Annual Financial Report 2023

Bank of Cyprus

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Board of Directors of Bank of Cyprus Public Limited Company	Efstratios-Georgios Arapoglou CHAIRMAN Lyn Grobler VICE-CHAIRPERSON Panicos Nicolaou Constantine Iordanou Eliza Livadiotou Monique Hemerijck Adrian John Lewis
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Company Secretary	Katia Santis
Legal Advisers as to matters of Irish Law	Arthur Cox
Legal Advisers as to matters of English and US Law	Sidley Austin LLP
Legal Advisers as to matters of Cypriot Law	Chryssafinis & Polyviou LLC
Statutory Auditors	PricewaterhouseCoopers 43 Demostheni Severi Avenue 1080 Nicosia Cyprus
Registered Office	51 Stasinou Stree Ayia Paraskevi, Strovolos CY 2002, Nicosia Cyprus

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Non-IFRS performance measures

Bank of Cyprus Public Limited Company's (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Annual Financial Report as they enable the readers to identify a more consistent basis for comparing the Group's performance between financial periods and provide more detail concerning the elements of performance which management are directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which the operating targets are defined and performance is monitored by the Group's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as the key measures of the 31 December position. Refer to 'Alternative Performance Measures Disclosures' on pages 511 to 526 of the Annual Financial Report for the year ended 31 December 2023 for further information and calculations of non-IFRS performance measures included throughout this document and their reconciliation to the most directly comparable IFRS measures included in the Consolidated Financial Statements.

The Annual Financial Report for the year ended 31 December 2023 is available on the Group's website www.bankofcyprus.com (Group/Investor Relations) (the Group's website).

MANAGEMENT REPORT FOR THE YEAR 2023

The Board of Directors submits to the shareholders of Bank of Cyprus Public Company Limited (the 'Company' or 'BOC PCL' or 'the Bank') their Management Report together with the audited Consolidated Financial Statements ('Consolidated Financial Statements') and Financial Statements of the Company for the year ended 31 December 2023.

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

Activities

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

All Group companies and branches are set out in Note 50 to the Consolidated Financial Statements. The Group has established branches in Greece. There were no acquisitions of subsidiaries and no material disposals of subsidiaries during the year ended 31 December 2023. Information on Group companies and acquisitions and disposals during the year are detailed in Note 50 to the Consolidated Financial Statements.

Group financial results on the underlying basis

Commentary on underlying basis

The financial information presented in this section provides an overview of the Group financial results for the year ended 31 December 2023 on the 'underlying basis', which management believes best fits the true measurement of the performance and position of the Group, as this presents separately any non-recurring items and also includes certain reclassifications of items, other than non-recurring items, which are done for presentational purposes under the underlying basis for aligning their presentation with items of a similar nature.

Reconciliations between the audited statutory basis and the underlying basis to facilitate the comparability of the underlying basis to the statutory information, are included in section 'Reconciliation of the Consolidated Income Statement for the year ended 31 December 2023 between the audited statutory basis and the underlying basis' and 'Alternative Performance Measures Disclosures' of the Annual Financial Report 2023.

Throughout the Management Report, financial information in relation to the year ended 31 December 2022 has been restated to reflect the transition to IFRS 17 which was adopted on 1 January 2023 and applied retrospectively. As a result, such 2022 financial information, ratios and metrics are presented on a restated basis unless otherwise stated. Further information on the impact of IFRS 17 transition is provided below and in Note 2.2.1 of the Consolidated Financial Statements for the year ended 31 December 2023.

Throughout the Management Report, the capital ratios as at 31 December 2022 have been restated in order to take into consideration the 2022 dividend declaration. This refers to the recommendation by the Board of Directors to the shareholders for approval of a final dividend in respect of the earnings of the year ended 31 December 2022 following the approval by the European Central Bank ('ECB'). The proposed final dividend was declared at the Annual General Meeting ('AGM') which was held on 26 May 2023. This dividend amounted to €22.3 million in total and had a negative impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022. As a result, the 31 December 2022 capital ratios are presented as restated for the 2022 dividend unless otherwise stated. Further details are provided in section 'Balance Sheet Analysis – Capital Base' below.

Group financial results on the underlying basis (continued)

The main financial highlights for the year ended 31 December 2023 are set out below:

Consolidated Income Statement on the underlying basis

€ million	**2023[1]**	2022[1,2] (restated)
Net interest income	**793**	371
Net fee and commission income	**181**	192
Net foreign exchange gains and net gains/(losses) on financial instruments	**37**	26
Net insurance result	**54**	44
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	**10**	13
Other income	**18**	17
Total income	**1,093**	663
Staff costs	**(192)**	(181)
Other operating expenses	**(156)**	(145)
Special levy on deposits and other levies/contributions	**(43)**	(38)
Total expenses	**(391)**	(364)
Operating profit	**702**	299
Loan credit losses	**(63)**	(47)
Impairments of other financial and non-financial assets	**(53)**	(33)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	**(28)**	(11)
Total loan credit losses, impairments and provisions	**(144)**	(91)
Profit before tax and non-recurring items	**558**	208
Tax	**(73)**	(31)
Profit attributable to non-controlling interests	**(2)**	(3)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**483**	174
Advisory and other transformation costs - organic	**(2)**	(11)
Profit after tax - organic (attributable to the owners of the Company)	**481**	163
Net profit/(loss)/provisions relating to NPE sales	**-**	1
Restructuring and other costs relating to NPE sales	**-**	(3)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**-**	(104)
Profit after tax (attributable to the owners of the Company)	**481**	57

1. The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.
2. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. For further details refer to Note 2.2.1 of the Consolidated Financial Statements for the year ended 31 December 2023.

