positions are in their majority cleared through a Qualifying Central Counterparty (QCCP) with a RW of 2%.

There are no material changes between 31 December 2021 and 30 June 2021 in the exposures values, collateral or RWA that arise from counterparty credit risk.

EU CCR1 – Analysis of CCR exposure by approach

31 December 2021		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		€ million	€ million	€ million		€ million	€ million	€ million	€ million
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	3	18		1.4	29	29	26	10
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**29**	**29**	**26**	**10**

7.1. Counterparty Credit Risk (CCR) (continued)

	30 June 2021	a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	Effective expected positive exposure (EEPE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		€ million	**€ million**	**€ million**		**€ million**	**€ million**	**€ million**	**€ million**
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	4	15		1.4	27	26	24	7
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**27**	**26**	**24**	**7**

7.1. Counterparty Credit Risk (CCR) (continued)

EU CCR2 – Transactions subject to own funds requirements for CVA risk

The Credit Valuation Adjustment (CVA) is an adjustment to the mid-market valuation of the portfolio of derivative and SFT transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty. It is applied to all counterparties excluding any transactions with a QCCP or intra-group transactions or non-financial counterparties.

		a	b
	31 December 2021	**Exposure value**	**RWEA**
		€ million	**€ million**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	26	7
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**26**	**7**

		a	b
	30 June 2021	**Exposure value**	**RWEA**
		€ million	**€ million**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	23	5
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**23**	**5**

7.1. Counterparty Credit Risk (CCR) (continued)

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
		0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
	31 December 2021	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	9	16	-	-	-	-	-	25
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**-**	**-**	**-**	**9**	**16**	**-**	**-**	**-**	**-**	**-**	**26**

7.1. Counterparty Credit Risk (CCR) (continued)

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

		a	b	c	d	e	f	g	h	i	j	k	l
Exposure classes		**Risk Weight**											
		0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
30 June 2021		**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	19	5	-	-	-	-	-	24
7	Corporates	-	-	-	-	-	-	-	-	1	-	-	1
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**-**	**-**	**-**	**19**	**5**	**-**	**-**	**1**	**-**	**-**	**25**

7.1. Counterparty Credit Risk (CCR) (continued)

EU CCR5 – Composition of collateral for CCR exposures

The collaterals reported in the table below relate to Variation and Initial Margins. The Group has not posted or received any Initial Margin in the year 2021 and 2020.

All Variation Margins of the Group are unsegregated except for the variation margin with the QCCP which is segregated, that is the collateral is bankruptcy remote in the event of the default or insolvency of that counterparty.

	31 December 2021	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Cash – domestic currency	-	3	39	2	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**3**	**39**	**2**	**-**	**-**	**-**	**-**

	30 June 2021	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Cash – domestic currency	-	2	50	1	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**2**	**50**	**1**	**-**	**-**	**-**	**-**

7.1. Counterparty Credit Risk (CCR) (continued)

EU CCR8 – Exposures to CCPs

The Group has exposures and RWA that would otherwise populate rows 1 to 3 of the "EU CCR8" albeit being well below EUR equivalent of €1 million.

		a	b
	31 December 2021	**Exposure value**	**RWEA**
		€ million	**€ million**
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

7.1. Counterparty Credit Risk (CCR) (continued)

		a	b
	30 June 2021	**Exposure value**	**RWEA**
		€ million	**€ million**
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

7.1.1. Internal Capital and Credit Limits for Counterparty Credit Exposures

The model, which was approved by the BoD, sets maximum limits for financial institutions, based on their credit rating and CET1 capital base or the Bank's CET1 capital base, in case it is lower. Afterwards, an internal scoring system is applied that considers qualitative and quantitative factors such as:

- Asset Risk
- Capital adequacy
- Profitability
- Liquidity
- Market share
- Ownership strength
- Rating Outlook
- Country Rating

The results of the scoring system are used to reduce the maximum limits of counterparty credit exposures set using the model described above.

Two types of limits are monitored:

a. Credit: for MM, FX (FX swaps, FX forwards), bonds, derivatives, commercial transactions and other transactions.
b. Settlement: for maturing FX spot, forward and swaps, MM placements, Nostro and banknotes.

Allocated MM limits are set for a short duration, unless they are used for independent amounts (as defined in the Credit Support Annex (CSA) agreement) or collateral. Limits for derivative transactions are assigned to counterparties with a CSA agreement in place and enforceability of netting. Allocated derivative limits with counterparties that have not signed a CSA and the Legal service department has not yet advised that netting is enforceable or has informed that netting is not enforceable can also be approved following ALCO approval.

The derivative limit for the Expected Replacement Cost (ERC) of a contract, counts within the overall limit of the counterparty and can be equal to the total limit. There is also a concentration limit for the maximum notional amount of contracts with each counterparty (excluding the ECB), which amounts to €750 million. Any exceptions to the maximum notional amounts can be approved by BoD.

Credit risk arising from entering into derivative transactions with counterparties is measured using the mark-to-market method.

According to this method, the current replacement cost of all contracts with positive amounts is obtained and an add-on is applied to this amount for potential future credit exposure, based on specific factors that depend on the type of the transaction and its duration. This amount is used for credit limit monitoring.

Risk Reporting and measurement system for Counterparty Credit Risk
Counterparty credit and settlement limits, explained above, for Treasury transactions are monitored real-time through the Bank's front to back system. Any breaches appear on a window and one can drill down to the deal causing the breach. Also, in the case of a breach, an automatic e-mail is sent to the dealers and MR officers with an attached report with all the necessary details of the deal created the breach.

7.2. Credit Risk Under the Standardised Approach

The Standardised Approach is applied to calculate the RWA in accordance with the requirements laid down in Part 3, Title II Chapters 2 and 4 of the CRR illustrated in the tables below under this section.

The ECAI applied by the Group in the RWA calculation is Moody's in line with the up-to-date standard association published by the EBA. The transfer of the issuer and issue credit ratings onto comparable assets items not included in the trading book are applied in line with articles 135 to 141 of the CRR.

The ECAI are applied to all applicable exposure classes as follows:

a) Central governments or central banks
b) Regional government or local authorities
c) Institutions
d) Corporates
e) Institutions and corporates with short-term credit assessment.

For all other exposure classes, for which the Group has exposures, no ratings are applicable by CRR.

As of 28 June 2021 the amending regulation 2019/876 of the CRR CRR2 has been fully applied in line with the regulatory implementation dates in respect of the Credit Risk RWA calculations. The major change in Standardised Approach for Credit Risk (SA-CR) is the calculation of RWA on exposures in the form of units or shares in Collective Investment Undertakings (CIUs) whereby the below three approaches have been introduced:

a) Look-through approach
b) Mandate approach
c) Fall-back approach

The Group has applied the Mandate approach in all its positions in the form of shares or units in CIUs where the RWA are calculated based on the underlying assets and limits of each CIU mandate in which the Group has invested in. The RWA impact for the Group from the application of the new methodology was immaterial due to the very small size of the CIU exposures held by the Group.

The decrease in RWA was driven by (a) the Project Helix 2 Portfolios A and B sale transactions previously included in exposure classes "Exposures in default", "Exposures associated with particularly high risk" and "Other items"; (b) other reductions in higher risk balance sheet items (mainly stock of property held for sale, deferred tax credit), previously included in exposure classes "Other items" and "Central governments or central banks"; (c) an increase in real estate collateral coverage from improved real estate indices shown as increased exposures in "Secured by mortgages on immovable property" previously in exposure classes "Retail" and "Corporates"; (d) increased lower risk new lending presented by the lower RWA density in exposure classes "Corporates" and "Retail"; and (e) the increased provision coverage of unsecured in NPEs presented by the lower RWA density in exposure class "Exposures in default" . As a result of a substantial increase in total assets, mainly through the increase in balances with Central Banks and the material decrease in RWA, the overall RWA density has dropped substantially.

7.2. Credit Risk Under the Standardised Approach (continued)

The table below illustrates the effect CCF and CRM techniques on exposure values that give rise to credit risk applied in accordance with the CRR.

The exposure amounts displayed in table below are after the application of value adjustments. Value adjustments refer to specific credit risk adjustments, additional value adjustments to reflect the fair value of the asset where relevant and other own funds reductions related to specific asset items. CCF refers to the credit conversion factors applied to off-balance sheet exposures to convert them to credit equivalents in line with article 111 of the CRR. CRM refers to the credit mitigation techniques applied. The CRM of the Group refers to eligible financial collateral that is used to decrease the exposure values through the application of the Financial Collateral Comprehensive Method and the eligible credit protection where the exposure RW or exposure class are substituted by the corresponding RW and exposure class of the credit protection provider.

Eligible real estate collateral on which the Group has concentration is included in the exposure classes "Secured by mortgages on immovable property" for performing exposures and form part of "Exposures in default" for non-performing exposures.

RWAs density is a synthetic metric on the riskiness of each portfolio and it is measured by dividing (e) RWA with the sum of columns (c) and (d) Exposure Value after CCF and CRM.

There are no material changes between 30 June 2021 and 31 December 2021.

7.2. Credit Risk Under the Standardised Approach (continued)

EU CR4 Standardised Approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

31 December 2021		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWEAs	RWEA density
		€ million	€ million	€ million	€ million	€ million	%
1	Central governments or central banks	10,428	-	10,514	-	280	2.66
2	Regional government or local authorities	126	11	83	-	-	-
3	Public sector entities	92	6	83	-	-	-
4	Multilateral development banks	113	-	158	-	-	-
5	International organisations	96	-	96	-	-	-
6	Institutions	696	46	638	34	191	28.42
7	Corporates	3,452	1,209	3,260	225	3,062	87.86
8	Retail	1,469	1,054	1,189	106	921	71.12
9	Secured by mortgages on immovable property	3,816	56	3,711	30	1,359	36.33
10	Exposures in default	608	59	606	4	630	103.28
11	Exposures associated with particularly high risk	712	136	655	29	1,025	149.85
12	Covered bonds	133	-	133	-	13	9.77
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	4	-	4	-	3	75.00
15	Equity	34	-	34	-	68	200.00
16	Other items	2,183	-	2,183	-	2,085	95.51
17	**TOTAL**	**23,961**	**2,578**	**23,344**	**428**	**9,637**	**40.54**

7.2 Credit Risk Under the Standardised Approach (continued)

EU CR4 Standardised Approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

30 June 2021		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWAs and RWA density**	
Exposure classes		**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWEAs**	**RWEA density**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**%**
1	Central governments or central banks	9,475	1	9,532	-	318	3.30
2	Regional government or local authorities	129	10	83	-	1	1.20
3	Public sector entities	81	1	81	-	-	-
4	Multilateral development banks	113	-	152	-	-	-
5	International organisations	106	-	106	-	-	-
6	Institutions	822	40	794	26	213	26.00
7	Corporates	3,295	1,244	3,105	225	2,950	88.60
8	Retail	1,495	1,027	1,212	91	926	71.10
9	Secured by mortgages on immovable property	3,713	57	3,605	29	1,325	36.50
10	Exposures in default	679	81	673	9	723	106.00
11	Exposures associated with particularly high risk	746	144	679	33	1,067	149.90
12	Covered bonds	149	-	149	-	15	10.10
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	4	-	4	-	3	75.00
15	Equity	33	-	33	-	67	203.00
16	Other items	2,360	-	2,360	-	2,263	95.90
17	**Total**	**23,200**	**2,605**	**22,568**	**413**	**9,871**	**43.00**

7.2. Credit Risk Under the Standardised Approach (continued)

EU CR5 Standardised Approach

The table analyses the exposure values of on and off-balance sheet positions excluding securitisation exposures by RW and regulatory exposure class.

31 December 2021		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated[1]
Exposure classes		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Central governments or central banks	10,177	-	-	-	71	-	-	-	-	265	-	-	-	-	-	**10,513**	276
2	Regional government or local authorities	81	-	-	-	2	-	-	-	-	-	-	-	-	-	-	**83**	-
3	Public sector entities	82	-	-	-	1	-	-	-	-	-	-	-	-	-	-	**83**	-
4	Multilateral development banks	158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**158**	123
5	International organisations	96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**96**	96
6	Institutions	-	-	-	-	489	-	180	-	-	3	-	-	-	-	-	**672**	7
7	Corporates	-	-	-	-	-	-	-	-	-	3,450	35	-	-	-	-	**3,485**	3,430
8	Retail	-	-	-	-	-	-	-	-	1,295	-	-	-	-	-	-	**1,295**	1,295
9	Secured by mortgages on immovable property	-	-	-	-	-	2,950	791	-	-	-	-	-	-	-	-	**3,741**	3,741
10	Exposures in default	-	-	-	-	-	-	-	-	-	569	41	-	-	-	-	**610**	610
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	683	-	-	-	-	**683**	683
12	Covered bonds	-	-	-	133	-	-	-	-	-	-	-	-	-	-	-	**133**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
14	Unit or shares in collective investment undertakings	-	-	-	-	1	-	-	-	-	2	-	-	-	-	-	**3**	1
15	Equity	-	-	-	-	-	-	-	-	-	11	-	23	-	-	-	**34**	34
16	Other items	143	-	-	-	27	-	-	-	-	1,941	-	-	-	-	71	**2,182**	2,183
17	**TOTAL**	**10,736**	**-**	**-**	**133**	**591**	**2,950**	**972**	**-**	**1,295**	**6,242**	**759**	**23**	**-**	**-**	**71**	**23,772**	**12,479**

1. Includes all exposures for which an issue/issuer or country rating is not available or they follow uniform regulatory treatment.

7.2. Credit Risk Under the Standardised Approach (continued)

EU CR5 Standardised Approach

30 June 2021		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated[1]
Exposure classes		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Central governments or central banks	9,157	-	-	-	71	-	-	-	-	303	-	-	-	-	-	**9,531**	314
2	Regional government or local authorities	80	-	-	-	3	-	-	-	-	-	-	-	-	-	-	**83**	-
3	Public sector entities	81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**81**	-
4	Multilateral development banks	152	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**152**	113
5	International organisations	106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**106**	106
6	Institutions	-	-	-	-	666	-	150	-	-	4	-	-	-	-	-	**820**	4
7	Corporates	-	-	-	-	9	-	-	-	-	3,275	46	-	-	-	-	**3,330**	3,263
8	Retail	-	-	-	-	-	-	-	-	1,304	-	-	-	-	-	-	**1,304**	1,304
9	Secured by mortgages on immovable property	-	-	-	-	-	2,805	830	-	-	-	-	-	-	-	-	**3,635**	3,634
10	Exposures in default	-	-	-	-	-	-	-	-	-	603	80	-	-	-	-	**683**	683
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	712	-	-	-	-	**712**	712
12	Covered bonds	-	-	-	149	-	-	-	-	-	-	-	-	-	-	-	**149**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0**	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	**3**	1
15	Equity	-	-	-	-	-	-	-	-	-	10	-	23	-	-	-	**33**	33
16	Other items	129	-	-	-	43	-	-	-	-	2,109	-	-	-	-	80	**2,361**	2,360
17	**Total**	**9,705**	**-**	**-**	**149**	**792**	**2,805**	**980**	**-**	**1,304**	**6,307**	**838**	**23**	**-**	**-**	**80**	**22,983**	**12,527**

1 Includes all exposures for which an issue/issuer or country rating is not available or they follow uniform regulatory treatment.

7.3. Policies for Securing Collateral and Establishing Credit Reserves

Collateral management involves multiple parties and various departments of the Bank. The collateral management team is the Treasury Back office.

The responsibilities of the collateral management team are as follows:
a. Handling collateral valuations and margin calls (for derivatives).
b. Maintain relevant data and liaise with counterparties regarding issues of collaterals.

The use of collateral for funding purposes relating to the Cyprus operations is managed by Treasury Division, with specific authorised personnel having the responsibility to manage it. The Fixed Income and Portfolio Management desk is responsible for reviewing and managing fixed income securities as collateral, both for counterparty repos and ECB funding. The Liquidity Management department is jointly responsible with the Money Market desk and Interest Rate Risk Management and FX Structural Hedging (Interest Rate Risk Management) desk in collaboration with other departments of the Bank to monitor the use of cash as collateral. The Funding department is responsible for the monitoring and use of loan assets for funding programmes collateralised by loans such as Covered Bond Issuance and ACCs.

The Regulatory, Governance and Agreements Management department within Treasury Division handles legal documentation (in collaboration with the Legal Service department) and relevant reporting. The Legal Service department provides advice and support regarding relevant agreements for collateralisation.

The Group has chosen the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement for contracting its derivatives activity. These agreements provide 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. They may also reduce settlement exposure (e.g. for FX transactions) by allowing same-day same-currency payments to be set-off against one another. In most cases, the parties execute a Credit Support Annex (CSA) agreement in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. CSAs further mitigate risk by allowing collateral to be posted on a regular basis to collateralise the mark to market exposure of a net derivative portfolio. For uncleared derivative trades, the Group trades under Variation Margin CSA agreements in line with European Markets Infrastructure Regulation (EMIR) margining provisions whereby thresholds have been set to zero and collateral exchange is carried out on a daily basis following the netting of exposures on a T+1 basis.

For derivative trades which are eligible for clearing, the Group trades under ISDA Cleared Derivatives Execution Agreement (CDEA) agreements with its counterparties so that eligible trades are cleared centrally with London Clearing House Central Clearing Counterparty (LCH CCP).

The Group has chosen the Global Master Repurchase Agreement (GMRA) for conducting its repurchase activity. It is a legal agreement designed for parties transacting in repos and is published by the International Capital Market Association (ICMA), which is the body representing the bond and repo markets in Europe. It provides the contractual framework within Buy/Sell Back transactions are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions and collateral covered by an agreement, if either party defaults.

As at 31 December 2021, the Group had signed the CSA annex of the ISDA Master Agreement with 35 counterparties (2020: 35 counterparties) and Global Master Repurchase Agreements (GMRAs) with 17 counterparties (2020: 17 counterparties). During 2021 one CSA agreement was terminated and one new European Entity - Replication Agreement was added. The Group has an agreement in place with a Qualifying Central Counterparty (QCCP) since 2018. As at 31 December 2021, the Group maintained CSA exposures with 13 counterparties, one of which is QCCP (2020: 13 counterparties one of which is QCCP). The Group did not have any exposures under GMRA as at 31 December 2021 and 2020.

7.3. Policies for Securing Collateral and Establishing Credit Reserves (continued)

The following table presents the total amounts that were transferred to (where the indicated amount is negative) or obtained from (where the indicated amount is positive) counterparties as a result of reaching the threshold amounts of 9 counterparties (2020: 10 counterparties) for CSAs, one of which the QCCP. There were no amounts transferred to counterparties for GMRAs in 2021 and 2020 since no amounts were outstanding.

	2021	2020
	€ 000	**€ 000**
Total Positive	3,490	1,190
Total Negative	(41,068)	(34,522)
Total	**(37,578)**	**(33,332)**

Increase in Mark to Market losses of the outstanding derivative transactions since last reporting date; translate into higher posted amount in the case of derivatives.

7.3.1. Policies with Respect to Wrong-Way Risk Exposures

Wrong way risk occurs when an exposure to a counterparty is adversely correlated with the credit quality of that counterparty i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Group's derivative transactions) have an adverse impact on the Probability of Default (PD) of a counterparty. This risk is not currently measured as it is not anticipated to be significant given that the bulk of the deals are cleared with the Bank's QCCP and the existence of CSAs for almost all the uncleared derivative transactions, with daily settlement of margins that significantly reduce credit risk resulting in a total accounting CVA charge equal to only €10 thousand (2020: €13 thousand) and a net credit exposure from Group derivative contracts, after considering both the benefits from legally enforceable netting agreements and collateral arrangements of €13 thousand (2020: €1,835 thousand).