Group financial results on the underlying basis (continued)

Consolidated Income Statement on the underlying basis (continued)

Key Performance Ratios	**2023**	2022[1] (restated)
Net interest margin	**3.42%**	1.65%
Cost to income ratio	**36%**	55%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**32%**	49%
Operating profit return on average assets (annualised)	**2.7%**	1.2%
Basic earnings per share attributable to the owners of the Company (€cent)[2]	**5.0**	0.6
Return on tangible equity (ROTE)	**24.5%**	3.3%
Return on tangible equity (ROTE) excluding amounts reserved for distribution[3]	**24.9%**	3.3%
Tangible book value per share (€)	**0.23**	0.18

1. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. For further details refer to Note 2.2.1 of the Consolidated Financial Statements for the year ended 31 December 2023.
2. The diluted earnings per share attributable to the owners of the Company as at 31 December 2023 amounted to €0.05 (2022: €0.006).
3. Calculated as profit after tax (attributable to the owners of the Company) (annualised) for the period divided by the average of shareholder's equity minus intangible assets at each quarter/year end and the amounts approved/recommended for distribution in respect of earnings of the relevant year the distribution relates to.

Group financial results on the underlying basis (continued)

Consolidated Balance Sheet on the underlying basis (continued)

€ million	**2023[1]**	2022[1,2] (restated)
Cash and balances with central banks	**9,615**	9,567
Loans and advances to banks	**385**	205
Reverse repurchase agreements	**403**	-
Debt securities, treasury bills and equity investments	**3,695**	2,704
Net loans and advances to customers	**9,822**	9,953
Net loans and advances to Group companies[3]	**1**	9
Stock of property	**826**	1,041
Investment properties	**62**	85
Other assets	**1,821**	1,733
Total assets	**26,630**	25,297
Deposits by banks	**472**	508
Funding from central banks	**2,044**	1,977
Customer deposits	**19,339**	18,998
Debt securities in issue	**672**	298
Subordinated liabilities	**308**	304
Other liabilities	**1,306**	1,160
Total liabilities	**24,141**	23,245
Shareholders' equity	**2,248**	1,810
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,468**	2,030
Non-controlling interests	**21**	22
Total equity	**2,489**	2,052
Total liabilities and equity	**26,630**	25,297

1. The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.
2. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. For further details refer to Note 2.2.1 of the Consolidated Financial Statements for the year ended 31 December 2023.
3. Net loans and advances to Group companies of €1 million as at 31 December 2023 (2022: €9 million) have been separately presented on the Consolidated Balance Sheet on the underlying basis since they relate to balances with Group companies and thus are not taken into consideration in the calculation of the relevant key ratios and metrics referring to loans and advances with customers throughout this Management Report.

Group financial results on the underlying basis (continued)

Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios	**2023**	2022[1] (restated)
Gross loans (€ million)	**10,070**	10,217
Allowance for expected loan credit losses (€ million)	**267**	282
Customer deposits (€ million)	**19,339**	18,998
Loans to deposits ratio (net)	**51%**	52%
NPE ratio	**3.6%**	4.0%
NPE coverage ratio	**73%**	69%
Leverage ratio	**9.1%**	7.8%
Capital ratios and risk weighted assets	**2023 (Regulatory)[3]**	2022 (Regulatory)[2]
Common Equity Tier 1 (CET1) ratio (transitional)	**17.4%**	15.3%
Total capital ratio (transitional)	**22.4%**	20.4%
Risk weighted assets (€ million)	**10,343**	10,117

1. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. For further details refer to Note 2.2.1 of the Consolidated Financial Statements for the year ended 31 December 2023.
2. The capital ratios have been restated to take into consideration the dividend in respect of the earnings of the year ended 31 December 2022. More information is provided in 'Capital Base' under the 'Balance Sheet Analysis' section below.
3. Includes profits for the year ended 31 December 2023 net of distribution of €137 million, following ECB approval in March 2024 (refer to section 'Balance Sheet Analysis – Capital Base' below).

Transition to IFRS 17

On 1 January 2023 the Group adopted IFRS 17 'Insurance Contracts' ('IFRS 17') which replaced IFRS 4 'Insurance contracts'. IFRS 17 is an accounting standard that was implemented on 1 January 2023, with retrospective application, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, investment contracts with discretionary participation features issued and reinsurance contracts held. In substance, IFRS 17 impacts the phasing of profit recognition for insurance contracts as profitability is spread over the lifetime of the contract compared to being recognised substantially up-front under IFRS 4. This new accounting standard does not change the economics of the insurance contracts but decreases the volatility of the Group's insurance companies' profitability.

The Group's total equity as at 31 December 2022 as restated for IFRS 17 compared to IFRS 4, was reduced by overall €52 million (predominantly relating to the life insurance business of the Group) as a result of:

- The removal of the present value of in-force life insurance contracts ('PVIF') asset including the associated deferred tax liability, resulting in a reduction of approximately €101 million in the Group's total equity.
- The remeasurement of insurance assets and liabilities (including the impact of the recognition of the contractual service margin ('CSM')) resulting in an increase in the Group's equity by €49 million.

The estimated future profit of insurance contracts is included in the measurement of the insurance contract liabilities as the contractual service margin ('CSM') and this will be gradually recognised in revenue, as services are provided over the duration of the insurance contract. A contractual service margin liability of approximately €42 million was recognised as at 31 December 2022 (reflected in the impact from the remeasurement of insurance liabilities mentioned above).

With regards to the Group's income statement for the year ended 31 December 2022, as restated for IFRS 17, the profit after tax (attributable to the owners of the Company) was reduced by €14 million to €57 million (compared to €71 million under IFRS 4) reflecting mainly:

- Profit is deferred and held as a CSM liability as mentioned above to be recognised in the income statement over the contract service period.
- The impact of assumption changes relating to the future service is also deferred through the CSM liability and is recognised in the income statement over the contract service period.
- There is increased use of current market values in the measurement of insurance assets and liabilities (for unit-linked business) and market volatility on unit-linked business is deferred to the CSM, thereby reducing the volatility in the income statement.

Group financial results on the underlying basis (continued)

Transition to IFRS 17 (continued)
The transition to IFRS 17 had no impact on the Group's regulatory capital. However, as a result of the benefit arising from the remeasurement of the insurance assets and liabilities, the life insurance subsidiary distributed €50 million as dividend to the Bank in February 2023, which benefited Group regulatory capital by an equivalent amount on the same date, enhancing the CET1 ratio by approximately 50 bps. Going forward, meaningful dividend generation from the insurance business is expected to continue.

Reconciliation of the Consolidated Income Statement for the year ended 31 December 2023 between the audited statutory basis and the underlying basis

€ million	**Underlying basis**	**Other**	**Statutory basis**
Net interest income	793	-	793
Net fee and commission income	181	-	181
Net foreign exchange gains and net gains/(losses) on financial instruments	37	4	41
Net gains on derecognition of financial assets measured at amortised cost	-	6	6
Net insurance result*	54	-	54
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property	10	-	10
Other income	18	-	18
Total income	**1,093**	**10**	**1,103**
Total expenses	**(391)**	**(30)**	**(421)**
Operating profit	**702**	**(20)**	**682**
Loan credit losses	(63)	63	-
Impairment of other financial and non-financial assets	(53)	53	-
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(28)	28	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(126)	(126)
Profit before tax and non-recurring items	**558**	**(2)**	**556**
Tax	(73)	-	(73)
Profit attributable to non-controlling interests	(2)	-	(2)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**483**	**(2)**	**481**
Advisory and other transformation costs - organic	(2)	2	-
Profit after tax (attributable to the owners of the Company)	**481**	**-**	**481**

* Net insurance result per underlying basis comprises the aggregate of captions '*Net insurance finance income/(expense) and net reinsurance finance income/(expense)*', '*Net insurance service result*' and '*Net reinsurance service result*' per the statutory basis.

The reclassification differences between the statutory basis and the underlying basis are explained below:

- Net gains on loans and advances to customers at FVPL of €2 million included in '*Loan credit losses*' under the underlying basis are included in '*Net gains/(losses) on financial instruments*' under the statutory basis. Their classification under the underlying basis is done to align their presentation with the loan credit losses on loans and advances to customers at amortised cost.

Group financial results on the underlying basis (continued)

Reconciliation of the Consolidated Income Statement for the year ended 31 December 2023 between the audited statutory basis and the underlying basis (continued)

- '*Net gains on derecognition of financial assets measured at amortised cost*' of €6 million under the statutory basis comprise the below items which are reclassified accordingly under the underlying basis as follows:
    - €8 million net gains on derecognition of loans and advances to customers included in '*Loan credit losses*' under the underlying basis as to align their presentation with the loan credit losses arising from loans and advances to customers.
    - Net losses on derecognition of debt securities measured at amortised cost of approximately €2 million included in '*Net foreign exchange gains and net gains/(losses) on financial instruments*' under the underlying basis in order to align their presentation with the net gains/(losses) on financial instruments.

- *'Provisions for pending litigations, claims, regulatory and other matters (net of reversals)'* amounting to €28 million presented within '*Operating profit before credit losses and impairment*' under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

- *'Advisory and other transformation costs – organic'* of approximately €2 million included in *'Other operating expenses*' under the statutory basis are separately presented under the underlying basis since they comprise, mainly, fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- '*Credit losses on financial assets*' and *'Impairment net of reversals of non-financial assets*' under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €73 million, which are included in '*Loan credit losses*' under the underlying basis, and ii) credit losses of other financial assets of €6.5 million and impairment net of reversals of non-financial assets of €47 million, which are included in '*Impairment of other financial and non-financial assets*' under the underlying basis, as to be presented separately from loan credit losses.

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,468 million as at 31 December 2023 compared to €2,030 million as at 31 December 2022. Shareholders' equity totalled to €2,248 million as at 31 December 2023 compared to €1,810 million as at 31 December 2022.

The regulatory Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 17.4% as at 31 December 2023, compared to 15.3% as at 31 December 2022, as restated. During the year ended 31 December 2023 organic capital generation amounted to 475 bps (of which 131 bps were recorded in the fourth quarter of 2023). Throughout this Management Report, the capital ratios as at 31 December 2023 include profits for the year ended 31 December 2023 net of a distribution deduction of approximately 135 bps in respect of 2023 earnings distribution (refer to section 'Distributions' below). From the third quarter of 2023, the amount corresponding to the Pillar II add-on requirement relating to ECB's prudential provisioning expectations of 32 bps (as at 31 December 2023) is deducted from CET1 capital and has been eliminated from the Pillar II SREP capital requirements from 1 January 2024. A prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 12 bps on the Group's CET1 ratio as at 31 December 2023. In addition, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follows a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 31 December 2023 the impact of these increased capital requirements were 24 bps on the Group's CET1 ratio. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

The Group had elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios was phased-in gradually, with the impact being fully phased-in (100%) by 1 January 2023. The final phasing-in of the impact of the impairment amount from the initial application of IFRS 9 was approximately 65 bps on the CET1 ratio on 1 January 2023.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis(continued)

Capital Base (continued)

The regulatory Total Capital ratio on a transitional basis stood at 22.4% as at 31 December 2023, compared to 20.4% as at 31 December 2022, as restated.