7.3.2. Collateral the Group would have to provide given a Downgrade in its Credit Rating

As at 31 December 2021, the only instance where the Group would have to provide additional collateral in the event of a downgrade, involved derivative transactions under ISDA agreements, where a CSA has been signed. Currently, no CSA agreement is linked to the credit ratings of the involved parties. Thus, no additional collateral is expected to be required, as at 31 December 2021, in the event of a downgrade.

7.4. Past Due and Credit Impaired Loans

Past due and credit impaired loans
Past due loans are those with delayed payments or in excess of authorised credit limits. All past-due exposures more than 90 days are considered to be impaired.

The Group considers loans and advances to customers that meet the NPE definition as per 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.

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.

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.

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

Expected credit losses (ECL)/impairment of loans and advances to customers
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, ECL 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 categorised 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.

7.4 Past Due and Credit Impaired Loans (continued)

Stage 3: Financial assets which are considered to be credit-impaired and lifetime ECLs are recognised.

POCI: These are purchased or originated financial assets are financial assets that are credit-impaired on initial recognition. POCI assets include loans purchased or originated at a deep discount that reflect 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.

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).

7.4.1. Net exposures by residual maturity and exposure classes

EU CR1-A: Maturity of exposures

31 December 2021		a	b	c	d	e	f
		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Loans and advances	1,083	1,074	3,262	4,684	-	**10,103**
2	Debt securities	-	344	1,119	452	6	**1,921**
3	**Total**	**1,083**	**1,418**	**4,381**	**5,136**	**6**	**12,024**

31 December 2020		a	b	c	d	e	f
		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Loans and advances	1,104	1,388	3,253	4,375	-	**10,120**
2	Debt securities	-	317	1,099	262	19	**1,697**
3	**Total**	**1,104**	**1,705**	**4,352**	**4,637**	**19**	**11,817**

1. Amounts presented exclude loans and advances classified as held for sale, cash balances at central banks and other demand deposits.

7.5. Non-performing exposures

The tables below disclose NPEs based on the definitions of the EBA standards. The definition of credit impaired loans (Stage 3) is aligned to the EBA NPEs definition. As per the EBA standards and ECB Guidance to Banks on NPLs (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

a. 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.
b. Defaulted or impaired exposures as per the approach provided in the CRR, which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.
c. Material exposures as set by the CBC, which are more than 90 days past due.
d. Performing forborne exposures under probation for which additional forbearance measures are extended.
e. Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.

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:

(vi) 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
(vii) 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
(viii) 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
(ix) 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'.

7.5. Non-performing exposures (continued)

Overview of NPE trades since 2021

Project Helix 3
In November 2021, the Group reached an agreement for the sale of a portfolio of NPEs with gross book value of €550 million and stock of properties with carrying value of €102 million as at 30 September 2021 (the reference date) known as Project Helix 3 ('Project Helix 3' or the 'Helix 3 Transaction'), to funds affiliated with Pacific Investment Management Company LLC (PIMCO). The Group will dispose Project Helix 3 through the transfer of the portfolio to a licensed Cypriot Credit Acquiring Company (the CyCAC) by BOC PCL. The shares of the CyCAC will be subsequently acquired by certain funds affiliated with PIMCO.

The gross consideration for the transaction amounts to approximately €385 million, before transaction and other costs, payable at completion. An amount of c€19 million was received as a deposit shortly after signing of the agreement.

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.

Sinope Transaction
In December 2021, the Group entered into an agreement for the sale portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction'). 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.

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.

As at 31 December 2021, these portfolios of loans, as well as the real estate properties included, were classified as disposal groups held for sale as management is committed to sell and has proceeded with an active programme to complete this plan.

The tables below include loans and advances to customers at amortised cost classified as held for sale and loans and advances to customers measured at FVPL.

7.5. Non-performing exposures (continued)

EU CQ3: Credit quality of performing and non-performing exposures by past due days

	31 December 2021	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,099**	9,099	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**												
020	Central banks	**167**	167	-	-	-	-	-	-	-	-	-	-
030	General governments	**45**	45	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	**100**	100	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	**123**	123	-	**5**	4	-	-	-	1	-	-	5
060	Non-financial corporations	**4,932**	4,931	1	**278**	177	7	21	7	22	3	41	278
070	*Of which SMEs*	***3,929***	*3,928*	*1*	***124***	*41*	*7*	*21*	*7*	*22*	*3*	*23*	*124*
080	Households	**4,321**	4,317	4	**433**	122	11	24	13	65	45	153	433
		9,688	**9,683**	**5**	**716**	**303**	**18**	**45**	**20**	**88**	**48**	**194**	**716**
	Loans and advances classified as held for sale	**2**	**2**	**-**	**554**	**13**	**1**	**4**	**7**	**68**	**84**	**377**	**554**
090	**Debt securities**												
100	Central banks	**-**	-	-	-	-	-	-	-	-	-	-	-
110	General governments	**1,045**	1,045	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	**629**	629	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	**248**	248	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	**-**	-	-	-	-	-	-	-	-	-	-	-
		1,922	**1,922**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off balance sheet exposures**												
160	Central Bank	**-**			**-**								-
170	General governments	**13**			**-**								-
180	Credit institutions	**45**			**-**								-
190	Other financial corporations	**15**			**-**								-
200	Non-financial corporations	**1,710**			**91**								91
210	Households	**701**			**6**								6
		2,484			**97**								**97**
220	**Total**	**23,195**	**20,706**	**5**	**1,367**	**316**	**19**	**49**	**27**	**156**	**132**	**571**	**1,367**

7.5. Non-performing exposures (continued)

EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/Nominal amount											
		Performing exposures			Non-performing exposures								
	31 December 2020		Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**5,671**	5,671	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**												
020	Central banks	**158**	158	-	-	-	-	-	-	-	-	-	-
030	General governments	**51**	51	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	**77**	77	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	**105**	105	-	**10**	4	-	-	5	-	-	1	10
060	Non-financial corporations	**4,790**	4,789	1	**574**	274	2	11	30	47	43	167	574
070	*Of which SMEs*	***3,410***	*3,409*	*1*	***387***	*109*	*1*	*11*	*30*	*47*	*37*	*152*	*387*
080	Households	**4,105**	4,102	3	**1,057**	170	9	33	95	247	153	350	1,057
		9,286	**9,282**	**4**	**1,641**	**448**	**11**	**44**	**130**	**294**	**196**	**518**	**1,641**
	Loans and advances classified as held for sale [1]	**98**	**98**	**-**	**1,312**	**101**	**8**	**36**	**231**	**280**	**173**	**483**	**1,312**
090	**Debt securities**												
100	Central banks	**-**	-	-	-	-	-	-	-	-	-	-	-
110	General governments	**993**	993	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	**476**	476	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	**229**	229	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	**-**	-	-	-	-	-	-	-	-	-	-	-
		1,698	**1,698**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off balance sheet exposures**												
160	Central Bank	**-**			**-**								-
170	General governments	**13**			**-**								-
180	Credit institutions	**41**			**-**								-
190	Other financial corporations	**13**			**-**								-
200	Non-financial corporations	**1,755**			**124**								124
210	Households	**677**			**8**								8
		2,499			**132**								**132**
220	**Total**	**19,252**	**16,749**	**4**	**3,085**	**549**	**19**	**80**	**361**	**574**	**369**	**1,001**	**3,085**

1 Amounts presented include loans and advances to central banks.

7.5. Non-performing exposures (continued)

CR1: Performing and non-performing exposures and related provisions

	31 December 2021	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures-accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,099**	**9,099**	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**															
020	Central banks	167	167	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	45	44	1	-	-	-	-	-	-	-	-	-	-	44	-
040	Credit institutions	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	123	99	24	5	-	5	(1)	(1)	-	(2)	-	(2)	(12)	84	3
060	Non-financial corporations	4,932	3,503	1,156	278	-	181	(28)	(9)	(18)	(116)	-	(93)	(214)	4,391	101
070	*Of which SMEs*	*3,929*	*2,719*	*957*	*124*	-	*115*	*(23)*	*(7)*	*(15)*	*(61)*	-	*(56)*	*(188)*	*3,361*	*60*
080	Households	4,321	3,773	518	433	-	387	(17)	(5)	(10)	(137)	-	(121)	(724)	3,930	286
		9,688	**7,686**	**1,699**	**716**	**-**	**573**	**(46)**	**(15)**	**(28)**	**(255)**	**-**	**(216)**	**(950)**	**8,449**	**390**
	Loans and advances classified as held for sale	**2**	**-**	**2**	**554**	**-**	**474**	**(1)**	**-**	**(1)**	**(305)**	**-**	**(263)**	**-**	**1**	**246**
090	**Debt securities**															
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,045	996	49	-	-	-	(1)	(1)	-	-	-	-	-	-	-
120	Credit institutions	629	628	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	248	243	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		1,922	**1,867**	**49**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off-balance-sheet**															
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	13	-	13	-	-	-	-	-	-	-	-	-	-	8	-
180	Credit institutions	45	45	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	15	2	12	-	-	-	-	-	-	-	-	-	-	9	-
200	Non-financial corporations	1,710	1,294	371	91	-	90	-	-	-	(21)	-	(21)	-	883	2
210	Households	701	593	66	6	-	6	-	-	-	-	-	-	-	226	1
		2,484	**1,934**	**462**	**97**	**-**	**96**	**-**	**-**	**-**	**(21)**	**-**	**(21)**	**-**	**1,126**	**3**
220	**Total**	**23,195**	**20,586**	**2,212**	**1,367**	**-**	**1,143**	**(48)**	**(16)**	**(29)**	**(581)**	**-**	**(500)**	**(950)**	**9,576**	**639**

7.5. Non-performing exposures (continued)

CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	31 December 2020	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures- accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**5,671**	**5,671**	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**															
020	Central banks	158	158	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	51	6	45	-	-	-	(2)	-	(2)	-	-	-	-	47	-
040	Credit institutions	77	77	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	105	82	23	10	-	10	(2)	(1)	(1)	(5)	-	(5)	(15)	79	5
060	Non-financial corporations	4,790	3,469	1,031	574	-	437	(27)	(8)	(17)	(246)	-	(217)	(394)	4,294	251
070	*Of which SMEs*	*3,410*	*2,590*	*763*	*387*	-	*347*	*(20)*	*(5)*	*(14)*	*(211)*	-	*(211)*	*(366)*	*3,131*	*164*
080	Households	4,105	3,052	1,024	1,057	-	925	(28)	(10)	(17)	(496)	-	(432)	(826)	3,717	545
		9,286	**6,844**	**2,123**	**1,641**	-	**1,372**	**(59)**	**(19)**	**(37)**	**(747)**	-	**(654)**	**(1,235)**	**8,137**	**801**
	Loans and advances classified as held for sale [1]	**98**	**75**	**22**	**1,312**	-	**1,131**	**(16)**	**(3)**	**(12)**	**(832)**	-	**(721)**	**(799)**	**13**	**466**
090	**Debt securities**															
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	993	944	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
120	Credit institutions	476	476	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	229	210	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		1,698	**1,630**	-	-	-	-	**(1)**	**(1)**	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**															
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	13	-	13	-	-	-	-	-	-	-	-	-		7	-
180	Credit institutions	41	41	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	13	1	12	-	-	-	-	-	-	-	-	-		8	-
200	Non-financial corporations	1,755	936	819	124	-	124	(1)	-	(1)	(18)	-	(18)		899	9
210	Households	677	383	294	8	-	8	-	-	-	-	-	-		201	1
		2,499	**1,361**	**1,138**	**132**	-	**132**	**(1)**	-	**(1)**	**(18)**	-	**(18)**		**1,115**	**10**
220	**Total**	**19,252**	**15,581**	**3,283**	**3,085**	-	**2,635**	**(77)**	**(23)**	**(50)**	**(1,597)**	-	**(1,393)**	**(2,034)**	**9,265**	**1,277**

1. Amounts presented include loans and advances to central banks.

The NPEs at 31 December 2021 amounted to €1,270 million, compared to €2,953 million at 31 December 2020, reflecting a reduction of 57%, comprising organic NPE reductions of c€0.4 billion and NPE sales of c€1.3 billion (completion of project Helix 2). New loans originated or purchased and drawdowns of existing facilities during 2021 amounted to c€1.7 billion.

7.5. Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

	31 December 2021	a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
		€million	€million	€million	€million	€million	€million	€million
010	***On-balance sheet*** [1]							
020	Cyprus	10,747	1,124	1,124	10,453	(517)		(16)
030	Greece	182	1	1	179	-		-
040	United Kingdom	244	57	57	244	(24)		-
050	Russia	60	39	39	60	(27)		-
070	Other countries	1,649	49	49	1,643	(24)		-
		12,882	**1,270**	**1,270**	**12,579**	**(592)**		**(16)**
080	***Off-balance sheet***							
090	Cyprus	2,476	77	77			(5)	
100	Greece	52	19	19			(16)	
110	United Kingdom	5	-	-			-	
130	Russia	2	-	-			-	
140	Other countries	46	1	1			-	
		2,581	**97**	**97**			**(21)**	
150	**Total**	**15,463**	**1,367**	**1,367**	**12,579**	**(592)**	**(21)**	**(16)**

1. Amounts presented include loans and advances classified as held for sale and exclude cash balances at central banks and other demand deposits.

7.5. Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

	31 December 2020	a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
		€million	€million	€million	€million	€million	€million	€million
010	***On-balance sheet*** [1]							
020	Cyprus	11,845	2,682	2,682	11,555	(1,502)		(1)
030	Greece	190	3	3	187	(2)		-
040	United Kingdom	333	104	104	333	(53)		-
050	Russia	108	67	67	108	(41)		-
070	Other countries	1,559	97	97	1,541	(56)		-
		14,035	**2,953**	**2,953**	**13,724**	**(1,654)**		**(1)**
080	***Off-balance sheet***							
090	Cyprus	2,521	112	112			(3)	
100	Greece	66	19	19			(16)	
110	United Kingdom	5	-	-			-	
130	Russia	2	-	-			-	
140	Other countries	37	1	1			-	
		2,631	**132**	**132**			**(19)**	
150	**Total**	**16,666**	**3,085**	**3,085**	**13,724**	**(1,654)**	**(19)**	**(1)**

1. Amounts presented include loans and advances classified as held for sale and exclude cash balances at central banks and other demand deposits.

For the above analysis a materiality threshold of 1% on total gross exposures was used to evaluate the material countries. In row "other countries", all immaterial countries were included (please refer to the list of immaterial countries below) . As per the above table, 83% (2020: 84%) of the gross on balance sheet exposures of the Group are in Cyprus showing the commitment of the Group to support the local economy.

"Other countries" included in NPEs by geography

Marshall Islands, Denmark, Romania, British Virgin Islands, Israel, Ireland, Spain, Liberia, Switzerland, Luxemburg, France, Belgium, Iran, United Arab Emirates, South Africa, Finland, United States, Ukraine, Bulgaria, Australia, Canada, Serbia, Jersey, Lebanon, Austria, Brazil, Bahrain, Netherlands, Germany, Sweden, Qatar, Kazakhstan, Georgia, China, Jordan, Italy, Norway, India, Zimbabwe, Singapore, South Korea, Armenia, Philippines, Cameroon, Pakistan, Latvia, Vietnam, Poland, Estonia, Belarus, Egypt, Oman, Kuwait, Malta, Botswana, Ghana, Slovakia, Macedonia.

7.5. Non-performing exposures (continued)

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

	31 December 2021	a	b	c	d	e	f
		Gross carrying amount					
			Of which non-performing		Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which defaulted			
		€million	€million	€million	€million	€million	€million
010	Agriculture, forestry and fishing	53	3	3	53	(1)	-
020	Mining and quarrying	11	-	-	11	-	-
030	Manufacturing	327	14	14	327	(8)	-
040	Electricity, gas, steam and air conditioning supply	46	-	-	46	(1)	-
050	Water supply	7	-	-	7	-	-
060	Construction	513	28	28	513	(21)	-
070	Wholesale and retail trade	965	40	40	965	(29)	-
080	Transport and storage	338	1	1	338	(1)	-
090	Accommodation and food service activities	1,137	4	4	987	(3)	-
100	Information and communication	53	5	5	53	(3)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	1,210	109	109	1,130	(16)	(16)
130	Professional, scientific and technical activities	293	49	49	230	(22)	-
140	Administrative and support service activities	53	5	5	50	(4)	-
150	Public administration and defence, compulsory social	-	-	-	-	-	-
160	Education	73	-	-	73	(1)	-
170	Human health services and social work activities	65	1	1	65	(1)	-
180	Arts, entertainment and recreation	22	1	1	22	(1)	-
190	Other services	44	18	18	44	(16)	-
200	**Total**	**5,210**	**278**	**278**	**4,914**	**(128)**	**(16)**

Amounts presented in the table above exclude loans and advances to customers classified as held for sale

7.5. Non-performing exposures (continued)

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
	31 December 2020	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
		€million	€million	€million	€million	€million	€million
010	Agriculture, forestry and fishing	53	8	8	53	(4)	-
020	Mining and quarrying	15	2	2	15	(1)	-
030	Manufacturing	377	45	45	377	(28)	-
040	Electricity, gas, steam and air conditioning supply	14	1	1	14	-	-
050	Water supply	8	1	1	8	(1)	-
060	Construction	614	76	76	614	(43)	-
070	Wholesale and retail trade	998	134	134	998	(82)	-
080	Transport and storage	326	6	6	326	(5)	-
090	Accommodation and food service activities	1,123	20	20	978	(13)	-
100	Information and communication	57	7	7	57	(5)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	1,129	141	141	1,050	(30)	(1)
130	Professional, scientific and technical activities	337	85	85	273	(28)	-
140	Administrative and support service activities	74	20	20	71	(6)	-
150	Public administration and defence, compulsory social	-	-	-	-	-	-
160	Education	87	2	2	87	(4)	-
170	Human health services and social work activities	78	1	1	78	(1)	-
180	Arts, entertainment and recreation	24	3	3	24	(2)	-
190	Other services	50	22	22	51	(19)	-
200	**Total**	**5,364**	**574**	**574**	**5,074**	**(272)**	**(1)**

Amounts presented in the table above exclude loans and advances to customers classified as held for sale

7.5. Non-performing exposures (continued)

The tables below disclose the movements (inflows and outflows) of NPEs:

EU CR2: Changes in the stock of non-performing loans and advances

		a	a
		31 December 2021	31 December 2020
		Gross carrying amount	Gross carrying amount
		€ million	€ million
010	**Initial stock of non-performing loans and advances to customers**	**1,641**	3,527
020	Inflows to non-performing portfolios	**181**	286
030	Outflows from non-performing portfolios		
040	Outflows due to write-offs	**(278)**	(372)
050	Outflow due to other situations	**(828)**	(1,800)
060	**Final stock of non-performing loans and advances to customers (excluding loans and advances to customers classified as held for sale)**	**716**	1,641

EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		a	b	a	b
		31 December 2021		31 December 2020	
		Gross carrying amount	Related net accumulated recoveries	Gross carrying amount	Related net accumulated recoveries
		€ million	€ million	€ million	€ million
010	**Initial stock of non-performing loans and advances to customers**	**1,641**		3,527	
020	Inflows to non-performing portfolios (including accrued interest)	**181**		286	
030	Outflows from non-performing portfolios				
040	Outflow to performing portfolio	**(84)**		(167)	
050	Outflow due to loan repayment, partial or total	**(168)**		(292)	
060	Outflow due to collateral liquidations	**(1)**	**-**	(1)	-
070	Outflow due to taking possession of collateral	**(18)**	**-**	(55)	-
080	Outflow due to sale of instruments	**-**	**-**	-	-
090	Outflow due to risk transfers	**-**	**-**	-	-
100	Outflow due to write-offs	**(278)**		(372)	
110	Outflow due to other situations	**(3)**		(5)	
120	Outflow due to reclassification as held for sale	**(554)**	**-**	(1,280)	-
130	**Final stock of non-performing loans and advances to customers (excluding loans and advances to customers classified as held for sale)**	**716**	**-**	1,641	**-**

7.5. Non-performing exposures (continued)

The Group continues to be actively exploring alternative avenues to accelerate this reduction and move with its risk appetite target. NPEs as defined by EBA and excluding loans and advances to customers classified as held for sale were reduced by €925 million during 2021, accounting for 7% gross loans, compared to 15% as at 31 December 2020.