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

The Group's minimum phased-in CET1 capital ratio requirement as at 31 December 2023 was at 10.72%, comprising a 4.50% Pillar I requirement, a 1.73% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of approximately 0.48%. The Group's minimum phased-in Total Capital ratio requirement was set at 15.56%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.08% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.50% and the CcyB of approximately 0.48%. Following the annual SREP performed by the ECB in 2022, ECB has maintained the non-public guidance for an additional Pillar II CET1 buffer (P2G) unchanged compared to 2021.

Following the annual SREP performed by the ECB in 2023, and based on the final SREP decision received in November 2023, effective from 1 January 2024, the Group's minimum phased-in CET1 capital ratio and Total Capital ratio requirements decreased, when disregarding the phasing-in of the O-SII buffer and CcyB, reflecting the elimination of the Pillar II add-on relating to ECB's prudential provisioning expectations, following the Group's decision to directly deduct from own funds such amount. On 1 January 2024, the Group's minimum phased-in CET1 capital ratio is set at approximately 10.91%, comprising a 4.50% Pillar I requirement, a 1.55% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.48%. Likewise, the Group's minimum phased-in Total Capital ratio requirement is set at approximately 15.61%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 2.75% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.48%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to the previous year. From 2 June 2024, both CET1 capital and Total Capital requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from 30 November 2023. Further, in June 2023, the CBC announced an additional increase of 0.50% in the CcyB of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus to be observed from June 2024, increasing the CcyB to 1.00%.

The Bank has been designated as an Other Systemically Important Institution (O-SII) by the Central Bank of Cyprus (CBC) in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015 and the relevant buffer stood at 1.50%. In October 2023, the CBC concluded its reassessment for the designation of credit institutions that meet the definition of O-SII institutions and the setting of O-SII buffer to be observed. The Group's O-SII buffer has been revised to 2.25% (from 1.50%), phased in annually by 37.5 bps, to 1.875% on 1 January 2024 and to 2.25% on 1 January 2025.

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.

The BOCH Group participated in the ECB Stress Test of 2023, the results of which were published by the ECB on 28 July 2023. For further information please refer to the 'Risk and Capital Management Report' of the Annual Financial Report 2023.

Resumption of distributions

Following the 2022 SREP decision, the equity dividend distribution prohibition was lifted for both the Company and BOCH, with any dividend distribution being subject to regulatory approval.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis(continued)

Resumption of distributions (continued)

In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend. Following this approval, the Board of Directors of the Company recommended to the shareholders a final dividend of €0.002 per ordinary share in respect of earnings for the year ended 31 December 2022 ('2022 Dividend'). The proposed final dividend was declared at the Annual General Meeting ('AGM') which was held on 26 May 2023. The 2022 Dividend amounted to €22.3 million in total and was equivalent to a payout ratio of 14% of the BOCH Group's adjusted recurring profitability for the year ended 31 December 2022 or 31% based on profit after tax for the year ended 31 December 2022 (as reported in the 2022 Annual Financial Report). The 2022 Dividend was paid in cash on 16 June 2023.

The 2022 Dividend had a capital impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022.

This was the first dividend payment after 12 years underpinning the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

Distribution policy

The Group aims to provide a sustainable return to shareholders. In line with the Group's distribution policy, distributions are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the BOCH Group's adjusted recurring profitability, including cash dividends and buybacks. Group adjusted recurring profitability is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon. The distribution policy takes into consideration market conditions as well as the outcome of capital and liquidity planning. The distribution level will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board of Directors' assessment of the capital required to implement the Group Strategy and any capital the Group retains to cover uncertainties (e.g. related to the economic outlook) and any impact from the evolving regulatory and accounting environments.

Distributions out of 2023 earnings

The Company, in March 2024, obtained regulatory approval from the European Central Bank for a distribution in respect of 2023 earnings of a total amount of €137 million, comprising a cash dividend. Following ECB approval, the Board of Directors of the Company recommended a final dividend to shareholders as described in section 'Distributions' of the Management Report. The payout ratio for the financial year 2023 of 30% of the BOCH Group's adjusted recurring profitability is in line with the Distribution Policy and represents a material increase compared to the previous year (14% payout ratio for the financial year 2022, as reported).

Other equity instruments

At 31 December 2023, the Group's other equity instruments relate to Additional Tier 1 Capital Securities (the 'AT1 securities') and amounted to €220 million, at the same levels as at 31 December 2022.

In June 2023, BOCH successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'BOCH New AT1 '). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH New AT1 (the 'New AT1 Loan') on terms substantially identical to the terms and conditions of the BOCH New AT1. The New AT1 Loan constitutes an unsecured and subordinated obligation of the Company, is perpetual and is issued at par. The New AT1 Loan carries an initial coupon of 11.875% per annum, payable semi-annually and resettable on 21 December 2028 and every 5 years thereafter. The Company will have the option to redeem the New AT1 Loan from, and including, 21 June 2028 to, and including, 21 December 2028 and on each interest payment date thereafter, subject to applicable regulatory consents and the relevant conditions to redemption.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis(continued)

Capital Base (continued)

Other equity instruments (continued)

Further, in June 2023, BOCH invited the holders of its outstanding €220 million Old AT1 to tender their Old AT1 for cash purchase by BOCH at a price equal to 103% of the principal amount. At the same time, the Company invited the holder of its outstanding €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities callable in December 2023 to tender its Existing Capital Securities at a purchase price of 103% of the principal amount, on same terms as the tender by BOCH of the external Old AT1, after which approximately €16 million Existing Capital Securities remained outstanding. As a result, a cost of approximately €7 million was recorded directly in the Company's equity during the year ended 31 December 2023, forfeiting the relevant future coupon payments.

In July 2023, the Company purchased and cancelled a further approximately €7 million Existing Capital Securities. In November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining approximately €8 million in aggregate principal amount outstanding of the Existing Capital Securities on 19 December 2023.

Legislative amendments for the conversion of DTA to DTC

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

Following certain modifications to the Law in May 2022, the annual guarantee fee is to be determined by the Cyprus Government on an annual basis, providing however that such fee to be charged is set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10 million per year, and also allowing for a higher amount to be charged in the year the amendments became effective (i.e. in 2022).

The Group estimates that such fees could range up to approximately €5 million per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. An amount of approximately €5 million was recorded in the consolidated income statement during the year ended 31 December 2023.

Regulations and Directives

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

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD 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. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. In December 2023, the preparatory bodies of the Council and European Parliament have endorsed the amendments to the Capital Requirements Regulation and the Capital Requirements Directive. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. Although still subject to legal revision and to the final vote in the Plenary, no changes in substance are expected until their adoption by the European Parliament by the second quarter of 2024. It is expected that they will enter into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In January 2024, the Bank received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets and must be met by 31 December 2024, one year earlier than the previous decision, in light of the Group's progress over the years of becoming a strong, well-capitalised with sustainable profitability organisation.

Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirement expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

The regulatory MREL ratio as at 31 December 2023, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 25.5% of risk weighted assets (RWA) and at 11.7% of LRE. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR requirement, which stood at 4.48% on 31 December 2023 (compared to 3.77% as at 31 December 2022), reflecting the increase on 30 November 2023 of CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus. CCyB is expected to further increase from June 2024 as announced by CBC. Additionally, the CBR requirement is increased further on 1 January 2024 following an increase in O-SII buffer from 1.50% to 1.875% and subsequently to 2.25% from 1 January 2025, as announced by CBC.

Throughout this Management Report, the MREL ratios as at 31 December 2023 include profits for the year ended 31 December 2023 net of a distribution deduction of approximately 135 bps in respect of 2023 earnings distribution.

The Bank continues to evaluate opportunities to optimise the build-up of its MREL.

Funding and Liquidity

Funding

Funding from Central Banks

At 31 December 2023, the Bank's funding from central banks amounted to €2,044 million, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €1,977 million at 31 December 2022.

The maturity date of the Bank's funding of €1.7 billion under the seventh TLTRO III operation is in March 2024, whilst the €300 million under the eighth TLTRO III operation is in June 2024.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and Liquidity (continued)

Funding (continued)

Deposits
Customer deposits totalled €19,339 million at 31 December 2023, compared to €18,998 million at 31 December 2022. Customer deposits are mainly retail-funded and approximately 58% of deposits are protected under the deposit guarantee scheme as at 31 December 2023.

The Bank's deposit market share in Cyprus reached 37.7% at 31 December 2023, compared to 37.2% at 31 December 2022. Customer deposits accounted for 73% of total assets and 80% of total liabilities at 31 December 2023, compared to 75% of total assets and 82% of total liabilities at 31 December 2022.

The net loans to deposits (L/D) ratio stood at 51% as at 31 December 2023, compared to 52% as at 31 December 2022 on the same basis.

Subordinated liabilities
At 31 December 2023, the carrying amount of the Group's subordinated liabilities amounted to €308 million, compared to €304 million at 31 December 2022, and relate to unsecured subordinated Tier 2 Capital Notes ('T2 Notes').

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

Debt securities in issue
At 31 December 2023, the carrying value of the Group's debt securities in issue amounted to €672 million, compared to €298 million at 31 December 2022, and relate to senior preferred notes. The increase of 126% since the beginning of the year, relates to the issuance of €350 million senior preferred notes in the third quarter of 2023.

In July 2023, the Bank successfully launched and priced an issuance of €350 million of senior preferred notes (the 'Notes'). The Notes were priced at par with a fixed coupon of 7.375% per annum, payable annually in arrear, until the Optional Redemption Date, i.e. 25 July 2027. The maturity date of the Notes is 25 July 2028; however, the Bank may, at its discretion, redeem the Notes on the Optional Redemption Date subject to meeting certain conditions (including applicable regulatory consents) as specified in the Terms and Conditions. If the Notes are not redeemed by the Bank, the coupon payable from the Optional Redemption Date until the Maturity Date will convert from a fixed rate to a floating rate and will be equal to 3-month Euribor + 409.5 bps, payable quarterly in arrear. The Notes comply with the criteria for the Minimum Requirement for Own Funds and Eligible Liabilities ('MREL') and contribute towards the Bank's MREL requirement.

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

Liquidity

At 31 December 2023, the Group Liquidity Coverage Ratio (LCR) stood at 359%, compared to 291% at 31 December 2022, well above the minimum regulatory requirement of 100%. The LCR surplus as at 31 December 2023 amounted to €9.1 billion, compared to €7.2 billion at 31 December 2022. When disregarding the TLTRO III, the Group's liquidity position remains strong with an LCR of 302% and liquidity surplus of €7.1 billion.

At 31 December 2023, the Group Net Stable Funding Ratio (NSFR) stood at 158%, compared to 168% at 31 December 2022, well above the minimum regulatory requirement of 100%.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loans

Group gross loans totalled €10,070 million at 31 December 2023, compared to €10,217 million at 31 December 2022, broadly flat compared to the beginning of the year, as repayments offset new lending.