The improvement in the NPEs is a result of the Bank's strategy to further de-risking its balance sheet and has been achieved mainly through the following: (i) normal curability i.e. clients that have been restructured in the past and fulfil the post forbearance conditions, ii) disposal of a more delinquent and risky part of the loan book, and (iii) consensual foreclosures and write offs.

Collateral obtained by taking possession
In the context of its loan restructuring activities, the Group hold properties in exchange for the settlement of its customers' borrowings.

The Real Estate Management Unit (REMU) is focused on the disposal of on-boarded properties resulting from debt for asset swaps. 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).

EU CQ7: Collateral obtained by taking possession and execution processes

31 December 2021		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		€ million	€ million
010	Property, plant and equipment (PP&E)	1	-
020	Other than PP&E		
030	Residential immovable property	526	(42)
040	Commercial immovable property	553	(101)
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	67	(30)
070	Other	312	(27)
080	**Total**	**1,459**	**(200)**

31 December 2020		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		€ million	€ million
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E		
030	Residential immovable property	540	(22)
040	Commercial immovable property	646	(106)
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	67	(28)
070	Other	386	(12)
080	**Total**	**1,639**	**(168)**

7.5. Non-performing exposures (continued)

EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

The tables below disclose the total collateral obtained by taking possession by type and by time since date of foreclosure:

31 December 2021		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		**Total collateral obtained by taking possession**									
						Foreclosed ≤2 years		**Foreclosed >2 years ≤5 years**		**Foreclosed >5 years**		**Of which: non current assets held for sale**	
		Gross carrying amount	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
010	**Collateral obtained by taking possession classified as PP&E**	-	-	1	-								
020	**Collateral obtained by taking possession other than classified as PP&E**												
030	Residential immovable property	508	(184)	526	(42)	34	-	282	(14)	210	(28)	82	(15)
040	Commercial immovable property	1,235	(454)	553	(101)	46	-	198	(26)	309	(75)	42	(14)
050	Movable property	-	-	-	-	-	-	-	-	-	-	-	-
060	Equity and debt instruments	53	(11)	67	(30)	-	-	-	-	67	(30)	20	(10)
070	Other	256	(146)	312	(27)	5	-	98	(1)	209	(26)	4	(1)
080	**Total**	**2,052**	**(795)**	**1,459**	**(200)**	**85**	**-**	**578**	**(41)**	**795**	**(159)**	**148**	**(40)**

7.5. Non-performing exposures (continued)

EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

		a	b	c	d	e	f	g	h	i	j	k	l
31 December 2020		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤2 years		Foreclosed >2 years ≤5 years		Foreclosed >5 years		Of which: non current assets held for sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Collateral obtained by taking possession classified as PP&E**	-	-	-	-								
020	**Collateral obtained by taking possession other than classified as PP&E**												
030	Residential immovable property	574	(212)	540	(22)	138	-	381	(16)	21	(6)	34	-
040	Commercial immovable property	1,283	(475)	646	(106)	104	-	357	(35)	185	(71)	15	(1)
050	Movable property	-	-	-	-	-	-	-	-	-	-	-	-
060	Equity and debt instruments	53	(11)	67	(28)	-	-	67	(28)	-	-	20	(10)
070	Other	315	(168)	386	(12)	52	-	324	(8)	10	(4)	10	-
080	**Total**	**2,225**	**(866)**	**1,639**	**(168)**	**294**	**-**	**1,129**	**(87)**	**216**	**(81)**	**79**	**(11)**

7.5. Non-performing exposures (continued)

EU CQ6: Collateral valuation - loans and advances

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

		a	b	c	d	e	f	g	h	i	j	k	l
31 December 2021		Loans and advances to customers											
			Performing		Non performing								
						Unlikely to pay that are not past due or past due ≤90 days	Past due > 90 days						
				Of which past due > 30 days ≤90 days				Of which past due > 90 days ≤180 days	Of which past due > 180 days ≤1 year	Of which past due > 1 year ≤2 years	Of which past due > 2 years ≤5 years	Of which past due > 5 years ≤7 years	Of which past due > 7 years
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Gross carrying amount[1]**	**10,404**	**9,688**	**5**	**716**	**303**	**413**	**18**	**45**	**20**	**88**	**48**	**194**
020	Of which: Secured	9,816	9,201	4	615	233	382	16	42	18	82	47	177
030	Of which: Secured with immovable Property	8,434	7,843	4	591	210	381	15	41	18	80	47	180
040	Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,510	1,414		96	36	60						
050	Of which: Instruments with LTV higher than 80% and lower or equal to 100%	547	433		114	26	88						
060	Of which: Instruments with LTV higher than 100%	737	570		167	79	88						
070	**Accumulated impairment for secured assets**	**(252)**	**(35)**	**-**	**(217)**	**(70)**	**(147)**	**(6)**	**(15)**	**(6)**	**(28)**	**(17)**	**(75)**
080	**Collateral**												
090	Of which value capped at the value of exposure	8,777	8,390	4	387	154	233	10	28	12	54	29	100
100	Of which: Immovable Property	7,304	6,938	4	366	140	226	10	26	12	53	29	96
110	Of which value above the cap	8,184	7,661	7	523	173	350	17	32	15	82	41	163
120	Of which: Immovable Property	7,128	6,644	7	484	160	324	16	32	15	77	40	144
130	**Financial guarantees received**	**62**	**59**	**-**	**3**	**-**	**3**	**-**	**-**	**-**	**-**	**1**	**2**
140	**Accumulated partial write off**	**(950)**	**(88)**	**-**	**(862)**	**(39)**	**(823)**	**(25)**	**(18)**	**(20)**	**(55)**	**(55)**	**(650)**

1. Excluding loans and advances to customers classified as disposal groups held for sale

7.5. Non-performing exposures (continued)

EU CQ6: Collateral valuation - loans and advances

		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances to customers											
			Performing		Non performing								
	31 December 2020					Unlikely to pay that are not past due or past due ≤90 days	Past due > 90 days						
				Of which past due > 30 days ≤90 days				Of which past due > 90 days ≤180 days	Of which past due > 180 days ≤1 year	Of which past due > 1 year ≤2 years	Of which past due > 2 years ≤5 years	Of which past due > 5 years ≤7 years	Of which past due > 7 years
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Gross carrying amount[1]**	**10,927**	**9,286**	**4**	**1,641**	**448**	**1,193**	**11**	**44**	**130**	**294**	**196**	**518**
020	Of which: Secured	10,847	9,285	4	1,562	384	1,178	9	43	130	293	195	508
030	Of which: Secured with immovable Property	8,938	7,530	3	1,408	346	1,062	7	38	111	270	175	461
040	Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,674	1,481		193	64	129						
050	Of which: Instruments with LTV higher than 80% and lower or equal to 100%	841	571		270	42	228						
060	Of which: Instruments with LTV higher than 100%	1,152	569		583	90	493						
070	**Accumulated impairment for secured assets**	**(751)**	**(58)**	**-**	**(693)**	**(47)**	**(646)**	**(3)**	**(18)**	**(57)**	**(141)**	**(109)**	**(318)**
080	**Collateral**												
090	Of which value capped at the value of exposure	8,866	8,073	3	793	277	516	5	23	71	145	86	186
100	Of which: Immovable Property	7,358	6,623	2	735	229	506	5	23	68	144	83	183
110	Of which value above the cap	8,105	7,197	3	908	274	634	8	28	73	157	93	275
120	Of which: Immovable Property	6,991	6,178	3	813	218	595	8	28	70	155	91	243
130	**Financial guarantees received**	**72**	**64**	**-**	**8**	**-**	**8**	**-**	**-**	**1**	**4**	**1**	**2**
140	**Accumulated partial write off**	**(1,235)**	**(101)**	**-**	**(1,134)**	**(91)**	**(1,043)**	**(5)**	**(4)**	**(28)**	**(84)**	**(125)**	**(797)**

1. Excluding loans and advances to customers classified as disposal groups held for sale

7.6. Credit Risk Adjustments

7.6.1. ECL of Loans and Advances to Customers

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.

For loans and advances for which ECL is calculated on an individually assessed basis, 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.

In accordance with Article 110(4) Regulation (EU) No 575/2013 the criteria for the distinction between General Credit Risk Adjustments and Specific Credit Risk Adjustments has to be that general provisions are freely available to meet losses which subsequently materialise. In addition, amounts included in the calculation of General Credit Risk Adjustments should be fully available, as regards to timing and amount, to meet such losses, at least on a gone-concern basis. The Group concluded that both credit risk adjustments from individually and collectively assessed loans, are Specific Credit Risk Adjustments.

7.6.2. Credit Risk Adjustments recorded to Income Statement

Credit losses of financial instruments and net gain on derecognition of loans and advances to customers

	2021	2020
	€ million	€ million
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers	**34**	285
Recoveries of loans and advances to customers previously written off	**(12)**	(21)
Changes in expected cash flows	**16**	13
Financial guarantees and commitments	**2**	(2)
	40	275

Credit losses of other financial instruments		
Other financial assets	**6**	5
	6	5

7.7. 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).

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 made in specific situations in response to legal or regulatory agreements or orders.

7.7. **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 combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:
- Suspension of capital or capital and interest: Granting to the borrower a grace period in the payment of capital (i.e. during this period only interest is paid) or capital and interest, for a specific period of time.
- Reduced payments: decrease of the amount of repayment instalments over a defined short term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: forbearance by capitalisation of the arrears and of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.

Long-term restructuring solutions can include the following:
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or on time sale of assets mainly real estate to reduce borrowing.
- Modification of existing terms of previous decisions: In the context of the new sustainable settlement / restructuring solution, review any terms of previous decisions that may not be met.
- Consolidation / Refinancing of Existing Facilities: In cases where the borrower maintains several separate loans with different collateral, they can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collateral.
- Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace / reduce the current account limit.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Liquidation Collateral: An agreement between BOC PCL and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
- Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
- Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.

Forborne exposures are referred to as rescheduled loans and advances to customers and their definition is aligned with the EBA definition of forborne exposures.

7.7. **Forbearance** (continued)

EU CQ1: Credit quality of forborne exposures

31 December 2021		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**	**Of which: defaulted**	**Of which: impaired**	**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**								
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	8	4	4	4	-	(2)	10	3
060	Non-financial corporations	794	215	215	134	(8)	(79)	831	76
070	Households	192	238	238	238	(6)	(65)	339	165
		994	**457**	**457**	**376**	**(14)**	**(146)**	**1,180**	**244**
	Loans and advances to customers classified held for sale	**2**	**244**	**244**	**244**	**(1)**	**(117)**	**126**	**125**
080	**Debt securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
090	**Loans commitments given**	**27**	**2**	**2**	**2**	**-**	**-**	**19**	**-**
100	**Total**	**1,023**	**703**	**703**	**622**	**(15)**	**(263)**	**1,325**	**369**

7.7. **Forbearance** (continued)

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
31 December 2020		**Gross carrying amount/nominal amount of exposures with forbearance measures**				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		
				Of which: defaulted	**Of which: impaired**				**Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**								
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	13	5	5	5	(1)	(2)	3	3
060	Non-financial corporations	196	304	304	225	(4)	(102)	305	133
070	Households	277	544	544	544	(10)	(221)	564	316
		486	**853**	**853**	**774**	**(15)**	**(325)**	**872**	**452**
	Loans and advances to customers classified held for sale	**23**	**732**	**732**	**732**	**(13)**	**(435)**	**300**	**290**
080	**Debt securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
090	**Loans commitments given**	**9**	**3**	**3**	**3**	**-**	**-**	**5**	**-**
100	**Total**	**518**	**1,588**	**1,588**	**1,509**	**(28)**	**(760)**	**1,177**	**742**

7.7. **Forbearance** (continued)

EU CQ2: Quality of forbearance

The table below presents the gross carrying amount of loans and advances that had been granted forbearance measures in the past and more than twice and the gross carrying amount of NPE forborne loans and advances that are in the category of NPE forborne loans and advances under the cure period of 1 year and that failed to comply with the forbearance measures after the 12-month cure period and therefore did not succeed in moving towards performing forborne status but retained NPE forborne within cure period status.

		a	a
		Gross carrying amount of forborne exposures	
		2021	**2020**
		€ million	**€ million**
010	Loans and advances that have been forborne more than twice	**287**	306
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	**73**	145

The table above does not include loans and advances to customers classified as disposal groups held for sale.

7.8. Exposures in Equities in the Banking Book

The Group holds certain legacy equity securities and certain equity securities obtained from customers in satisfaction of debt. The intention, in line with an ALCO decision, is to run this portfolio down.

Listed equity securities are measured at fair value, being the market value of these securities on a recognised stock exchange. Unlisted securities are also measured at fair value, which is determined using valuation models with inputs form both, market observable data and non-observable data. These models are periodically reviewed by qualified personnel.

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity include, where applicable, prevailing government bond yields, country risk premiums, equity risk premiums, industry inputs (e.g. beta, debt to equity ratio), effective corporate tax rate, prevailing borrowing cost level, and country GDP growth rate. Moreover, valuation of unquoted equity is adjusted for size, lack of control and lack of marketability, where applicable. Corporate valuation is based on business plans and cash flow projections of the company along with the prevailing and net debt position of the company. In cases where cash flow projections are not available prevailing industry multiples are utilised for valuation purposes (e.g. P/E ratio, P/B ratio, EV/EBITDA) with relevant adjustments effected where required.

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. Equity investments at FVOCI comprise mainly investments in private Cyprus registered companies, acquired through loan restructuring activity and specifically through debt for equity swaps.

The carrying value of the Group's equity securities, per the accounting scope consolidation, at 31 December 2021 at FVOCI was €16 million (2020: €15 million) and at FVPL €9 million (2020: €3 million) and it was equal to their fair value, analysed as follows:

	2021	2020
	€ million	€ million
Listed on the CSE	**2**	3
Listed on other stock exchanges	**9**	1
Other unlisted	**14**	14
Total	**25**	18

During the year ended 31 December 2021 and the 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.

7.9. Information on Credit Risk Mitigation Techniques

The Group has implemented various methods in order to achieve effective mitigation of credit risk. Some of the most important methods implemented are listed below:

- Identifying the sectors of the economy where the Bank is not willing to finance or may finance under strict conditions (i.e. dangerous / prohibited sectors of the economy).
- Setting of sanctioning limits for all line/Department Managers and the various Sanctioning/Approving Authorities of the Bank (including the Credit Committees). Automation of the credit scoring process/ sanctioning limit decision (implemented in February 2018), reduces significantly the risk of a credit application being approved by an incorrect approving authority.
- Setting of thresholds relating to LTV Ratios as well as procedures for taking collaterals especially mortgages on residential and commercial properties.
- Issuing circulars and guidelines concerning the granting of credit which are in line with the regulatory directives.

The purpose of collateral is to secure the Bank's claims towards a customer when granting a credit facility and it acts as a credit risk mitigant in the case of customer default.

The Group sets the following criteria for accepting collaterals:

a. They should be sufficient to cover the proposed facility throughout its duration.
b. They should provide capital efficiency and minimum risk.
c. They should be easy to realise in the case of customer default in the current regulatory framework and market availability.

As a principle, the financed asset should be obtained as collateral. Deviations from this rule may be allowed in cases where (a) there is a valid reason for not pledging the financed property (b) the alternative collateral fully covers the finance amount, and (c) an official valuation is performed for both properties by the same valuer and the alternative collateral is deemed to be at least as easily realisable as the property to be financed. When the collateral is in the name of a third party, the personal/corporate guarantee of the third party is usually obtained. For capital efficiency, the duration/maturity of the collateral should be at least the same as that of the facility.

7.9.1. Disclosure of the use of credit risk mitigation techniques

On- and off-balance sheet netting

In most jurisdictions in which the Group operates, credit risk exposures can be reduced by applying netting and set-off. Netting is applied on derivative exposures and set-off on customer advances on-balance sheet exposures.

ISDA agreements allow for netting of credit risk exposure to a counterparty resulting from derivative transactions against obligations to the counterparty in the event of default and therefore produce a lower net credit exposure. These agreements may also reduce settlement exposure (e.g. for FX transactions) by allowing payments on the same day in the same currency to be set-off against one another. The Bank has signed variation margin agreements in line with EMIR margining requirements and to this effect the netted positions are calculated on a daily basis and the threshold is set at 0%. Furthermore, CSA which forms part of ISDA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

Set-off is being applied through the application of the credit mitigation technique of the CRR "On-Balance sheet netting" under Article 195. It is applied to reciprocal same currency cash balances between the institution and the counterparty, reflecting the right of set-off and it is treated as cash collateral for RWAs purposes. Set off is only applied where all minimum requirements described in Article 205 of the CRR are met and only when the institution has the legal right to set off the credit balances of a customer against their debit balances in the absence of legal pledge of cash collateral. The credit balances used for on-balance sheet netting are of account types "Fixed Deposit" and "Notice Accounts" which are flagged by the system requesting the appropriate senior approval before the release of monies to the customer from these accounts.

7.9.1. **Disclosure of the use of credit risk mitigation techniques** (continued)

On-balance sheet netting is only applied in the calculation of RWAs by way of decreasing the exposure amount to be risk weighted. It recognises the balances of deposit accounts which have been flagged as eligible and for which withdrawal is only allowed after internal approval as at the reference date.

Guarantees and credit derivatives used as credit protection for the purposes of reducing capital requirements
The main type of guarantees counterparties recognised as credit risk mitigants in calculating RWA and capital requirements are:
a) Government: Guarantees issued by sovereigns are usually governed by the respective law of the country that issues the guarantee and they should be signed by an authorised representative of the government issuing the guarantee.
b) Bank: They include guarantees issued by local and foreign banks. Bank guarantees are accepted in line with the various Group limits set by the MR and which are based on each bank's credit worthiness.
c) Qualifying Multilateral Development Banks: Explicit guarantees through government/EU support programs for products that satisfy strict minimum requirements under the support programs.

The Group does not have any credit derivatives.

7.9.1. Disclosure of the use of credit risk mitigation techniques (continued)

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

31 December 2021	**Exposures unsecured – carrying amount**	**Exposures secured - carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
Total loans and advances to customers	10,664	8,839	8,777	62	-
Total debt securities	1,922	-	-	-	-
Total exposures	**12,586**	**8,839**	**8,777**	**62**	**-**
Of which non-performing exposures	326	390	386	4	-
Of which defaulted	326	390	386	4	-
31 December 2020	**Exposures unsecured – carrying amount**	**Exposures secured - carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
Total loans and advances to customers	7,660	8,938	8,866	72	-
Total debt securities	1,698	-	-	-	-
Total exposures	**9,358**	**8,938**	**8,866**	**72**	**-**
Of which non-performing exposures	840	801	793	8	-
Of which defaulted	840	801	793	8	-

Balances of debt securities have increased during 2021. This was the net result of various purchases that took place during the year which included mainly Cyprus and other sovereign bonds, bonds of financial institutions and supranational organizations and maturities of debt securities which consisted mainly of Cyprus sovereign bonds and Treasury bills.

7.10. Main Types of Collateral Accepted

The purpose of collateral is to secure the Bank's claims towards a customer when granting a credit facility and it acts as a credit risk mitigant in the case of customer default.

The Group sets the following criteria for accepting collaterals:

a. They should be sufficient to cover the proposed facility throughout its duration.
b. They should provide capital efficiency and minimum risk.
c. They should be easy to realise in the case of customer default in the current regulatory framework and market availability.

7.10. Main Types of Collateral Accepted (continued)

As a principle, the financed asset should be obtained as collateral. Deviations from this rule may be allowed in cases where (a) there is a valid reason for not pledging the financed property (b) the alternative collateral fully covers the finance amount, and (c) an official valuation is performed for both properties by the same valuer and the alternative collateral is deemed to be at least as easily realisable as the property to be financed. When the collateral is in the name of a third party, the personal/corporate guarantee of the third party is usually obtained. For capital efficiency, the duration/maturity of the collateral should be at least the same as that of the facility. Collaterals cover facilities as per agreement with the customer and Bank approval.

Collaterals are classified into two categories:
a. Own (belonging to the borrower).
b. Third Party (belonging to third party, not being the borrower).

Types of collaterals

1. Legal Pledge of Cash Deposit (Cash Collateral)

Pledged deposits (blocked funds) including any interest, are considered as the highest level of security. When the currency of the facility is the same as the currency of the deposit, then the facility must be covered by 105% by cash collateral; in case there is a currency mismatch, MR is consulted to set the acceptable coverage percentage.

2. Government Guarantees

Guarantees issued by sovereigns are usually governed by the respective law of the country that issues the guarantee and they should be signed by an authorised representative of the government issuing the guarantee.

3. Bank Guarantees

These include guarantees issued by local and foreign banks. Bank guarantees are accepted in line with the various Group limits set by the MR and which are based on each bank’s credit worthiness.

4. Mortgages (Legal Charge on Property)

Mortgage on real estate property is the most common form of collateral accepted by the Group. They are generally accepted only when the Group’s claim ranks first over other creditors. Lower ranking mortgages (i.e. 2nd, 3rd, etc.) are accepted only when the Bank has first ranking mortgage as well, or where the country’s legal system protects the value of a second mortgage (or the first ranked mortgagees have restricted their claim). All mortgages are written for the equivalent of the facility amount plus 10%, and in the same currency as the related facility’s currency; in case there is a currency mismatch, MR is consulted to set the acceptable coverage percentage. For buildings, a fire/earthquake insurance policy is also required and it should be assigned in favour of the Group.

5. Assignment of Sale of Contract

When the property offered as collateral has no official title deed necessary for a mortgage, the Group can accept the assignment of the contract of sale. With the assignment of the contract of sale, the buyer of the property assigns to the Group the benefits arising from the contract. The assignment of the contract should be registered with the Land Registry and is considered equivalent to a mortgage provided that the assignment of the sale of contract is accompanied by the corporate guarantee of the developer (seller) and the developer’s (seller’s) related project is mortgaged in favour of the Bank.

7.10. Main Types of Collateral Accepted (continued)

6. Personal/Corporate Guarantees

Whilst personal/corporate guarantees are considered as a weaker form of collateral, they are obtained as additional or supporting collateral to other forms of security held by the Group. For corporate guarantees, Bank's officers need to ensure that this act is permitted in the incorporation documents of the entity giving the guarantee. When the customer is a legal entity, the personal guarantees of the main shareholders/directors, key persons and any other parties having active participation or control in the entity must be obtained. When the debtor is not a local resident, it is recommended to receive personal guarantees from local residents. The amount of the guarantee should be at least equal to the amount of the facility, and if possible, cover any interest or additional charges.

In order to accept the guarantee of an individual or a legal entity, their creditworthiness needs to be assessed. This is done by obtaining the same information for the guarantor as for the borrower, as per the relevant provisions of the CBC Directive on Credit Granting and Review Processes.

7. Fixed Charges

For assets owned by companies, the charge is registered on specific new or existing fixed assets, other than real estate property, of the company. It gives the Bank priority on the charged items over all other creditors including preferential creditors. The ownership, possession and condition of these assets should be verified and where appropriate insurance policies on these assets should be assigned in favour of the Bank.

8. Floating Charges on Bank Assets

This type of security can only be offered by a limited liability company which registers a charge on all of its assets (present and future), without restrictions, in favour of the Group. The Group must ensure that these assets are adequately insured, and the insurance policies are assigned to the Group. The charge gives the Group the right to appoint a receiver in order to manage the company and therefore gives the Group the following advantages:

a. Access to the company's assets in case of dissolution (except over preferential creditors or creditors that hold specific charges on the various assets of the company e.g. mortgages) and
b. Access to unencumbered assets owned by the company.

9. Assignment of Life Insurance Policies

The original beneficiary assigns to the Group all (a) indemnities from the insurance company in case of death of the beneficiary or (b) proceeds from liquidation/termination of investment/endowment policies. Insurance policies can be Term, Life or Investment/Endowment. The life insurance policy should be by insurance companies approved by the Group as eligible life insurance policy providers.

The assignment of life insurance policies may be a lending condition in the following cases:

a. Long term facilities, e.g. housing loans.
b. Unavailability of tangible collateral.
c. The primary collateral offered is considered illiquid.
d. There is dependence on a single individual for the repayment of the customer's facility (including the shareholders-company relationship).

7.10. Main Types of Collateral Accepted (continued)

10. Assignment of General Insurance Policies

Insurance protection on a mortgaged property is a key factor for the reduction of credit risk. It also directly affects the capital adequacy and asset quality. Therefore, it is mandatory for all mortgaged property to be properly and adequately secured against fire, earthquake and other risks and that the rights of the policy are assigned to the Bank. Other General Insurance policies may include buildings, content, motor, personal accident, public liability, etc.

11. Assignment of Receivables

The original beneficiary assigns the receivables to the Group without notification to the paying party. It is a weaker form of collateral unless the Group can notify the debtor of the assignment. Their eligibility depends on:

a. The degree of trust and confidence the Bank has in the assignor.
b. The legal assignability of the receivables.
c. The clear and unambiguous definability of the receivables and their value.
d. The receivables being free from third-party rights.

12. Pledge on Marketable Securities (Shares, Debt Securities, etc.)

Due to its high market volatility and dependency on the prevailing economic conditions, the pledge on marketable securities should be avoided and be accepted only in special cases after careful evaluation. Where the pledge is justified, the market value should be closely monitored to adhere to the Group's requirements. Credit Risk Management in co-operation with MR sets the minimum haircut to be applied to such pledged securities.

7.10.1. Collateral Valuation Policy

It is essential that collaterals offered to the Group as security are valued at the point of credit origination and also monitored at regular intervals. This ensures that the value of the collateral is still adequate to cover the facilities granted by the Group and that they can be taken into account for capital adequacy purposes.

7.10.1.1. Mortgages (Legal Charge on Property)

Mortgaged property is valued by approved independent valuers based on the standards, policies and procedures set by the Bank's Valuations Unit.

Valuation Values

The valuation report presents the following values:

a. Market Value (MV) of the property is based on the assumption that there is a willing buyer / seller within a logical time period and that an arm's length transaction after a logical marketing period can take place, according to the type of property and market conditions.
b. Forced Sale Value (FSV) of a property is calculated at a percentage lower than the market value to estimate the sale price that would be expected on a quick disposal (if required), i.e. the value expected to be reached through a forced sale.

7.10.1.1. Mortgages (Legal Charge on Property) (continued)

c. Insurance values, the report includes both the insurance replacement value ("new for old") and insurance current value of the property to be used as guidelines for insurance purposes by the Bank (properties should be adequately and properly insured as per the Bank's guidelines).

Immovable property collateral should be valued, adhering to European and international standards, which include the European Valuation Standards (Blue Book) and the Royal Institute of Chartered Surveyors (RICS) standards (Red Book).

Valuation amount in case of two or more valuations/discrepancies

Where there are two valuations performed by approved valuers for the same property with different amounts, the lowest of the valuations is taken into account for lending purposes. If there is a discrepancy greater than 20% between the two valuations, they are reviewed by Valuations Unit and if required a third valuation is performed internally.

External Valuers/Monitoring & Control of Valuations

The selection of an external valuer is based on specific criteria and is the exclusive responsibility of the Valuations Unit, without customer or any other Bank unit / department involvement or intervention. This is an inviolable condition. External valuers must be independent of the credit evaluation, approval and granting process. They must not have any conflict of interest regarding the result of the valuation or any interest in the property.

External valuers should not come into contact with customers regarding the valuation, unless this is absolutely necessary in order to complete the valuation (e.g. for buildings where an internal inspection is required or to collect any documents/information relevant to the valuation).

Valuation Frequency/Monitoring

New Lending

New Lending Amount	No. of Valuations
Lending < €3 million	1
Lending > €3 million	2

For new lending over €3 million, in case there is a discrepancy greater that 20% between the two valuations then a third valuation should be performed.

When an application is evaluated for new lending with property offered as collateral, the valuations are carried out by an external independent valuer.

In all cases, the lower of the market value and the purchase value (based on the sales contract) is used.

Revision of Facilities

Properties mortgaged to the Group and held as security are to be monitored at regular intervals, according to the table below, to ensure that the value of the property is still adequate to cover the facilities given by the Group.

For the purpose of monitoring and indexing property values the relevant P.P.I's issued by the Central Bank are used. Residential properties (including land) are monitored against the residential P.P.I. while commercial properties (including land) against the commercial P.P.I. according to the above table. The following four values are given which are used according to the objective of the exercise (lending, capital calculation, provisioning etc.).

7.10.1.1. Mortgages (Legal Charge on Property) (continued)

If there is reason to believe that the value of a specific property has *declined* materially relative to the general property prices provided by the Index, then an official valuation must be requested through the Valuations and Unit. These properties are recognised in two ways: A questionnaire of possible trigger events has been prepared and provided to front line credit officers who, through their continuous communication with their customers, will identify any significant changes in the property prices. In addition, major trigger events that may negatively affect property prices, such as fires, earthquakes, or changes in planning zones are monitored by Valuations Unit, which will inform the relevant credit officers and the CRMD in order to proceed with valuations where necessary.

Amount of Customer Facilities	**Official Valuation Period**
	Commercial and Residential Properties
Below €3 million	No valuation unless there is a material decline in property value
Above €3 million	3 years
	Index Monitoring
Irrespective of amount	Quarterly

Restructuring Facilities
During restructuring applications, the age of the valuation is as follows, unless the LTV of the customer is below 50% based on the most recent valuation:

Facility Amount	**Date of last Valuation**	
	Commercial	Residential
Irrespective of amount	1 year	3 years

Terminated Facilities

For customers whose accounts have been terminated the frequency of valuations is as follows:

Facility Amount	**Frequency/Age of Valuation**
At the time of termination (irrespective of amount)	1 year
Properties securing already terminated accounts	Monitored using appropriate indices, as per paragraph “Revision of Facilities” above.

Properties mortgaged for NPEs should be monitored / revalued according to the table below:

Amount of Customer Group Facilities	**Official Valuation Period**
	Commercial and Residential properties
Irrespective of amount	Immediately when exposure is classified as non-performing
Above €300K	1 year
Below €300K	Index Monitoring - no valuation unless there is a material decline

Cases where a more frequent/immediate valuation is required, at the Bank’s discretion

- When market conditions are volatile, i.e. the market exhibits extraordinary variations in prices (the CBC property indexes may be used as a reference).
- A settlement proposal by the property’s owner or by the principal debtor to pay an amount against the debt, in exchange for the cancellation of the whole or part of a mortgage.

7.10.1.1. Mortgages (Legal Charge on Property) (continued)

- Cancellation or removal of a mortgage from one or more mortgaged properties of a customer, while there are still unsettled obligations. In this case, a revaluation of all properties of the customer which are to remain mortgaged is performed, to verify that the unsettled obligations are adequately secured. Exceptions to this may apply, for example, where recent valuations of the remaining properties are available or where a unit that is part of a project mortgaged in favour of the Bank is sold and the appropriate amount is received against the seller's loan (as previously approved by the appropriate sanctioning authority).
- A decision to sell the mortgaged property through an auction, where a minimum starting auction price must be specified (based on laws relating to foreclosures for which there is a separate procedure).
- A decision by the Bank to purchase the property against settlement of debt (DFAS).
- A decision to sell a problematic mortgaged property to a third party, before it is transferred to the Bank.
- Whenever deemed necessary by the Bank.
- In cases where a property is leased, the property should be checked every year to confirm that it is still used by the leaseholder for their own purposes and that the lease payments are being made normally.
- A significant increase in the LTV ratio of the customer, for example when the LTV exceeds the level specified in the Bank's Lending Policy.

Recoverable Amounts for mortgages

For mortgages registered before 1/1/2001, the recoverable amount is the lowest of the following values:
(i) Mortgage amount + 9% interest from the registration date
(ii) Mortgage amount * 2
(iii) Forced Sale Value
(iv) The maximum amount of the facility secured, where the collateral is specific.

For mortgages registered after 1/1/2001, the recoverable amount is the lowest of the following values:
(i) Mortgage amount + interest (Bank Base Rate + applicable margin) from the registration date
(ii) Forced Sale Value
(iii) The maximum amount of the facility secured, where the collateral is specific.
In all cases, prior mortgages plus interest are taken into consideration.

7.10.1.2. Cash collateral (Lien on credit balances)

The recoverable amount is equal to 100% of the blocked amount and is recognised by the system automatically at origination. Foreign currency blocked amounts are converted automatically to Euro on a daily basis. In case there is a mismatch of the currency of the facility and the currency of the collateral, the additional margin required to cover the exchange rate risk is supplied by Market Risk. Close monitoring of these loans is necessary in order to request additional collateral when the collateral cover falls below certain levels.

7.10.1.3. Assignment of Sale of Contract

Sales contracts do not have a recoverable amount but indirectly acquire value in the following cases:
a. When there is a developer guarantee for the buyer's loan and the project is financed and mortgaged within the same bank.
b. When accompanied by a bank guarantee or letter of allocation (within the Group).

7.10.1.4. Fixed and Floating Charges

In order to calculate the value of the fixed or floating charge, the last audited asset certificate/financial statements respectively must not be older than 18 months.

For the calculation of the value for the assets included in the fixed and/or floating charge, the percentages for different asset classes are as per the regulatory directives.

7.10.1.5. Personal/Corporate Guarantees

For the purpose of facility approval no monetary value is assigned to personal or corporate guarantees.

7.10.1.6. Government Guarantees

The recoverable amount is up to 100% of the guarantee amount. In addition government guarantees must be within the approved country limits.

7.10.1.7. Bank Guarantees

100% of the guarantee value at origination plus interest, where applicable from the date of issue.

7.10.1.8. Pledge on Marketable Securities (Shares, Bonds, Debentures, etc.)

When listed shares are taken as collateral, the Bank should also ensure:

- Such shares are listed on recognised exchanges where access via its own brokers is feasible.
- That these shares are adequately liquid and the Bank will be able to have an exit route without undue risks on its position.
- That no undue concentration exists on any listed share that the Bank holds as collateral.
- BOC shares listed on recognised stock exchanges are generally not accepted as collateral, unless approved by the appropriate sanctioning authority.

Recoverable Amounts	Listed	Non Listed
Shares (Cyprus and abroad)	75% of the market value where the % of shares pledged per customers group does not exceed 3% of the total shares of the company, 50% apply in cases the % of pledged shares exceed the 3%	50% of company net worth
Bonds & Debentures issued by banks (Cyprus and abroad)	90%	90% of NPV
Bonds & Debentures issued by other public companies (Cyprus and abroad)	70%	50% of nominal value provided issuer has positive net asset value
Government Bonds (Cyprus)	100%	100%
Government Bonds & Debentures	Subject to CBC approval	Subject to CBC approval
BOC Money Market Funds	90%	n/a
BOC Enhanced Cash Bond Funds	70%	n/a
BOC UCITS	SRRI	n/a
Other BOC Funds (non-UCITS)	50%	n/a

The recoverable amount is based on the current market value of the securities. For shares listed on the Cyprus Stock Exchange (CSE), the market value is updated on a daily basis automatically based on the latest closing price. For shares traded in other recognised stock exchanges, the market value should be updated manually on a daily basis by the responsible unit/branch.

For non-listed shares, the recoverable amount is calculated manually based on 50% of the net worth of the company based on recent audited accounts (not older than 18 months).

7.10.1.8. Pledge on Marketable Securities (Shares, Bonds, Debentures, etc.) (continued)

For monitoring purposes, the appropriate action should be taken by the responsible officer as follows:

Increase in facility amount in relation to security value	Action taken
+15%	Inform appropriate business line Director – Request additional collateral, deposits, decrease lending, evaluate the possibility of liquidation.
+25%	Inform appropriate business line Director and obtain approval from the related approving authority for immediate liquidation, assessing the impact of such action on the company and its related group.

7.10.1.9. Assignment of Life Insurance Policies

Term life insurance policies have no recoverable amount.

For endowment (investment) life insurance policies, the recoverable amount is 100% of the latest surrender value. This should take into account any possible expenses associated with redeeming the policy.

7.10.1.10. Other Collateral Types

- Pledge on goods (0%).
- Assignment of receivables (0%).
- Positive/Negative pledge (0%).
- Vehicles under stock finance facilities (0%-75%) depending on the age of the vehicle (recorded manually at origination and then depreciated automatically by the system).
- Items under hire-purchase, 50% of net book value at origination and subsequently depreciated automatically according to the type of item.

7.10.1.11. Shipping Mortgages

Shipping collateral is considered a specialised collateral. Valuations need to be based on acceptable valuation sources such as recognised shipbroking firms. Since there is no international recognised body for shipping valuations (equivalent to RICS), it is important to receive estimates from recognised firms with long-standing experience and acceptance by the market. Revaluations are conducted at least on annual basis.

Age of vessel	Recoverable Amount
Up to 20 years	70% of market value
Over 20 years	100% of scrap value

8. Securitisation

Securitisation results from a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is tranched having both of the following characteristics: payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

"Tranche" means a contractually established segment of the credit risk associated with an exposure or a number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

During 2019, the Group disposed a portfolio of loans and advances to customers with a gross book value of €2.8 billion (of which €2.7 billion related to non-performing loans) (the Portfolio) and stock of property with carrying value amounting to €109 million (the Portfolio) and stock of property (known as 'Project Helix' or the 'Transaction') through the transfer of the Portfolio by BOC PCL to a licensed Cypriot Credit Acquiring Company (the 'CyCAC'). The shares of the CyCAC were subsequently acquired by certain funds affiliated with Apollo Global Management LLC (together with its consolidated subsidiaries 'Apollo', the purchaser of the Portfolio). Funds managed by Apollo provided equity capital in relation to the financing of the purchase of the Portfolio.