New lending granted in Cyprus reached €2,025 million in the year ended 31 December 2023, compared to €2,092 million in the year ended 31 December 2022, despite the rising interest rate environment, driven mainly by corporate demand.

At 31 December 2023, the Group net loans and advances to customers totalled €9,822 million, compared to €9,953 million at 31 December 2022, broadly flat since the beginning of the year.

The Bank is the largest credit provider in Cyprus with a market share of 42.2% at 31 December 2023, compared to 40.9% at 31 December 2022.

In December 2023, the Bank entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of approximately €58 million with reference date 31 December 2022 (the 'Transaction'). The Transaction is broadly neutral to the Group's income statement and capital position. The Transaction was completed in March 2024.

Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. Today, the Group's priorities focus mainly on maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration following the ongoing macroeconomic uncertainty.

The loan credit losses amounted to €63 million for the year ended 31 December 2023, compared to €47 million for the year ended 31 December 2022. Further details regarding loan credit losses are provided in section 'Profit before tax and non-recurring items'.

Non-performing exposures

Following a deep dive assessment of the Group's loan portfolio in the second half of 2023, a total amount of €90 million was classified as unlikely to pay exposures ('UTPs'). The vast majority of the UTPs of approximately €76 million are customer specific with idiosyncratic characteristics and are not linked with the current macroeconomic environment, they adhere to their payment schedule and present no arrears. Despite the high interest rates and inflation, there are no material signs of asset quality deterioration to date. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

Non-performing exposures (NPEs) were decreased to €365 million at 31 December 2023, compared to €411 million at 31 December 2022. As a result, the NPEs account for 3.6% of gross loans as at 31 December 2023, compared to 4.0% at 31 December 2022.

The NPE coverage ratio stands at 73% at 31 December 2023, compared to 69% at 31 December 2022. When taking into account tangible collateral at fair value, NPEs are fully covered.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Mortgage-To-Rent Scheme ('MTR')

In July 2023, the Mortgage-to-Rent Scheme ('MTR') was approved by the Council of Ministers and aims for both, the reduction of NPEs backed by primary residence and the protection of the primary residence of vulnerable borrowers. The eligible criteria include:

- Borrowers that were non-performing as at 31 December 2021, remained non-performing as at 31 December 2022 and who also received government allowances during the period January 2021 to December 2022, with facilities backed by primary residence with Open Market Value of up to €250 thousand;
- Borrowers that had a fully completed application to Estia Scheme and were assessed as eligible but not viable with a primary residence with Open Market Value of up to €350 thousand; and
- all applicants that were approved under Estia Scheme but their inclusion was terminated.

Under the MTR, eligible property owners will voluntarily surrender ownership of their residence to Cyprus Asset Management Company ('KEDIPES') which has been approved by the Government to provide and manage social housing and will be exempted from their mortgage loan, as the state will be covering fully the required rent on their behalf. KEDIPES will carry out a new valuation and a technical due diligence for the eligible applicants' property and if satisfied will approve the application and pay to the banks an amount equal to 65% of the Open Market Value of the primary residence in exchange for the mortgage release, the write off of the NPE loan and the transfer of the property title deeds.

The eligible applicants will be able to acquire the primary residence after five years at a favourable price, below the Open Market Value.

The scheme has been launched in December 2023; it is expected to act as another tool to address NPEs in the Retail sector.

Fixed income portfolio

Fixed income portfolio amounts to €3,548 million as at 31 December 2023, compared to €2,500 million as at 31 December 2022, increased by 42% compared to the prior year. As at 31 December 2023, the portfolio represents 14% of total assets (net of TLTRO III) and comprises €3,117 million (88%) measured at amortised cost and €431 million (12%) at fair value through other comprehensive income ('FVOCI').

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has high average rating at Aa3. The amortised cost fixed income portfolio as at 31 December 2023 has an unrealised gain of €3 million, reflecting an improvement in the market value of this portfolio, following the reduction in bond yields.

Real Estate Management Unit (REMU)

The Real Estate Management Unit (REMU) is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales of repossessed assets since the beginning of 2019 amount to €0.9 billion and exceed properties on-boarded in the same period of €0.5 billion.

During the year ended 31 December 2023, the Group completed disposals of €194 million (compared to €162 million during the year ended 31 December 2022), resulting in a profit on disposal of approximately €11 million for the year ended 31 December 2023 (compared to a profit of approximately €16 million for the year ended 31 December 2022). Asset disposals are across all property classes, with 47% gross sale value in the year ended 31 December 2023 relating to land.

During the year ended 31 December 2023, the Group executed sale-purchase agreements (SPAs) for disposals of 569 properties with contract value of €213 million, compared to SPAs for disposals of 674 properties with contract value of €184 million during the year ended 31 December 2022.

In addition, the Group had a strong pipeline of €40 million by contract value as at 31 December 2023, of which €29 million related to SPAs signed (compared to a pipeline of €70 million as at 31 December 2022, of which €47 million related to SPAs signed).

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Real Estate Management Unit (REMU) (continued)

REMU on-boarded €21 million of assets in the year ended 31 December 2023, compared to additions of €86 million during the year ended 31 December 2022, via the execution of debt for asset swaps and repossessed properties.

As at 31 December 2023, assets held by REMU had a carrying value of €878 million, (comprising properties of €826 million classified as 'Stock of property' and €52 million as 'Investment properties'), of which €862 million are repossessed properties, compared to €1,116 million as at 31 December 2022 (comprising properties of €1,041 million classified as 'Stock of property' and €75 million as 'Investment properties').