BOC PCL received consideration of c€1,186 million on completion, reflecting adjustments resulting from, inter alia, loan repayments received on the Portfolio since the reference date of 31 March 2018, of which €45 million concern the BOC PCL participation in the senior debt issued to finance the transaction, representing c4% of the total acquisition funding. Other than the above, BOC PCL has no other securitisation positions. This transaction has been classified as a Traditional Securitisation. In June 2019 the Group has derecognised the disposed portfolio relating to Project Helix.

The senior debt is classified as an investment in debt securities at amortised cost. A cash-flow based ECL approach is used for the calculation of the ECL of this senior term facility. For the calculation of the IFRS 9 Provision and the setting of the IFRS 9 staging, three cash flows streams are needed: The cash flows as per original expectation as at end of June 2019 (optimistic scenario), the baseline cash flows (i.e. the contractual cash flows adjusted to take into account the actual payments of the facility up to date – or expected cash flows) and the adverse scenario cash flows (i.e. the contractual cash flows adjusted to take into account specific haircuts). The ECL is calculated as the weighted loss arising by comparing its IFRS gross carrying amount (calculated in the previous period) to the sum of discounted expected cash flows of the three scenarios. In case no loss arises by comparing the above cash flows, the ECL will be the product of i) the balance sheet amount of the bond, ii) a 12-month PD of 3,22% which is based on the rating of the Bank which is single B and iii) a loss given default (LGD) of 10% which is the floor of the Basel 3 revised IRB framework based on residential and commercial real estate.

The Group does not have any material retained positions and there is no need for further hedging. No re-securitisations are applied.

Securitisation activities of the Group are accounted for in accordance with IFRS 9.

BOC PCL, being the originator to the securitisation position held, applies the Standardised Approach for Securitisation Positions (SEC-SA). The look-through approach is used in calculating the RWA and capital requirements for the position held in traditional and non-STS securitisation under article 261 of the EU Regulation 2017/2401 amending the CRR. No ECAIs are applied in its securitisation position. Analyses on the securitisation position held by the Group and its underlying securitised assets are illustrated in the following tables.

8. Securitisation (continued)

EU-SEC1 - Securitisation exposures in the non-trading book

31 December 2021		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	-	-	24	24	-	-	24	-	-	-	-	-	-	-	-
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	24	24	-	-	24	-	-	-	-	-	-	-	-
8	Loans to corporates	-	-	24	24	-	-	24	-	-	-	-	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Other Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. **Securitisation** (continued)

EU-SEC1 - Securitisation exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
30 June 2021		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	-	-	30	30	-	-	30	-	-	-	-	-	-	-	-
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	30	30	-	-	30	-	-	-	-	-	-	-	-
8	Loans to corporates	-	-	30	30	-	-	30	-	-	-	-	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Other Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Securitisation (continued)

EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
31 December 2021		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	-	-	-	24	-	-	-	24	-	-	-	25	-	-	-	2	-
2	Traditional transactions	-	-	-	24	-	-	-	24	-	-	-	25	-	-	-	2	-
3	Securitisation	-	-	-	24	-	-	-	24	-	-	-	25	-	-	-	2	-
4	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	24	-	-	-	24	-	-	-	25	-	-	-	2	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Securitisation (continued)

EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
31 December 2020		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	**-**	**-**	**-**	**30**	**-**	**-**	**-**	**30**	**-**	**-**	**-**	**33**	**-**	**-**	**-**	**3**	**-**
2	Traditional transactions	-	-	-	30	-	-	-	30	-	-	-	33	-	-	-	3	-
3	Securitisation	-	-	-	30	-	-	-	30	-	-	-	33	-	-	-	3	-
4	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
6	Wholesale	-	-	-	30	-	-	-	30	-	-	-	33	-	-	-	3	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

8. Securitisation (continued)

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

31 December 2021		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		**Total amount of specific credit risk adjustments made during the period**
			Of which exposures in default	
		€ million	**€ million**	**€ million**
1	**Total exposures**	5,781	5,774	456
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	5,781	5,774	456
8	loans to corporates	5,781	5,774	456
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

8. Securitisation (continued)

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (continued)

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
	31 December 2020	**Total outstanding nominal amount**		**Total amount of specific credit risk adjustments made during the period**
			Of which exposures in default	
		€ million	**€ million**	**€ million**
1	**Total exposures**	5,862	5,855	437
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	5,862	5,855	437
8	loans to corporates	5,862	5,855	437
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

9. Exposure to Interest Rate Risk on Positions in the Banking Book

9.1. Nature of the Interest Rate Risk and Key Assumptions

Interest Rate Risk in the Banking Book refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. Moreover, optionalities embedded in the Bank's products may give rise to interest rate risk.

In order to control/quantify/monitor the risk from changes in interest rates, the outcomes of two types of analysis are calculated on a monthly basis:

a. Impact on the NII – earnings measure
b. Impact on the EV – EV measure

In addition to the above two types of measures, interest rate risk for EUR (which consists of the bulk of the Group's balance sheet) is also measured using interest rate gap analysis where the assets, liabilities and off balance sheet items are classified according to their remaining reprising 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.

Impact on NII is measured assuming either that the composition of the Banking Book remains the same (static balance sheet) or dynamic balances in line with the Group's Financial Plan, depending on the scenario undertaken. As per the analysis undertaken for the preparation of the market risk policy no prepayment models are used due to:

1. the immaterial amount of loans subject to prepayment risk and the macroeconomic conditions in Cyprus (high unemployment rate, reduction in salaries etc.). As per the new Mortgage Credit Directive (voted in April 2017) the Bank is allowed to charge the interest rate cost, in cases the customer repays early (instead of only admin charge) for all new mortgage loans irrespective of the loan amount and with no retrospective effect. Furthermore, the analysis performed by the Bank for the portfolio before the new 2017 aforementioned legislation, indicates that loans subject to prepayment risk on which no interest rate cost can be charged are decreasing. As per the latest analysis performed, the amount of fixed rate loans that are subject to prepayment risk was around €1.2 million as at the end of December 2021 (€5.4 million as at the end of December 2020). The analysis indicates that no prepayment modelling is required. Prepayment of loans will be assessed for modelling only if the ratio of loans for which no penalty can be charged over the total loans is greater than 1%

2. the low level of fixed deposits that allow withdrawals without a penalty charge and low usage of the option to withdraw early. Early withdrawal of deposits will be assessed for modelling when the ratio of the deposits allowing withdrawals without penalty over the total fixed deposits is greater than 1%.

It is noted that the Bank may at its discretion allow its customers to prepay their loans. However, in the case of loan prepayments, penalty charges can apply for fixed rate loans, to cover any associated cost.

The prepayment related risk is measured and reviewed at least on an annual basis.

9.1. Nature of the Interest Rate Risk and Key Assumptions (continued)

Treatment of Non-Maturing Deposits

Non-Maturing Deposits (NMDs) are liabilities which are free to be withdrawn at any time since they have no contractually agreed maturity date. Historically, NMDs proved to be stable, even when market rates change. Any interest rate paid on these deposits is usually lower than that paid on other sources of funding. The core[1] deposit assumptions and the maturity profile of these accounts are modelled. It is noted that the assumed maturity profile for all categories is constrained to the tenor limit in line with the BASEL guidelines. Maturity profile assumptions vary according to depositor characteristics (e.g. retail or wholesale) and accounts characteristics (e.g. transactional or non-transactional).

The longest repricing maturity assigned to NMDs is 10 years whereas the average repricing maturity is estimated to be 5 years for retail transactional NMDs, 4.5 years for retail non-transactional NMDs and 3.5 years for wholesale NMDs.

Floor on Deposits

All deposit categories are assumed to have a 0% floor, given that it would be unlikely for the Bank to offer negative deposit rates. However, the Bank is already charging a liquidity fee to certain legal entities. Even though all deposit categories are assumed to have a 0% floor, there is NII benefit in case of decrease in rates arising from accounts in which the liquidity fee is applicable.

Notice Accounts

In the case of decrease in rates, Notice accounts, are assumed to have a time lag due to the requirement by PSD to give a 75 days notice to its clients. This means that the impact of interest rate of these accounts is delayed due to this time lag.

Beta of Bank Base Rate Loans, Fixed Deposits and Notice accounts

It is noted that the EUR Bank base rate loans (referenced to the CBC deposit index) have high correlation to the changes of the fixed deposits and notice account rates. It is noted that Bank base rate loans are revised quarterly and are directly linked to the CBC benchmark rate which is lagged by 2 months compared to the current month. Based on statistical evidence, the sensitivity of CBC index to the Bank’s EUR Fixed Deposits and Notice accounts is 79% in case of increasing rates and 100% in case of decreasing rates. The relationship of the fixed and notice deposit rates to market rate changes has been defined, after taking feedback from the Business Lines.

Floor on Loans

For existing loans, a floor of 0% on the reference rate is applied only where there is a contractual agreement in place. All new volumes of loans are assumed to have a floor of 0% on the reference rate, given that such a condition is included in all new loan contracts.

Treatment of Equity

Equity does not impact the EV or NII calculations of the Bank.

Interest Rate scenarios

The interest rate risk scenarios selected by the Bank consider:

1. Up and down parallel shifts in the yield curve of varying magnitude based on statistical analysis of past behaviour of interest rates
2. Changes in the yield curve shape (flattening, steepening, short up and down etc.) and
3. Basis risk i.e. changes in the relationships between different key market rates.

---

[1] Core deposits are those balances of NMDs that would remain in a place with high probability, based on historical evidence. Statistical analysis indicates that these accounts are unlikely to reprice even under significant changes in interest rates.

9.1. Nature of the Interest Rate Risk and Key Assumptions (continued)

It is noted that different interest rate scenarios apply to exposures in different currencies that account more than 5% of either banking book assets or liabilities. Currencies with less than 5% will be included until the sum of assets or liabilities included in the calculation is at least 90%. No change in NII and EV is calculated for the rest of the currencies.

The Interest Rate Effects under the BASEL scenarios (in line with the scenarios presented in the BCBS April 2016 paper) are produced on a quarterly basis and are presented for information purposes. No compliance with limits is required.

Stress Testing is performed on an annual basis as part of the ICAAP process, including the standard regulatory shock which involves sudden +/-200 basis points change of the yield curve applying a floor of 0% to all loans with a contractual floor agreement and to all deposits (regulatory shock is done on a quarterly basis). If +/-200 basis points is lower than the actual level of change in interest rates, calculated using the 1st and 99th percentile of observed one-day interest rate changes over a five year period scaled up to a 240-day year, the higher level of shock arising from the latter calculation should be applied as the standard shock.

The market rate shocks for EUR and USD, which are the currencies corresponding to the bulk of the Bank's balance sheet items are indicated below:

EUR: Parallel UP / DN: +/- 50 bps, Steepening: 1 day:-50 bps & 360 mons: 50 bps, Flattening: 1 day: +50 bps & 360 mons: -50 bps, Short UP / DN: 1 day: +/- 50 bps & 360 mons: 0 bps.

USD: Parallel UP / DN: +/- 60 bps, Steepening: 1 day:-60 bps & 360 mons: 60 bps, Flattening: 1 day: +60 bps & 360 mons: -60 bps, Short UP / DN: 1 day: +/- 60 bps & 360 mons: 0 bps.

The above shocks were calculated using statistical analysis of historical interest rates.

9.2. Impact of Downward and Upward Rate Shocks

The ALCO recommends the policy and limits on the maximum allowable interest rate risk in the banking book, for each currency, which are then approved by the BoD through its RC. The exposure is described below.

The aggregation of exposures for all currencies is done by adding together any negative and 50% of any positive EVE changes as per EBA guidelines.

Movements in interest rates affect the Bank's banking book positions and can pose a risk to the Bank's EVE (Economic Value of Equity) and NII (Net Interest Income). When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a Bank's assets, liabilities and off-balance sheet items and hence its EVE. Changes in interest rates also affect a Bank's NII by altering interest rate-sensitive income and expenses. The NII (Net Interest Income) and EVE (Economic Value of Equity) measures are considered of complementary nature (a transaction subject to interest rate risk cannot stabilize both NII and EVE at the same time). The bulk of the Bank's EVE and NII exposure arises mainly from the customer advances and customer deposits. The variations identified in ΔEVE and ΔNII under the various supervisory interest rate scenarios compared to the previous disclosure reference date arising mainly from the revised assumptions on IRRBB as per the latest approved Market Risk Policy as well as due to the change of market rates between the two disclosure reference dates.

EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		**Changes of the net interest income**	
		31 December 2021	**30 June 2021**	**31 December 2021**	**30 June 2021**
		€ million	**€ million**	**€ million**	**€ million**
1	**Parallel up**	15	(67)	159	116
2	**Parallel down**	218	294	(46)	(35)
3	**Steepener**	46	44		
4	**Flattener**	53	58		
5	**Short rates up**	54	15		
6	**Short rates down**	151	217		

10. Remuneration Policy and Practices

The Group Remuneration Policy captures provisions from the CSE Code, the UK Code in line with the Bank's decision to comply with the UK Code 2018 as of 26 November 2018, MiFID II, and relevant Directives and Guidance of the EU, the ECB and the CBC. The Group Remuneration Policy aims to align the remuneration of directors, Executive Management, officers and staff with the business strategy, objectives and long-term interests of the Group. It is consistent with the effective management of risks and does not encourage excessive risk-taking.

10.1. Board Human Resources and Remuneration Committee (HRRC)

10.1.1. The Role of the HRRC

The HRRC is responsible for the development and periodic review of the Group Remuneration Policy which is presented to the BoD for ratification. In addition, the BoD, through the HRRC, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The role of the HRRC is:
- To oversee that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals, whose reward will be based on personal performance and Group results.
- To oversee that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour which would lead to the desired outcome.
- To oversee that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market and sustainability for the future.
- To review, agree and recommend to the Board the overarching principles and parameters of compensation and benefits policies across the Group and exercise oversight for such issues.
- To review the remuneration arrangements of the executive Directors of the Group, senior management and the Group Remuneration Policy bearing in mind the EBA Guidelines on remuneration policies and practices, the CBC Governance Directive, the UK Code, the CSE Code and any other applicable or regulatory requirements.

The HRRC, through a formal and transparent process, considers, agrees, recommends to the Board and keeps under review an overall remuneration policy for the Group (the "Group Remuneration Policy") on an annual basis which:
- applies to all executive directors, senior management and other staff across the Group;
- aligns remuneration with job value, individual performance and potential;
- takes into account market conditions;
- is aligned with the Group's long-term business strategy and objectives, its values and its long-term interests;
- is in line with the regulatory framework;
- is aligned with the Group's capital and liquidity availability, the interests of its shareholders, does not encourage excessive risk taking and ensures an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
- reviews and approves the remuneration packages of executive members of Group BoD vis-à-vis their performance;
- reviews remuneration packages of senior management and other key personnel whose total annual fixed remuneration exceeds €120 thousand as follows:
    - **All Divisional Directors that report directly to the CEO or Deputy CEO or an Executive Director (ExCo), General Managers of major subsidiaries (EuroLife, GIC) and other employees whose total annual remuneration exceeds €120 thousand:** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the HRRC reviews and approves their remuneration packages, (including salary, pension policy or any additional provident fund, contributions, option plans and other types of compensation), recommended by the CEO.

10.1.1. The Role of HRRC (continued)

- **Divisional Directors and other staff that report to Board Committees (RMD, Internal Audit, Compliance, Information Security):** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the HRRC reviews and approves their remuneration packages, recommended by the respective Committee (RC and AC) in cooperation with Human Resources.

- proposes to the Board for approval, the fees payable to the Chairperson and Vice Chairperson of the Board.

10.1.2. Composition and Meetings of the HRRC

The HRRC has a minimum of 3 members who are appointed by the BoD on an annual basis. In 2021, the Committee comprised of 4 members, the majority of whom independent. Mrs Maria Philippou, a member of the Committee since 23 July 2018, was appointed chairperson on 1 June 2020.

The HRRC holds regular meetings and, additionally, ad hoc meetings whenever called by the chairperson, or any two other members of the Committee. The quorum for a meeting is assumed to be when 2 members or 50% rounded up whichever is the highest. The HRRC keeps detailed minutes of its meetings. The HRRC has authority to obtain independent advice and information from external parties whenever this is considered necessary.

The HRRC held 11 meetings at Group level during 2021. The HRRC reviewed and approved the Group's Remuneration Policy. Additionally, the Committee reviewed the Bank's annual performance appraisal results and main findings and has been kept informed of - and provided feedback on – various HR practices and initiatives.

The HRRC reviewed its terms of reference in order to ensure continuing appropriateness and full alignment with regulatory framework.

10.1.3. Relevant Stakeholders

The HRRC ensures that internal control functions (i.e. Internal Audit, RMD and Compliance) and the HR Division are involved in the design, review and implementation of the Group Remuneration Policy.

In developing its Group Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the UK Code as well as the CBC Directive on Internal Governance of Credit Institutions 2021 and incorporated the requirements for Remuneration Policies included in CRD V, as well as the regulatory restrictions currently pertinent to the banking sector.

10.2. Performance Related Pay

Remuneration schemes in BOC PCL take into consideration stakeholder (Trade Union) consultation and agreement as well as the prevailing regulations and guidance.

10.2.1. Fixed Remuneration

Fixed Remuneration refers to the staff's main form of remuneration. It comprises of salary and any applicable (including non-discretionary) position allowances and is determined by employment contracts, collective agreements (where applicable) and employment legislation.

10.2.1. Fixed Remuneration (continued)

- **Fixed Remuneration is based on the following criteria:**
  - **Job Value:** The focus is on the job (requirements and contribution to the Banks business results) rather than the job holder's seniority or education.
  - **Individual contribution and potential:** The focus is on the employee's performance over time, his/her level of experience and his/her potential to undertake upgraded duties.
  - **Applicable legislation, regulations and collective agreement.**

- **Changes in fixed remuneration:**

  Changes in fixed remuneration can be effected in the following cases:

  I. **Annual Increments (Pay movement within Pay Scale):**
     - Granted to all employees based on tenure (annually, on the anniversary of their date of employment).
     - The amount is fixed and is linked to the employee's salary scale.
     - Governed by the applicable provisions of the collective agreement.

  II. **Merit Pay Increases (from 2022 onwards):**
     - Discretionary and granted as a percentage of annual base salary.
     - Granted on the basis of well-defined criteria, which are agreed with the Trade Union.
     - Enables the Bank to differentiate and reward strong performers and create a performance culture.

  III. **Promotions (Pay movement across Pay Scales):**
     - Granted to selected employees on the basis of well-defined criteria (job value, performance, potential, years of service / years at position).
     - Under normal circumstances, promotions to a higher salary scale are accompanied by the granting of an additional annual increment (of the new salary scale).

10.2.2. Variable Remuneration

Variable remuneration refers to the additional discretionary remuneration paid to an individual as an incentive for increased productivity and competitiveness. It is based on the performance of the specific individual, the overall performance of the business unit the individual belongs to, the Group's consolidated financial results and the prevailing economic market conditions. Variable remuneration might include financial instruments such as cash bonus schemes, performance shares or share option plans, at the discretion of the Bank.

Variable remuneration should reflect a sustainable and risk adjusted performance. The assessment of the performance is set in a multi-year framework in order to ensure that the process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes into account the underlying business cycle of the Group and its business risks.

10.2.2. Variable Remuneration (continued)

Variable remuneration aims to:

a) Elicit the appropriate behaviors that will produce the desired outcome, both in the short and long term;
b) Increase employee's commitment towards the achievement of the Group's long-term objectives within a given set of values;
c) Enhance employee's performance over a long-term basis, within the Bank's risk-taking framework;
d) Align employee's long-term interests with those of the Bank's shareholders;
e) Ensure that the value created is shared fairly between employees and shareholders, and
f) Retain high performers and attract talent.

Up to 100% of variable remuneration is subject to vesting, claw back and malus in accordance with criteria which include the following:

- Evidence of misbehavior or serious error by the staff member (e.g. breach of Employee Code of Conduct, Code of Ethics, Employment Contract and other internal rules, especially concerning risks and compliance);
- When the Bank and/or the business unit in which the staff member works subsequently suffers a significant downturn in its financial performance;
- When the employee leaves the Group;
- When there are significant changes in the Bank's economic, or capital base;
- Manipulation of financial performance or window dressing practices, and
- Hedging against a downward adjustment in compensation.

There is currently no approved variable remuneration scheme in place in Group, therefore no amount of variable remuneration has been paid during 2021 and the 2020. Following the final 2021 SREP decision, the previous restriction on variable pay was lifted (2020: capped at 10% of consolidated net revenues). In case the Group benefits from government intervention, then all restrictions that derive from the relevant legislation will apply.

10.2.3. Short-Term and Long-Term Incentive Plans (e.g. Performance Shares or Share Option Plans)

The BoD, following recommendation of the Group HRRC, may approve the implementation of a Short Term and/or Long-Term Incentive Plan for a certain group of employees. The implementation of share based or share linked Incentive Plans is subject to approval by shareholders at a General Meeting by special resolution.

There was no outstanding deferred remuneration as at 31 December 2021 and 2020.

10.2.4. Non-Monetary Incentives

The BOC PCL has in place a Team Incentive scheme which is incentivising employees of the front line (Consumer and SME, Corporate Banking, International Business, Insurance Business) based on predefined KPIs. The awards given are all non-monetary and take the form of Hotel Accommodations or Weekend Trips for the whole team, so as to promote also the team bonding and team collaboration.

10.2.5. Control Functions Pay

Remuneration of staff engaged in control functions (Internal Audit, Risk Management, Compliance and Information Security) must be weighed in favour of fixed remuneration so as to reflect the nature of their responsibilities. Staff engaged in control functions is compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

10.2.6. Pension Fund obligation risk

Pension obligation risk is the risk caused by BOC PCL contractual or other liabilities to or with respect to a pension scheme. It also covers payments BOC PCL may make because of a moral or other obligation. BOC PCL has immaterial exposure to pension schemes and therefore there is no additional capital requirement for pension risk.

10.3. Design and Structure of Remuneration

10.3.1. Non-Executive Directors

The remuneration of non-executive directors is not linked to the profitability of the Group. The remuneration of non-executive directors is related to the responsibilities and time devoted for BoD meetings and decision-making for the governance of the Group, and for their participation in the committees of the BoD and the boards of Group subsidiary companies. The shareholders' AGM held on 25 May 2021 approved the same levels of remuneration as those approved at the AGM on 26 May 2020 for all NEDs of the Board and the committees, except for the remuneration of the Chairman and the remuneration of the members of the NCGC.

Non-Executive Directors are not eligible for variable remuneration or participation to a share option scheme.

10.3.2. Executive Directors

Remuneration Policy
The HRRC sets the remuneration of executive directors (jointly with NCGC), and reviews their employment contracts (unless they are members of the senior management team and their terms of employment are based on the provisions of the collective agreement, excluding the CEO).

Contracts of Employment
The remuneration (salary and bonus) of executive directors is set out in their employment contracts which can have a maximum duration of five years, unless any of the executive directors is an appointed member of the senior management team, in which case the terms of employment are based on the provisions of the collective agreement in place, excl. CEO.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

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

Bonus
No bonuses were recommended by the BoD for executive directors for the year 2021 and 2020.

Retirement Benefit Schemes
The CEO participates in a defined contribution plan largely on the same basis as other employees. The other Executive Director participates in a defined contribution plan on the same basis as other employees.

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.

Share Options
No share options were granted to executive directors during 2021.

10.3.2. Executive Directors (continued)

Other Benefits
Other benefits provided to the executive directors include other benefits provided to staff, medical fund contributions and life insurance.

10.4. Fees and Emoluments of Members of the Board of Directors and Other Identified Staff

EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
		2021	**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff****
			€ million	**€ million**	**€ million**	**€ million**
1	Fixed remuneration	Number of identified staff	10	2	23	105
2		Total fixed remuneration	**1**	**1**	**4**	**9**
3		Of which: cash-based	1	1	4	9
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	Variable remuneration*	Number of identified staff	-	-	-	-
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		**1**	**1**	**4**	**9**

* No variable remuneration was given during 2021.
** Other identified staff positions were approved by the Board in December 2020.

10.4. Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM1 - Remuneration awarded for the financial year

		2020	a	b	c	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff****
			€ million	**€ million**	**€ million**	**€ million**
1	Fixed remuneration	Number of identified staff	9	2	22	103
2		Total fixed remuneration	**1**	**1**	**4**	**9**
3		Of which: cash-based	1	1	4	9
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	Variable remuneration*	Number of identified staff	-	-	-	-
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		**1**	**1**	**4**	**9**

* No variable remuneration was given during 2020
** Other identified staff positions were approved by the Board in December 2020.

10.4. Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

The ‘’Other senior management’’ emoluments include the remuneration of the members of the senior management namely:

- All Divisional Directors that report to the CEO, Deputy CEO or an Executive Director (ExCo)-incl. Chief Legal Officer
- General Managers of major subsidiaries (EuroLife Ltd and GIC) and
- Divisional Directors that report to Board Committees.

No identified staff had total emoluments for the year 2021 and 2020, including employer’s contributions and other benefits, above €1.0 million.

Other identified staff does not form part of other senior management.

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

	2021	a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff***
		€ 000	**€ 000**	**€ 000**	**€ 000**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	2	3
7	Severance payments awarded during the financial year - Total amount	-	-	**271**	**600**
8	Of which paid during the financial year	-	-	271	600
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

* Other identified staff positions were approved by the Board in December 2020.

10.4. Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2020	a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff***
		€ 000	**€ 000**	**€ 000**	**€ 000**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	-	2
7	Severance payments awarded during the financial year - Total amount	-	**450**	-	**400**
8	Of which paid during the financial year	-	450	-	400
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

* Other identified staff positions were approved by the Board in December 2020.

10.4. Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2021	a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**140**
2	Of which: members of the MB	10	2	12							
3	Of which: other senior management				2	1	1	4	4	11	
4	Of which: other identified staff				6	6	7	23	24	39	
5	**Total remuneration of identified staff (€million)**	**1**	**1**	**2**	**2**	**1**	**1**	**3**	**2**	**4**	
6	Of which: variable remuneration (€ million)	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration (€ million)	1	1	2	2	1	1	3	2	4	

	2020	a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**136**
2	Of which: members of the MB	9	2	11							
3	Of which: other senior management				2	1	1	4	3	11	
4	Of which: other identified staff				5	5	7	24	22	40	
5	**Total remuneration of identified staff (€million)**	**1**	**1**	**2**	**1**	**1**	**1**	**3**	**2**	**5**	
6	Of which: variable remuneration (€ million)	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration (€ million)	1	1	2	1	1	1	3	2	5	

10.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel (continued)

The fees of the non-executive directors include fees as members of the BoD of the Bank and its subsidiaries, as well as of committees of the BoD. They include the fees and benefits for the period that they serve as members of the BoD. There is no other remuneration other than what is disclosed in this note.

Information regarding the remuneration of Members of the Board of Directors

2021	Remuneration for services	Remuneration for participation in the Board of Directors and its Committees	Total remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual contribution to retirement benefits
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors								
Panicos Nicolaou (Chief Executive Officer)	752	-	752	-	-	-	752	61
Eliza Livadiotou (Executive Director Finance & Legacy - appointed on 6 October 2021, following ECB approval)	92	-	92	-	-	-	92	7
Non-Executive Directors								
Efstratios-Georgios Arapoglou	-	215	215	-	-	-	215	-
Maksim Goldman	-	113	113	-	-	-	113	-
Arne Berggren	-	113	113	-	-	-	113	-
Lyn Grobler	-	154	154	-	-	-	154	-
Dr. Michael Heger	-	113	113	-	-	-	113	-
Ioannis Zographakis	-	198	198	-	-	-	198	-
Paula Hadjisotiriou	-	119	119	-	-	-	119	-
Maria Philippou	-	119	119	-	-	-	119	-
Nicolaos Sofianos (appointed on 26 February 2021, following ECB approval)	-	100	100	-	-	-	100	-
Constantine Iordanou (appointed on 29 November 2021, following ECB approval)	-	6	6	-	-	-	6	-
	844	**1,250**	**2,094**	**-**	**-**	**-**	**2,094**	**68**

10.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel (continued)

Information regarding the remuneration of Members of the Board of Directors

2020	Remuneration for services	Remuneration for participation in the Board of Directors and its Committees	Total remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual contribution to retirement benefits
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors								
Panicos Nicolaou (Chief Executive Officer)	537	-	537	-	-	-	537	40
Dr. Christodoulos Patsalides (resigned on 31 October 2020)	220	-	220	-	-	450	670	15
Non-Executive Directors								
Efstratios-Georgios Arapoglou	-	154	154	-	-	-	154	-
Maksim Goldman	-	117	117	-	-	-	117	-
Arne Berggren	-	112	112	-	-	-	112	-
Anat Bar-Gera (resigned on 26 May 2020)	-	35	35	-	-	-	35	-
Lyn Grobler	-	135	135	-	-	-	135	-
Dr. Michael Heger	-	117	117	-	-	-	117	-
Ioannis Zographakis	-	207	207	-	-	-	207	-
Paula Hadjisotiriou	-	110	110	-	-	-	110	-
Maria Philippou	-	102	102	-	-	-	102	-
	757	**1,089**	**1,846**	**-**	**-**	**450**	**2,296**	**55**

10.5. Additional Information

Every year, the HRRC proposes to the BoD, the Annual Remuneration Policy Report which forms part of the Annual Corporate Governance Report of the Group. The Remuneration Policy Report is submitted to the shareholders' AGM for approval.

11. Asset Encumbrance

Asset encumbrance means pledging an asset or entering into any form of transaction to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. An asset is categorised as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations.

The regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance, in the Report is in line with the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility. There is no intragroup encumbrance neither any encumbrance of assets or source of encumbrance by any significant currencies other than the reporting currency.

Asset encumbrance ratio is part of the Liquidity Policy as well as the Public Funding Policy and Collateral Management Policy. It is used as a management indicator and not a critical limit. It provides a signal that the management can combine with other tools to decide if any action is deemed necessary. It also ensures that no excessive assets encumbrance occurs without any justified reason. The ratio is monitored quarterly.

Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group, but are released once the transactions are terminated. Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

All tables below are based on EBA reporting templates pertaining to Asset Encumbrance under CRD. The values presented, including totals, are median values based on quarter end point-in-time (PiT) figures covering the year ended 31 December 2021.

11.1. Encumbered and Unencumbered Assets by Asset Type

EU AE1 - Encumbered and unencumbered assets

2021		Carrying amount of encumbered assets	Of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	Of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	Of which EHQLA and HQLA	Fair value of unencumbered assets	Of which EHQLA and HQLA
		€million	€million	€million	€million	€million	€million	€million	€million
010	**Assets**	**4,433**	**1,061**			**18,989**	**8,961**		
030	**Equity instruments**	**-**	**-**	**-**	**-**	**20**	**-**	**20**	**-**
040	**Debt securities**	**1,264**	**1,061**	**1,275**	**1,072**	**671**	**634**	**670**	**634**
050	*of which: covered bonds*	*2*	*2*	*2*	*2*	*144*	*144*	*145*	*145*
060	*of which: securitisations*	*-*	*-*	*-*	*-*	*26*	*-*	*26*	*-*
070	*of which: issued by general goverments*	*879*	*879*	*887*	*887*	*183*	*183*	*183*	*183*
080	*of which: issued by financial corporations*	*386*	*187*	*388*	*191*	*483*	*306*	*483*	*305*
090	*of which: issued by non-financial corporations*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
120	**Other assets**	**3,141**	**-**			**18,299**	**8,327**		

2020		Carrying amount of encumbered assets	Of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	Of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	Of which EHQLA and HQLA	Fair value of unencumbered assets	Of which EHQLA and HQLA
		€million	€million	€million	€million	€million	€million	€million	€million
010	**Assets**	**2,994**	**177**			**17,566**	**1,373**		
030	**Equity instruments**	**-**	**-**	**-**	**-**	**20**	**-**	**20**	**-**
040	**Debt securities**	**177**	**177**	**178**	**178**	**1,625**	**1,373**	**1,640**	**1,389**
050	*of which: covered bonds*	*4*	*4*	*4*	*4*	*166*	*166*	*166*	*166*
060	*of which: securitisations*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
070	*of which: issued by general goverments*	*150*	*150*	*150*	*150*	*928*	*928*	*939*	*939*
080	*of which: issued by financial corporations*	*28*	*28*	*28*	*28*	*696*	*445*	*701*	*450*
090	*of which: issued by non-financial corporations*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
120	**Other assets**	**2,840**	**-**			**15,921**	**-**		

11.1. Encumbered and Unencumbered Assets by Asset Type (continued)

Encumbered assets primarily consist of loans and advances to customers (which are included in 'Other assets' c.€3.2 billion as at 31 December 2021) and investments in debt securities. These are mainly pledged for the funding facilities of the European Central Bank (ECB) and for the covered bond.

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.

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.

Loans and advances to customers include mortgage loans of a nominal amount of €1,007 million as at 31 December 2021 (2020: €1,017 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2021 housing loans of a nominal amount of €2,091 million (2020: €1,827 million) in Cyprus, are pledged as collateral for funding from the ECB.

BOC PCL maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 28 May 2021, the terms of the covered bond were amended to extend the maturity date to 12 December 2026 and set the interest rate to 3 months Euribor plus 1.25% on a quarterly basis. The covered bonds are listed on the Luxemburg Bourse and have a conditional Pass-Through structure. All the bonds are held by BOC PCL. The covered bonds are eligible collateral for the Euro system credit operations and are placed as collateral for accessing funding from the ECB.

The vast majority of encumbered assets are within the Bank.

As at 31 December 2021, the Group has €19.5 billion of unencumbered assets. Included in this amount are other assets of €9.7 billion which consist mainly loans and advances to customers, intangible assets, tax assets, fixed assets, derivative assets and non-current assets and disposal groups classified as held for sale. Additionally, included in this amount are assets of €2.3 billion which would not be deemed available for encumbrance in the normal course of business.

11.2. Collateral Received by Product Type

EU AE2 - Collateral received and own debt securities issued

	2021	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		€ million	€ million	€ million	€ million
130	**Collateral received**				
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**			**-**	**-**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**4,433**	**1,061**		

11.2. Collateral Received by Product Type (continued)

EU AE2 - Collateral received and own debt securities issued

2020		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		€ million	€ million	€ million	€ million
130	**Collateral received**				
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**			**-**	**-**
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**2,994**	**177**		

11.3. Encumbered Assets/Collateral Received and Associated Liabilities

EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	2021	**€ million**	**€ million**
10	Carrying amount of selected financial liabilities	**3,003**	**3,190**
	2020		
10	Carrying amount of selected financial liabilities	1,105	2,994

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 European Central Bank (ECB) ensure favourable funding costs for Cyprus and ample liquidity in the sovereign bond market.

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

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

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

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.

APPENDIX I – Biographies of the directors including experience and knowledge

Efstratios-Georgios (Takis) Arapoglou (Chairperson)

Takis Arapoglou is an expert financial consultant. He has served as Chairperson and CEO of the National Bank of Greece Group, Chairperson of the Hellenic Banks Association, Member of the Board of Eurobank and has held senior management positions with Citibank and Chase Manhattan in the UK and with American Express in Greece. Currently, he is Chairperson of the Board of Titan Cement, an international cement company listed on the Athens Stock Exchange and of Tsakos Energy Navigation, a shipping company listed on the New York Stock Exchange.

Mr. Arapoglou holds an MSc in Finance and Management from the University of Brunel, London, a BSc in Naval Architecture and Ocean Engineering from the University of Glasgow and a BA in Mathematics and Physics from the University of Athens.

He has extensive experience in international capital markets and in corporate, commercial and investment banking in South East Europe, the UK, the Middle East and Africa.

Term of Office:

Appointed to the Board of BOC PCL and the Board in June 2019

External Appointment:

Chairperson of the Board of Tsakos Energy Navigation
Chairperson of the Board of Titan Cement SA
EFG Hermes Holding SAE

Independent:

Yes on an ongoing basis.

Committee Membership:

Chairperson of the Nominations and Corporate

Lyn Grobler (Vice-Chair)

Lyn Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed Group Chief Information Officer (CIO) at Hyperion Insurance Group (now Howden Group Holdings) in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organisation and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading over 16 years. Before BP, she managed large scale global technology projects and strategies within banking and trading based in both London and South Africa.
She holds a HND in computer systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University (South Africa).

Mrs. Grobler has significant experience in IT and digital transformation and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed to the Board of BOC PCL in February 2017

External Appointment:

Chairwoman of the Board of Howden Group Services Ltd
Hx Group Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Technology Committee
Member of the Human Resources & Remuneration Committee
Member of the Nominations & Corporate Governance Committee
Member of the Insurance Business Advisory Board

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Arne Berggren

Arne Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 90s, starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the recent financial crisis in the Baltics, Spain and Slovenia. He has been Head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail.

Mr. Berggren has held numerous board positions in the financial and corporate sector, including a position on the Board of Directors at LBT Varlik Yönetim AS and DUTB Ldt.

He is a graduate of the University of Uppsala, Sweden and has postgraduate studies at the Universities of Amsterdam, Geneva and New York.

Arne Berggren has significant experience in corporate and bank restructurings, bank crises management and risk management and has extensive experience in oversight from a number of directorships.

Term of Office:

Appointed
to the Board of BOC PCL
in November 2014

External Appointment:

Piraeus Bank Group
TBC Bank Group PLC

Independent:

Yes

Committee Membership:

Member of the Audit Committee
Member of the Nominations & Corporate Governance Committee
Member of Technology Committee

Maksim Goldman

Maksim Goldman is Director of Strategic Projects at AO Complexprom since June 2018 and is responsible for oversight of various projects and investments under management of the company. Previously, from July 2007 to May 2018 he was Director of Strategic Projects at Renova Group and had served as Deputy Chief Legal Officer of the Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. From 2005 to 2007 he worked as Vice President and International Legal Counsel of OAO Sual-Holding, which was the management company for OAO 'SUAL', the second largest aluminium producer in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 he worked as an associate at Chadbourne & Parke LLP in New York and in Moscow.

He holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History from the University of California (Los Angeles).

Mr. Goldman has extensive experience in investments, business development and strategy formation and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed
to the Board of BOC PCL
in November 2014

External Appointment:

United Manganese of Kalahari Ltd

Independent:

No

Committee Membership:

Member of the Risk Committee
Member of the Human Resources & Remuneration Committee
Member of the Ethics, Conduct and Culture Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Paula Hadjisotiriou

Paula Hadjisotiriou is an experienced executive with a long career in senior management roles in financial institutions. She started her accountancy career at Howard, Wade & Jacob before moving to Pricewaterhouse Coopers. Following a six-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in banking, in Greece between 1990-2015, first with Eurobank Ergasias S.A as Group Chief Financial Officer and then with National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently she serves as an advisor to the Latsis Group of Companies in the UK.