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €10 million as at 31 December 2023, compared to €10 million as at 31 December 2022, are not managed by REMU.

Income Statement Analysis

Total income

Net interest income (NII) for the year ended 31 December 2023 amounted to €793 million, compared to €371 million for the year ended 31 December 2022, up by 114%, benefitting from higher interest rates on liquid assets and loans, the growth of fixed income portfolio and a well-managed deposit pass-through, notwithstanding the foregone NII on the NPE sale (the Helix 3 portfolio) (approximately €13 million in the year ended 31 December 2022) and the end of the TLTRO III favourable terms (approximately €15 million in the year ended 31 December 2022).

Quarterly average interest earning assets (AIEA) for the year ended 31 December 2023 amounted to €23,217 million, compared to €22,488 million in the year ended 31 December 2022. The increase was driven by the increase in liquid assets mainly as a result of the increase in deposits by approximately €0.34 billion since the prior year and the issuance of senior preferred notes of €0.35 billion.

Net interest margin (NIM) for the year ended 31 December 2023 amounted to 3.42%, compared to 1.65% for the year ended 31 December 2022. The increase was driven by the higher interest rate environment.

Non-interest income for the year ended 31 December 2023 amounted to €300 million (compared to €292 million for the year ended 31 December 2022) comprising net fee and commission income of €181 million, net foreign exchange gains and net gains/(losses) on financial instruments of €37 million, net insurance result of €54 million, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €10 million and other income of €18 million. The increase in non-interest income in the year ended 31 December 2023 was driven by higher net foreign exchange gains and net gains/(losses) on financial instruments and net insurance result, and was partly offset by lower net fee and commission income.

Net fee and commission income for the year ended 31 December 2023 amounted to €181 million, compared to €192 million for the year ended 31 December 2022; when disregarding the impact of the liquidity fees abolished in December 2022 and NPE sale-related servicing fee, net fee and commission income was up 6% compared to the prior year, reflecting higher net credit card commissions and transactional fees.

Net foreign exchange gains and net gains/(losses) on financial instruments of €37 million for the year ended 31 December 2023 (comprising net foreign exchange gains of approximately €28.5 million and net gains on financial instruments of approximately €8.5 million), compared to €26 million for the year ended 31 December 2022 up by 46%, due to higher net gains on financial instruments. Net foreign exchange gains and net gains/(losses) on financial instruments are considered volatile profit contributors.

Net insurance result amounted to €54 million for the year ended 31 December 2023, compared to €44 million for the year ended 31 December 2022. The increase was driven mainly by improved experience variance due to better claims experience and the reduction in the loss component from the insurance contracts (recognised upfront in line with IFRS 17) in life insurance business.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total income (continued)

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for the year ended 31 December 2023 amounted to €10 million (comprising net gains on disposal of stock of properties of €9 million, net gains on disposal of investment properties of €2 million and net loss from revaluation of investment properties of €1 million), compared to €13 million for the year ended 31 December 2022 (comprising net gains on disposal of stock of properties of €16 million and net loss from revaluation of investment properties of €3 million). REMU profit remains volatile.

Total income amounted to €1,093 million for the year ended 31 December 2023, compared to €663 million for the year ended 31 December 2022, driven by strong growth in net interest income, as explained above.

Total expenses

Total expenses for the year ended 31 December 2023 were €391 million, compared to €364 million for the year ended 31 December 2022. Of these, 49% related to staff costs (€192 million), 40% to other operating expenses (€156 million) and 11% to special levy on deposits and other levies/contributions (€43 million).

Total operating expenses amounted to €348 million for the year ended 31 December 2023 (compared to €326 million for the year ended 31 December 2022) with savings from the efficiency actions undertaken in 2022, partly offsetting inflationary pressures. Total operating expenses for the year ended 31 December 2023 included approximately €11 million performance related pay accrual (for both, the Long-Term Incentive Plan ('LTIP') and Short-term Incentive Plan ('STIP')), approximately €7.5 million in relation to staff exit costs and €2.5 million cost on the introduction of a Reward Programme for performing borrowers. When disregarding the aforementioned, total operating expenses for the year ended 31 December 2023 amounted to approximately €327 million, down by 1% compared to the prior year.

Staff costs for the year ended 31 December 2023 were €192 million, compared to €181 million for the year ended 31 December 2022. The increase was driven by the staff exit costs of approximately €7.5 million and the performance related pay accrual of approximately €11 million, partly offset by the savings of the Voluntary Staff Exit Plan (VEP) that took place in 2022. During the year ended 31 December 2023, 50 full-time employees were approved to leave the Group at a total cost of approximately €7.5 million.

The performance related pay accrual relates to the Short-Term Incentive Plan and the Long-Term Incentive Plan. The Short-Term Incentive Plan involves variable remuneration to selected employees and is driven by both delivery of the Group's strategy as well as individual performance.

At the Annual General Meeting of BOCH which took place in May 2022, a special resolution was approved for the establishment and implementation of the share based Long-Term Incentive Plan ('LTIP'). In December 2022, 819,860 share awards were granted to 22 eligible employees under the LTIP, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three-year performance period for 2022-2024 (with all performance conditions being non-market performance conditions). In October 2023, 479,160 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period for 2023-2025 (with all performance conditions being non-market performance conditions). These shares will then normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date.

As at 31 December 2023, the Group employed 2,830 persons compared to 2,889 persons as at 31 December 2022.