She is a Chartered Accountant (Institute of Chartered Accountants of England and Wales (ICAEW)).

Mrs. Hadjisotiriou has significant experience in financial institutions and benefits from oversight experience in a number of external directorships.

Term of Office:	**External Appointment:**
Appointed to the Board of BOC PCL in August 2018	Credit Suisse Bank (Europe) SA
Independent:	**Committee Membership:**
Yes	Member of the Audit Committee Member of the Risk Committee Member of the Technology Committee

Michael Heger

Michael Heger served as the general manager of finance and investment and as an independent senior advisor for S.I.F. International Holding S.A., Luxembourg at its representative office in Vienna until the end of 2021. Previously, from 2009-2012 he served as general manager and Chief Executive Officer of Metal Trade Overseas AG in Zug, Switzerland.

He began his career in 1980 as a manager in export finance and legal affairs for Waagner-Biro AG in Vienna, Austria. Having spent two years at Waagner-Biro AG, he moved to UniCredit Bank Austria Group, where he held various management positions from 1982 to 2002. Between 2001 and 2002, he served as general manager and head of structured trade finance at Bank Austria AG. From 2002 to 2003, he served as the deputy general manager and head of International division for Raiffeisenlandesbank Niederosterreich-Wien AG. Dr Heger then joined MPH Management and Participation Holding S.A., a special purpose company for equity participation in commercial and industrial companies, financial institutions and in property developments as well as for financial and consulting services for domestic and international clients and commodity trading, as the general manager of finance and investment and head of the representative office from 2004-2009.

Dr Heger holds a doctorate in law from the University of Vienna and obtained a postgraduate degree in law from the College of Europe in Bruges, Belgium.

He has extensive banking experience having spent more than 20 years in various senior positions in UniCredit Bank Austria Group and has considerable strategic knowledge of industrial and commercial companies, financial institutions and property developments.

Term of Office:	**External Appointment:**
Appointed to to the Board of BOC PCL in June 2016	None
Independent:	**Committee Membership:**
Yes	Member of the Audit Committee Member of the Human Resources and Remuneration Committee Member of the Ethics, Conduct and Culture Committee Member of the Technology Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Constantine (Dinos) Iordanou

Dinos Iordanou has been Chairperson and Chief Executive Officer of Arch Capital Group Limited, since August 2003 and Director since January 2002 (retired in September 2019). Before joining Arch as one of its founders in 2002, Mr Iordanou served in various capacities for Zurich Financial Services and its affiliates, including as Senior Executive Vice President of group operations and business development of Zurich Financial Services, President of Zurich-American Specialties Division, Chief Operating Officer and CEO of Zurich American, and CEO of Zurich North America. Before joining Zurich in March 1992, he was President of the commercial casualty division of the Berkshire Hathaway Group and Senior Vice President of American Home Insurance Company, a member of American International Group and until recently Vice-Chairperson of NIPD Genetics.

He holds an Aerospace Engineering degree from New York University.

Mr. Iordanou has significant experience in insurance business and benefits from oversight experience in a number of external directorships.

Term of Office:

Appointed to the Board of BOC PCL and the Board in November 2021

External Appointment:

Verisk Analytics
Vantage Group Holdings Ltd

Independent:

Yes

Committee Membership:

Member of the Technology Committee
Member of the Insurance Business Advisory Board

Maria Philippou (Chairperson of the Human Resources and Remuneration Committee)

Maria Philippou started her career as an HR Consultant with KPMG Greece, before moving to the Lambrakis Press Group as HR Generalist. Having spent three years with Eurobank Ergasias S.A as Compensation & Benefits Manager, in 2006 she moved to the Coca Cola Company Group, progressing through various roles such as Rewards Manager and HR Business & Strategic Partner and finally as Global Talent & Development Director until recently when she moved to Egon Zehnder.

She holds a degree in Business Administration from Nottingham Trent University and a Master of Science in Human Resources Management from Brunel University.

Mrs. Philippou is an experienced executive in human resources and brings valuable skills to the Board in people management.

Term of Office:

Appointed to the Board of BOC PCL

External Appointment:

None

Independent:

Yes

Committee Membership:

Chairperson of the Human Resources & Remuneration Committee
Member of the Nominations & Corporate Governance Committee
Member of Ethics, Conduct and Culture Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Nicolaos Sofianos (Chairperson of the Audit Committee)

Nicos Sofianos is a qualified Chartered Accountant, member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Body of Certified Public Accountants of Greece (SOEL). He was a founding partner of Deloitte Greece and representative of the firm before the regulatory, supervisory and fiscal authorities in Greece. In 2016 he retired with 40 years of audit and broader professional experience.

He holds an Honours degree in Chemical Engineering with a major in Mathematical Modelling and Computer Simulation from the University of Manchester, UK.

Mr. Sofianos has extensive experience in the coordination of accounting, auditing, tax and consulting services rendered to a wide range of companies covering nearly all sectors of industry and in particular the financial services industry sector.

Term of Office:

Appointed to the Board of BOC PCL

External Appointment:

DoValue Greece SA
Aegean Airlines
Arcela Investments Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Audit Committee
Member of the Risk Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Ioannis Zographakis (Chairperson of the Risk Committee & Senior Independent Director)

Ioannis Zographakis started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Citibank Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for Citibank CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he served as the Director of Finance and Acting Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and Head of UK Retail Bank. In 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the Secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chair of the Citi Insurance Brokerage Board in Greece and the Chair of the Investments and Insurance Supervisory Committee in Citibank Greece. He has also served as non-executive Director for the National Bank of Greece group during 2018-2019.

Mr. Zographakis holds an MBA from Carnegie Mellon University in the USA and a Bachelor's degree in civil engineering from Imperial College in London.

He has an extensive background in corporate governance, business restructuring, crisis management, finance, operation & technology in the banking industry, having spent more than 20 years in various senior operational and financial roles in Citibank in the US, UK and Greece and on the Board of a number of financial entities.

Term of Office:

Appointed
to the Board of BOC PCL in September 2013

External Appointment:

A. Eternity Capital Management Ltd

Independent:

Yes

Committee Membership:

Chairperson of the Risk Committee
Chairperson of the Ethics, Conduct and Culture Committee
Member of the Audit Committee
Member of the Technology Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Executive Directors

Panicos Nicolaou (CEO)
Panicos Nicolaou joined the Bank in 2001. He started his career serving at various positions mainly in the Corporate and Credit Risk departments. He was the Manager in the Restructuring and Recoveries Division from April 2014 until June 2016 where he undertook and effectively managed a large portfolio of corporate delinquent clients. From June 2016 until August 2019 he served as Director of Corporate Banking Division supervising the Corporate Banking Centres throughout Cyprus, the International Corporate Banking Centre & International Operations, as well as the Bank's Factoring Unit.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic), Greece and an MSc in Mechanical and Industrial Engineering from University of Illinois at Urbana-Champaign, USA. He also holds a BSc in Financial Services from the School of Management, UMIST, UK, and is an Associate Member of the Chartered Institute of Bankers, Institute of Financial Services, UK since 2004.

He is an experienced financial services professional having served in a number of senior roles in the Group.

Term of Office:	**External Appointment:**
Appointed to the Board of BOC PCL	Chairperson of the Association of Cyprus Banks European Banking Federation
Independent:	**Committee Membership:**
No	None

Eliza Livadiotou (Executive Director Finance & Legacy)

Eliza Livadiotou began her career at the audit firm Arthur Andersen in Cambridge UK in 1995, where she qualified as a Chartered Accountant. In 1999 she returned to Cyprus and joined Bank of Cyprus, as Assistant to the Group Chief General Manager. In 2005 she moved to financial control where she held various roles in the areas of Group reporting, tax, strategy and corporate finance.

In December 2013, she was appointed as Chief Financial Officer and in 2016 as Finance Director. In October 2021 she was appointed as Executive Member of the Board of Directors. In January 2022 her duties were extended to include the management of the Legacy operations of the Group. In her current capacity she is responsible for Finance, Treasury, Strategy and Corporate Finance, Investor Relations, ESG, Real Estate Management, Restructuring & Recoveries, Regulatory Affairs, Procurement and Economic Research.

Mrs Livadiotou is a Member of Trustees of the Bank of Cyprus Oncology Centre. She is also a member of the Banking Committee of the Institute of Chartered Accountants of England and Wales since March 2021.

Mrs Livadiotou holds and MA (Hons) in Economics from the University of Cambridge.

She has significant experience as a financial services professional and benefits from her experience as member of the Financial Services Committee of the Institute of Certified Public Accountants of Cyprus since 2006 where she chaired the Committee during 2014-2016.

Term of Office:	**External Appointment:**
Appointed to the Board of BOC PCL in October 2021	None
Independent:	**Committee Membership:**
No	None

APPENDIX II – Basis of Consolidation of Group entities for regulatory purposes

The subsidiary companies and branches, their activities and their consolidation method as at 31 December 2021 are presented in the table below:

EU LI3 – Outline of the differences in the scope of consolidation – entity by entity

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Bank of Cyprus Public Company Ltd	Full consolidation	x	-	-	-	Commercial bank
Auction Yard Ltd	Full consolidation	x	-	-	-	Auction company
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	Full consolidation	x	-	-	-	Administration of guarantees and holding of real estate properties
BOC Asset Management Romania S.A.	Full consolidation	x	-	-	-	Collection of the existing portfolio of receivables, including third party collections
JCC Payment Systems Ltd	Full consolidation	x	-	-	-	Card processing transaction services
LCP Holdings and Investments Public Ltd	Full consolidation	x	-	-	-	Investments in securities and participations in companies and schemes that are active in various business sectors and projects
MC Investment Assets Management LLC	Full consolidation	x	-	-	-	Problem asset management company
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Full consolidation	x	-	-	-	Investment banking and brokerage
S.Z. Eliades Leisure Ltd	Full consolidation	x	-	-	-	Land development and operation of a golf resort
Fortuna Astrum Ltd	Full consolidation	x	-	-	-	Problem asset management company
Bank of Cyprus Holdings Public Limited Company	Full consolidation	x	-	-	-	Holding company
EuroLife Ltd	Full consolidation	-	-	x	-	Life insurance

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
General Insurance of Cyprus Ltd	Full consolidation	-	-	x	-	General insurance
Kermia Ltd	Full consolidation	-	-	x	-	Property trading and development
Kermia Properties & Investments Ltd	Full consolidation	-	-	x	-	Property trading and development
BOC Secretarial Company Ltd	Full consolidation	-	-	x	-	Secretarial services
BOC Asset Management Ltd	Full consolidation	x	-	-	-	Managements administration and safekeeping of UCITS Units
Canosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Edoric Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jobelis Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Kernland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Melsolia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Thryan Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Koralmon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Spacous Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Calinora Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Marcozaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Soluto Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Solomaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Linaland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Unital Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Astromeria Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Neraland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Wingstreet Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nolory Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lynoco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fitrus Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lisbo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Mantinec Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Colar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Irisa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Venicous Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Regetona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Provezaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hillbay Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Senadaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Arcandello Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Mostero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Camela Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ofraco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Forenaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hovita Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Helal Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lorman Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Yossi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fareland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Barosca Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fogland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tebasco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Homirova Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Blodar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cobhan Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Cranmer Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Domita Estates Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Emovera Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Estaga Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Innerwick Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Joberco Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Labancor Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Laiki Lefkothea Center Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Memdes Estates Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nalmosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ramendi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Skellom Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Tebane Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zecomex Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Valecross Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Altco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Olivero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jaselo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Elosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Flona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Pendalo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Toreva Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Frontyard Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Resoma Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Venetolio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bonsova Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Garmozy Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Palmco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Weinar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Balasec Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Eracor Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Thermano Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nouralia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Mazima Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Diafor Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Rulemon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Thelemic Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Maledico Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dentorio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Valioco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bascone Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Resocot Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Soblano Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Talamon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Paradexia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Rosalica Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zandexo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Paramina Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Tasabo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Coeval Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bendolio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Kartama Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zemialand Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Secretsky Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Riveland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Asianco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nigora Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Comenal Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cimonia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Finevo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Nesia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dominion Industries Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Eurolife Properties Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Ledra Estate Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Les Coraux Estates Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Natakon Company Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Oceania Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Vieman Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Hamura Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Meriaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Flymoon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Noleta Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Prodino Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Odolo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tolmeco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Arlona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dilero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ensolo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Pelika Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Calandomo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jalimo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Sendilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Molemo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nivamo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Baleland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Edilia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Limoro Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Samilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Green Hills Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Otherland Properties Dorobanti SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Imoreth Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Inroda Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zunimar Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Allioma Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nikaba Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zenoplus Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Alezia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Stevolo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
BOC Terra AIF V.C.I.C. PCL	Full consolidation	x	-	-	-	Real Estate Alternative Investment Fund
Gosman Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Obafemi Holdings Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Stamoland Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Unoplan Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Petrassimo Properties Ltd	Full consolidation	x	-	-	-	Holding shares and other investments and the provision of services
Tavoni Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Amary Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Holstone Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Alepar Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Cramonco Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Monata Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Stormino Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Aktilo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Aparno Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Enelo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Lomenia Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Vertilia Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Ameleto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Avaleto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Carilo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Gelimo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Larizemo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Midelox Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Montira Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Olisto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Orilema Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Rifelo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Nikaba Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Battersee Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Bonayia Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Hydrobius Ltd	Full consolidation	x	-	-	-	Intermediate holding
Imoreth Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Inroda Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Janoland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Otherland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Romaland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Trecoda Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Zunimar Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Allioma Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Landanafield Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Iperi Properties Ltd	Full consolidation	x	-	-	-	Inactive
Paneuropean Ltd	Full consolidation	x	-	-	-	Inactive
Philiki Ltd	Full consolidation	x	-	-	-	Inactive
Thames Properties Ltd	Full consolidation	x	-	-	-	Inactive
Finerose Properties Ltd	Full consolidation	x	-	-	-	Inactive
Weinco Properties Ltd	Full consolidation	x	-	-	-	Inactive
Laiki Bank (Nominees) Ltd	Full consolidation	-	-	x	-	Inactive
Nelcon Transport Co. Ltd	Full consolidation	-	-	x	-	Inactive
CYCMC II Ltd	Full consolidation	x	-	-	-	Inactive
CYCMC IV Ltd	Full consolidation	x	-	-	-	Inactive
Kyprou Commercial SA	Full consolidation	x	-	-	-	Inactive
Kyprou Properties SA	Full consolidation	-	-	x	-	Inactive
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Full consolidation	-	-	x	-	Inactive
Kyprou Zois (branch of EuroLife Ltd)	Full consolidation	-	-	x	-	Inactive
Birkdale Properties Ltd	Full consolidation	x	-	-	-	Inactive
Steparco Ltd	Full consolidation	x	-	-	-	Inactive
Folimo Properties Ltd	Full consolidation	x	-	-	-	Inactive

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Fledgego Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Sylvesta Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Blindingqueen Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Buchuland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Fairford Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Salecom Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Otoba Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Dolapo Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Bramwell Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Nivoco Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Prosilia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Elosis Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Renalandia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Crolandia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
						being struck off
Fantasio Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Pariza Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Demoro Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Polkima Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Battersee Real Estate SRL	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Selilar Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Bocaland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Tantora Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Cyprialife Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Philiki Management Services Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Imperial Life Assurance Ltd	Full consolidation	-	-	x	-	In the process of dissolution/ in the process of being struck off

APPENDIX III – Main features of Capital Resources

Main features of the ordinary shares of the Group

		2021/2020
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	IE00BD5B1Y92
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Irish Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital	€45 million
9	Nominal amount of instrument	€45 million
9(a)	Issue price	Various
9(b)	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	Yes
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY1
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

APPENDIX III – Main features of Capital Resources (continued)

Main features of the AT1 Capital Securities

		2021/2020
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS1865594870
2a	Public or private placement	Private
3	Governing law(s) of the instrument	English law, except for the subordination and set off provisions which will be governed by the laws of Ireland
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 Capital Securities
5	Post-transitional CRR rules	Additional Tier 1 Capital Securities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated Level
7	Instrument type	Additional Tier 1 Capital Securities
8	Amount recognised in regulatory capital	€220 million
9	Nominal amount of instrument	€220 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Other equity instruments
11	Original date of issuance	19 December 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	19 December 2023
16	Subsequent call dates, if applicable	Each day which falls on every fifth anniversary of the first call date of 19 December 2023

APPENDIX III – Main features of Capital Resources (continued)

Main features of the AT1 Capital Securities

		2021/2020
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 12.50% semi-annually up to call date of 19 December 2023 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 12.603%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Group CET1 Ratio less than 5.125%
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, write-up mechanism	Yes
34a	Type of subordination (only for eligible liabilities)	n/a
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY2
35	Position in subordination hierarchy in liquidation	Unsecured and subordinated and at all times rank (1) junior to Tier 2, any other subordinated obligations and unsubordinated obligations (not ranking pari passu with the Capital Securities) and (2) only senior to share capital (CET1).
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bourse.lu/security/XS1865594870/274816

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Subordinated Tier 2 Capital Note – January 2017

		2021/2020
1	Issuer	Bank of Cyprus Public Company Ltd
2	Unique identifier	XS1551761569
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, save for Subordination and Set-off provisions which will be governed by the laws of the Republic of Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital Notes
5	Post-transitional CRR rules	Tier 2 Capital Notes
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated & Sub-consolidated & Solo
7	Instrument type	Tier 2 Capital Notes
8	Amount recognised in regulatory capital	€0 million (2021)/€192 million (2020)
9	Nominal amount of instrument	€250 million (original nominal amount)
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	19 January 2017
12	Perpetual or dated	Dated
13	Original maturity date	19 January 2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	19 January 2022
16	Subsequent call dates, if applicable	N/A

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Subordinated Tier 2 Capital Note – January 2017

		2021/2020
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 9.25% per annum up to call date of 19 January 2022 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 9.176%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY3
35	Position in subordination hierarchy in liquidation	Subordinated to any unsubordinated obligations and any subordinated obligations that rank senior to this Note. Senior to Additional Tier 1 instruments and share capital.
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Redeemed / delisted

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Subordinated Tier 2 Capital Note – April 2021

		2021
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS2333239692
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, except for the status of the Notes and acknowledgement of statutory loss absorption powers which will be governed by the laws of Ireland
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital Notes
5	Post-transitional CRR rules	Tier 2 Capital Notes
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated
7	Instrument type	Tier 2 Capital Notes
8	Amount recognised in regulatory capital	€300 million
9	Nominal amount of instrument	€300 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	23 April 2021
12	Perpetual or dated	Dated
13	Original maturity date	23 October 1931
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	23 April 2026
16	Subsequent call dates, if applicable	Any date from 23/04/26 to and including 23/10/26

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Subordinated Tier 2 Capital Note – April 2021

		2021
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 6.625% per annum up to call date of 23/10/26 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 6.902%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY3
35	Position in subordination hierarchy in liquidation	Direct, unsecured and subordinated obligations of BOCH and shall at all times rank pari passu and without any preference among themselves, ranking (on a winding-up of BOCH):(A) senior to Junior Liabilities (to Tier 2 Capital); (B) pari passu and without any preference among themselves; (C) pari passu with all other Tier 2 Capital Liabilities; and (D) junior to present and future obligations of BOCH in respect of Senior Creditors of BOCH (to Tier 2 Capital).
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bourse.lu/security/XS2333239692/335184

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Senior Preferred Notes

		2021
1	Issuer	Bank of Cyprus Public Company Limited
2	Unique identifier	XS2355059168
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, save for the status of the Notes and acknowledgement of statutory loss absorption powers which will be governed by the laws of the Republic of Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Eligible Liabilities
5	Post-transitional CRR rules	Eligible Liabilities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	BOC Group & BOC PCL solo
7	Instrument type	Senior Preferred
8	Amount recognised in eligible liabilities	€300 million
9	Nominal amount of instrument	€300 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2021
12	Perpetual or dated	Dated
13	Original maturity date	24 June 2027
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	24 June 2026
16	Subsequent call dates, if applicable	N/A

APPENDIX III – Main features of Capital Resources (continued)

Main features of the Senior Preferred Notes

		2021
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 2.50% annually up to call date of 24 June 2026
		(ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 2.785%
19	Existence of a dividend stopper	n/a
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Exemption from subordination
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY6
35	Position in subordination hierarchy in liquidation	Direct, unconditional, unsubordinated and unsecured obligations of the Issuer in accordance with Condition 3(a)
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bourse.lu/security/XS2355059168/338796

Appendix IV- Result of the materiality analysis of the legal entities as at 31 December 2021

Legal entity	Qualitative criterion	% RWAs	% Total income	% Total Assets	Materiality
Bank of Cyprus Public Company Ltd (Cyprus)	Core Business Line	92.38	107.76	91.04	YES
CISCO	Not a critical function, significant business activity or a service/support function	0.09	0.25	0.05	NO
GIC	Not a critical function, significant business activity or a service/support function	-	4.04	0.38	NO
EuroLife Ltd	Not a critical function, significant business activity or a service/support function	-	6.88	3.63	NO (under monitoring)
Kermia and Kermia Properties and Investments	Not a critical function, significant business activity or a service/support function	-	-	0.07	NO
JCC	Critical Function	0.87	5.79	0.25	YES
S.Z. Eliades Leisure Ltd	Not a critical function, significant business activity or a service/support function	0.41	0.21	0.13	NO
Bank of Cyprus Public Company Ltd (Greek branch)	Not a critical function, significant business activity or a service/support function	0.72	-2.16	-	NO
MC Investments and Asset Management LLC	Not a critical function, significant business activity or a service/support function	-0.06	-1.68	0.04	NO
Other various small subsidiaries (mainly Special Purpose Vehicles (SPVs))	Not a critical function, significant business activity or a service/support function	5.59	-21.09	4.41	NO

Appendix V - Specific References to CRR Articles

CRR ref.	High-level summary	Compliance reference
General Provisions		
6	General Principles	Section 3
13	Application of disclosure requirements on a consolidated basis	Section 3
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar III disclosures.	Section 2.2
431 (2)	Disclosure of operational risk information.	Section 4.3.4
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	The Bank has a dedicated Pillar III policy
431 (4)	All quantitative disclosures shall be accompanied by qualitative narrative	All qualitative narrative is contained within the Report
431 (5)	Explanation of ratings decisions to SMEs upon request.	Not applicable to the Bank
Non-material, proprietary or confidential information		
432	Non-material, proprietary or confidential information – EBA Guidelines on materiality, proprietary, confidentiality and on disclosure frequency	The Group discloses all minimum requirements set by CRR and no information has been omitted on the basis of materiality, proprietary or confidential
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements and more frequently if necessary.	Section 2.2
Means of disclosures		
434 (1)	To include disclosures in one appropriate medium, or provide clear cross-references to other media.	All applicable disclosures are contained within the Report
434 (2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	Cross-references to accounting and other disclosures are indicated in the Report
Risk management objectives and policies		
435 (1) (a)	Strategies and processes to manage risks for each separate category of risk.	Sections 2.4 and 4.1, 4.2 to 4.3and 4.4
435 (1) (b)	Information on the risk governance structure for each type of risk	Sections 2.4 and 4.1, 4.2 to 4.3and 4.4
435 (1) (c)	Disclosure on the scope and nature of risk disclosure and/or measurement systems.	Sections 2.4 and 4.1, 4.2 to 4.3and 4.4
435 (1) (d)	The policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	Sections 2.4 and 4.1, 4.2 to 4.3and 4.4
435 (1) (e)	Declaration approved by the BoD on adequacy of risk management arrangements.	Section 2.2 Pillar III Regulatory Framework, Attestation section Section 2.4.1.2 Effectiveness of the Risk Management Framework
435 (1) (f)	Concise risk statement approved by the BoD.	Section 1 Executive Summary, Risk Profile section
435 (2)	Information, once a year at a minimum, on governance arrangements.	Section 2.3.2
435 (2) (a)	Number of directorships held by members of the BoD.	Section 2.3.2
435 (2) (b)	Recruitment policy of BoD members, their experience and expertise.	Section 2.3.1
435 (2) (c)	Policy on diversity of BoD members, its objectives and results against targets.	Section 2.3.3
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	Section 2.3.5 to 2.3.7
435 (2) (e)	Description of information flow on risk to BoD.	Section 2.3.8

CRR ref.	High-level summary	Compliance reference
Scope of application		
436 (a)	Name of institution.	Section 2.1
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	Section 3.1, and Appendix I
436 (c)	Breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation	Section 3.1.1
436 (d)	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation	Section 3.1.2
436 (e)	Exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Not applicable to the Group
436 (f)	Impediments to transfer of funds between parent and subsidiaries.	Section 4.2.3
436 (g)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any).	Section 2.2
436 (h)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	Not applicable to the Group
Own funds		
437 (1)	Requirements regarding capital resources table.	Section 3.1, 5.1 to 5.3
437 (1) (a)	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds	Section 3.1 and 5.1
437 (1) (b)	A description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Appendix III
437 (1) (c)	The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Section 5.3
437 (1) (d)	A separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	Section 5.1
437 (1) (e)	Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	Section 5.1 to 5.3
437 (1) (f)	Comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation.	Not applicable to the Group
437 (a)	Disclosure of own funds and eligible liabilities	Not applicable to the Group for 2021
Capital requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 5.5
438 (b)	The amount of the additional own funds requirements based on the supervisory review process	Section 5.7
438 (c)	Result of ICAAP on demand from competent authority.	Not such a request received, not applicable for the Group
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories.	Section 5.5
438 (e)	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending	Not applicable to the Group
438 (f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds	Section 5.5.3

CRR ref.	High-level summary	Compliance reference
438 (g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate	Not applicable for the Group
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	Not applicable to the Group
Exposure to Counterparty Credit Risk (CCR)		
439 (a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	Section 7.1
439 (b)	Discussion of policies for securing collateral and establishing credit reserves.	Section 7.1
439 (c)	Discussion of policies as regards wrong-way risk exposures.	Section 7.1
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Section 7.1
439 (e)	The amount of segregated and unsegregated collateral received and posted per type of collateral,.	Section 7.1
439 (f)	For derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method.	Section 7.1
439 (g)	For securities financing transactions, the exposure values before and after the effect of the credit risk mitigation.	Section 7.1
439 (h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Section 7.1
439 (i)	The exposure value to central counterparties and the associated risk exposures.	Section 7.1
439 (j)	The notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	Not applicable to the Group
439 (k)	The estimate of alpha where applicable	Section 7.1
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	Section 7.1
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Section 7.1
440 (1) (a)	Geographical distributions of credit exposures	Section 5.4
440 (1) (b)	Amount of the institution specific countercyclical buffer	Section 5.4
440 (2)	EBA issue the Regulatory Technical Standards on Countercyclical Capital Buffer	Section 5.4
Indicators of global systemic importance		
441	Indicators of global systemic importance	Not applicable to the Group
Credit risk adjustments		
442 (a)	Definitions for accounting purposes of ‘past due’ and ‘impaired’.	Section 7.4
442 (b)	Approaches for calculating credit risk adjustments.	Section 7.6
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Section 7.5 and 7.7
442 (d)	An ageing analysis of accounting past due exposures;	Section 7.5
442 (e)	Distribution of exposures by geographical area and industry	Section 7.5
442 (f)	Any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a	Section 7.5

CRR ref.	High-level summary	Compliance reference
	write-off;	
442 (g)	The breakdown of loans and debt securities by residual maturity	Section 7.4.1
Unencumbered assets		
443	Disclosures on unencumbered assets.	Section 11
Use of ECAIs		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	Section 7.2
444 (b)	Exposure classes associated with each ECAI.	Section 7.2
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items in the Banking book.	Section 7.2
444 (d)	Mapping of external rating to credit quality steps.	Section 7.2
444 (e)	Exposure values pre-credit risk mitigation and post-credit risk mitigation, by credit quality step.	Section 7.2
Market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points.	Section 5.5
Operational risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 5.5.2
Key Metrics		
447	Disclosure of Key Metrics	Section 5.7
Exposure to interest rate risk on positions in the Trading book		
448 (1) (a)	The changes in the economic value of equity calculated under the six supervisory shock scenarios	Section 9.2
448 (1) (b)	The changes in the net interest income calculated under the two supervisory shock scenarios	Section 9.2
448 (1) (c)	Description of key modelling and parametric assumptions	Section 9.2
448 (1) (d)	An explanation of the significance of the risk measures	Section 9.2
448 (1) (e)	The description of how institutions define, measure, mitigate and control the interest rate risk of their non- trading book activities for the purposes of the competent authorities' review.	Section 9.2
448 (1) (f)	The description of the overall risk management and mitigation strategies for those risks	Section 9.2
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits	Section 9.2
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e) (iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU	Section 9.2
Exposure to securitisation positions		
449	Exposure to securitisation positions	Section 8
449a	Disclosure of environmental, social and governance risks (ESG risks)	Not applicable for the Group in 2021
Remuneration disclosures		
450	Remuneration policy.	Section 10
Leverage		
451 (1) (a)	Leverage ratio and how the institution applies Article 499(2) and (3)	Sections 6
451 (1) (b)	Analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	Sections 6, 6.1, 6.2 and 6.3
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7)	Not applicable to the Group
451 (1) (d)	Description of the risk management process to mitigate excessive leverage .	Section 6 and 6.2
451 (1) (e)	Factors that had an impact on the leverage ratio during the year	Section 6 and 6.2

CRR ref.	High-level summary	Compliance reference
451 (2)	Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	The Group follows the implementation standards. Section 6.2
451 (3)	In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Section 6.2
451 (a) (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article	Section 4.3.2
451 (a) (2)	Disclose liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1)	Section 4.3.2
451 (a) (3)	Disclose stable funding ratio as calculated in accordance with Title IV of Part Six	Section 4.3.2
451 (a) (4)	Disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU	Section 4.3.2
Use of the IRB Approach to credit risk		
452	Use of the IRB Approach to credit risk	Not applicable to the Group
Use of credit risk mitigation techniques		
453 (a)	Policies and processes, and an indication of the extent to which the Bank makes use of on-balance sheet and off-balance sheet netting.	Section 7.9
453 (b)	Policies and processes for collateral valuation and management.	Section 7.10
453 (c)	Description of types of collateral used by the Bank.	Section 7.10
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	Section 7.10
453 (e)	Information about market or credit risk concentrations within the credit mitigation taken.	Section 4.1.4, 7.1.1, 7.2 and 7.10.1.8
453 (f)	For exposures under either the Standardised or the Foundation IRB approach, disclosure of the exposure covered by eligible financial collateral and other eligible collateral	Section 7.2
453 (g)	The corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect.	Section 7.2
453 (h)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	Section 7.2
453 (i)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk- weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class	Section 7.2
453 (j)	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk- weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	Not applicable to the Group
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	Not applicable to the Group
Use of Internal Market Risk Models		
455	Use of Internal Market Risk Models	Not applicable to the Group

Appendix VI- List of EBA templates disclosed and mapping to Pillar 3 report

	Compliance Reference	**Section**
EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 3.1.1
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements	Section 3.1.2
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Appendix I
EU OV1	Overview of RWAs	Section 5.5
EU INS1	Non-deducted participations in insurance undertakings	Section 5.5.3
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Section 5.5.2
EU PV1	Prudent valuation adjustments (PVA)	Not applicable
EU CC1	Composition of regulatory own funds	Section 5.1
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Section 3.1
EU KM1	Overview of risk weighted exposure amounts	Section 5.7
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Section 5.4
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Section 5.4
EU CR1-A	Maturity of exposures	Section 7.4.1
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Section 7.5
EU CR4	Standardised Approach – Credit risk exposure and CRM effects	Section 7.2
EU CR5	Standardised Approach	Section 7.2
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Not applicable
EU CR6-A	Scope of the use of IRB and SA approaches	Not applicable
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Not applicable
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Not applicable
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Not applicable
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Not applicable
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Not applicable
EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	Not applicable
EU CCR1	Analysis of CCR exposure by approach	Section 7.1
EU CCR2	Transactions subject to own funds requirements for CVA risk	Section 7.1
EU CCR3	Standardised Approach – CCR exposures by regulatory portfolio and risk	Section 7.1
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Not applicable
EU CCR5	Composition of collateral for exposures to CCR	Section 7.1
EU CCR6	Credit derivatives exposures	Not applicable
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Not applicable
EU CCR8	Exposures to central counterparties	Section 7.1
EU MR1	Market risk under the Standardised Approach	Not applicable
EU MR2-A	Market risk under the internal Model Approach (IMA)	Not applicable
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Not applicable
EU MR3	IMA values for trading portfolios	Not applicable
EU MR4	Comparison of VaR estimates with gains/losses	Not applicable

	Compliance Reference	Section
IFRS 9-EL	Comparison of institutions' own funds and capital and leverage ratios with the application of transitional arrangements for IFRS 9 or analogous ECLs and with and without the application of the temporary treatment in accordance with Article 468 CRR.	Section 5.6
EU CQ1	Credit quality of forborne exposures	Section 7.7
EU CQ2	Quality of forbearance	Section 7.7
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Section 7.5
EU CR1	Performing and non-performing exposures and related provisions	Section 7.5
EU CQ4	Quality of non-performing exposures by geography	Section 7.5
EU CQ5	Credit quality of loans and advances by industry	Section 7.5
EU CQ6	Collateral valuation – loans and advances	Section 7.5
EU CR2	Changes in the stock of non-performing loans and advances	Section 7.5
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Section7.5
EU CQ7	Collateral obtained by taking possession and execution processes	Section 7.5
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Section 7.5
EU AE1	Encumbered and unencumbered assets	Section 11.1
EU AE2	Collateral received and own debt securities issued	Section 11.2
EU AE3	Sources of encumbrance	Section 11.3
EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	Section 6.1
EU REM1	Remuneration awarded for the financial year	Section 10.4
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Section 10.4
EU REM3	Deferred remuneration	Not Applicable
EU REM4	Remuneration of 1 million EUR or more per year	Section 10.4
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Section 10.4
EU LR2	Leverage ratio common disclosure	Section 6.3
EU LR3	Split-up of on balance sheet exposures (excluding derivatives and SFTs)	Section 6.3
EU LIQ1	Quantitative information of LCR	Section 4.3.2
EU LIQ2	Net Stable Funding Ratio	Section 4.3.2
EU SEC1	Securitisation exposures in the non-trading book	Section 8
EU SEC2	Securitisation exposures in the trading book	Not Applicable
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Section 8
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Not Applicable
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Section 8
EU IRRBB1	Interest rate risks of non-trading book activities	Section
Covid 1	Information on loans and advances subject to legislative and non-legislative moratoria	Section 2.4.11
Covid 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Section 2.4.11
Covid 3	Breakdown of Covid-19 related public guarantee schemes	Not Applicable

GLOSSARY

A	
ADC	Asset Acquisition and Disposal Committee
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
AC	Board Audit Committee
ACCs	Additional Credit Claims
ABS	Annual Base Salary
AVA	Additional Valuation Adjustments
AGM	Annual General Meeting
B	
Bank, BOC PCL	Bank of Cyprus Public Company Limited
BoD, Board	Board of Directors
BRRD	Bank Recovery and Resolution Directive
C	
CEO	Chief Executive Officer
Company	Bank of Cyprus Holdings Public Limited Company
CSE	Cyprus Stock Exchange
CRR	Capital Requirements Directive (Directive 2013/36/EU of the European Parliament)
CRO	Chief Risk Officer
CBC	Central Bank of Cyprus
CRP	Credit Risk Policy
CRC&M	Credit Risk Control & Monitoring
CSCR	Corporate & SME Credit Risk
CET1	Common Equity Tier 1
CVA	Credit Valuation Adjustment
CSA	Credit Support Annex
Code	Corporate Governance Code
CISCO	The Cyprus Investment and Securities Corporation Ltd
CySEC	Cyprus Securities and Exchange Commission
CRR	Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013)
CCyB	Countercyclical Capital Buffer
CCB	Capital Conservation Buffer
CRM	Credit Risk Mitigation
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CRMD	Credit Risk Management Department
COVID-19	Coronavirus Disease 2019
CNP	CNP Cyprus Insurance Holdings Ltd
CC1,CC2,CC3	Credit Committees
CDEA	Cleared Derivatives Execution Agreement
D	
DR	Disaster Recovery
DTA	Deferred Tax Asset
DTC	Deferred Tax Credits
E	
ExCo	Executive Committee
ECB	European Central Bank
EBA	European Banking Authority
ECL	Expected Credit Losses
EEA	European Economic Area
EMTN	Euro Medium Term Note

ECAIs	External Credit Assessment Institutions
ELA	Emergency Liquidity Assistance
EAD	Exposure at default
EV	Economic Value
EMIR	European Markets Infrastructure Regulation
F	
FX	Foreign Exchange
FVPL	Fair Value through Profit or Loss
FSE	Financial Sector Entity
FIRP	Fraud Incident Response Plan
G	
GIC	General Insurance of Cyprus
Group	Bank of Cyprus Holdings Public Limited Company
GDP	Gross Domestic Product
GMRAs	Global Master Repurchase Agreements
H	
HRRC	Human Resources & Remuneration Committee
HQLA	High Quality Liquid Assets
I	
IFRS	International Financial Reporting Standards
IT	Information Technology
ICAAP	Internal Capital Adequacy Assessment Process
IRS	Interest Rate Swaps
IWM	Institutional Wealth Management
ILAAP	Internal Liquidity Adequacy Assessment Process
ICMA	International Capital Market Association
ISDA	International Swaps and Derivatives Association, Inc.
IRE	Interest Rate Exposure
K	
KRIs	Key Risk Indicators
KPIs	Key Performance Indicators
L	
LCR	Liquidity Coverage Ratio
LTV	Loan to Value
LSE	London Stock Exchange
LCH	London Clearing House
LCP	Liquidity Contingency Plan
LSD	Legal Services Department
M	
MR	Market Risk Department
MM	Money Market
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
MRTs	Material Risk Takers
N	
NCGC	Nominations and Corporate Governance Committee
NPEs	Non-Performing Exposures
NPLs	Non-Performing Loans
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
NII	Net Interest Income
NRS	Non-Rate Sensitive Items
NMDs	Non-Maturing Deposits
O	

OCI	Other Comprehensive Income
ORM	Operational Risk Management
O-SIIs	Other Systemically Important Institutions
P	
PD	Probability of Default
P2R	Pillar II Requirement
P2G	Pillar II Guidance
Plan	Three year plan
Q	
QIS	Quantitative Impact Study
R	
RMD	Risk Management Division
RRD	Restructuring and Recoveries Division
RCSA	Risk Control Self-Assessment
RB	Retail Banking
RC	Board Risk Committee
RAS	Risk Appetite Statement
RAF	Risk Appetite Framework
RCMS	Risk Compliance Management System
RWAs	Risk Weighted Assets
S	
SREP	Supervisory Review and Evaluation Process
SMEs	Small Medium Enterprises
SFTs	Securities Financing Transactions
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism
T	
T2	Tier 2
TC	Total Capital
T1	Tier 1
V	
VEP	Voluntary Exit Plan
VaR	Value at Risk