Other operating expenses for the year ended 31 December 2023 amounted to €156 million, compared to €145 million for the year ended 31 December 2022, driven mainly by inflationary pressures and higher expenses due to the Reward Programme launched to reward performing borrowers under Antamivi Reward Scheme.

Special levy on deposits and other levies/contributions for the year ended 31 December 2023 amounted to €43 million compared to €38 million for the year ended 31 December 2022. The increase was driven by the increase of deposits by €0.34 billion year-on-year.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total expenses (continued)

The cost to income ratio excluding special levy on deposits and other levies/contributions for the year ended 31 December 2023 was 32% compared to 49% for the year ended 31 December 2022, a decrease of 17 p.p. The decrease is driven by the higher total income and disciplined cost management.

Profit before tax and non-recurring items

Operating profit for the year ended 31 December 2023 amounted to €702 million, compared to €299 million for the year ended 31 December 2022. The year-on-year increase is driven by the significant increase in net interest income.

Loan credit losses for the year ended 31 December 2023 were €63 million, compared to €47 million for the year ended 31 December 2022 and include €19 million higher loan credit losses on specific customers with idiosyncratic characteristics assessed as 'Unlikely to pay' ('UTPs') exposures, even though they adhere to their repayment schedule and present no arrears.

Cost of risk for the year ended 31 December 2023 is equivalent to 62 bps, compared to a cost of risk of 44 bps for the year ended 31 December 2022.

At 31 December 2023, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures totalled €267 million (compared to €282 million at 31 December 2022) and accounted for 2.7% of gross loans (compared to 2.8% for 31 December 2022).

Impairments of other financial and non-financial assets for the year ended 31 December 2023 amounted to €53 million, compared to €33 million for the year ended 31 December 2022, up €20 million year-on-year, driven mainly by higher impairments on specific, large, illiquid REMU stock properties.

Provisions for pending litigations, claims, regulatory and other matters (net of reversals) for the year ended 31 December 2023 amounted to €28 million, compared to €11 million for the year ended 31 December 2022. The year-on-year increase is driven mainly by provisions in relation to certain legacy matters, as well as in relation to the run-down of legacy and non-core operations of the Group.

Profit before tax and non-recurring items for the year ended 31 December 2023 totalled €558 million, compared to €208 million for the year ended 31 December 2022.

Profit after tax (attributable to the owners of the Company)

The tax charge amounted to €73 million for the year ended 31 December 2023, compared to €31 million for the year ended 31 December 2022. In 2023, the tax charge also includes a credit in relation to the recognition of deferred tax assets relating to temporary differences of approximately €10 million.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date however it is expected to be enacted within 2024. The Bank of Cyprus Holdings Group expects to be in scope of the draft legislation and has performed an initial assessment of the potential impact of Pillar Two tax which is currently estimated to be in the range of up to 2% of profit before tax. However, the actual impact will depend on the Bank of Cyprus Holdings Group's consolidated income statement variables at the time of implementation. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be implemented, the effects of this reform are still being examined and the Group will further refine the quantification in view of the first accounting recognition of the additional tax charge in the Group's consolidated accounts in 2024.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Profit after tax (attributable to the owners of the Company) (continued)

Profit after tax and before non-recurring items (attributable to the owners of the Company) for the year ended 31 December 2023 is €483 million, compared to €174 million for the year ended 31 December 2022.

Advisory and other transformation costs – organic for the year ended 31 December 2023 are €2 million, compared to €11 million for the year ended 31 December 2022.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for the year ended 31 December 2023 amounted to €481 million, compared to €163 million for the year ended 31 December 2022.

Following the completion of Helix 3 project, there are no amounts recognised for provisions/net profit/(loss) relating to NPE sales in the year ended 31 December 2023.

Restructuring and other costs relating to NPE sales for the year ended 31 December 2023 was nil compared to €3 million for the year ended 31 December 2022 (relating to the agreements for the sale of portfolios of NPEs).

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) of €104 million in the year ended 31 December 2022 mainly related to the Voluntary Staff Exit Plan (VEP) that took place in the third quarter of 2022. In July 2022 the Group completed a VEP which led to the reduction of the Group's full-time employees by 16%, at a total cost of €101 million. The gross annual savings were estimated at approximately €37 million or 19% of staff costs with a payback period of 2.7 years.

Profit after tax attributable to the owners of the Company for the year ended 31 December 2023 amounts to €481 million, corresponding to a ROTE of 24.5%, compared to €57 million for the year ended 31 December 2022 (with a ROTE of 3.3%). ROTE excluding amounts reserved for the distribution for the year ended 31 December 2023 increases to 24.9%, compared to a ROTE of 3.3% for the year ended 31 December 2022, calculated on the same basis. The adjusted recurring profitability (i.e. defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon) amounted to €449 million for the year ended 31 December 2023 compared to €148 million for the year ended 31 December 2022.

Operating Environment

War and geopolitics can be very disruptive to the economy and society. Meantime wars continue to rage in Ukraine and in the Middle East, adding to uncertainty and instability. The attacks on merchant shipping in the Red Sea from the Houthis in Yemen, is a reflection of the uncertainty. The attacks are forcing many carriers to change route adding days and costs to shipping which eventually will add to inflationary pressures, with implications for monetary policy.

The European Commission's Winter Forecast estimates GDP growth in 2023 at 0.5% in both the EU and the euro area. Going forward, growth is expected to rebound mildly in the euro area to 0.8% in 2024 and to 1.5% in 2025. HICP inflation is forecast to decrease from 5.4% in 2023, to 2.7% in 2024, and 2.2% in 2025, other things being equal. Uncertainty and downside risks to the economic outlook have increased in recent months, primarily related to the evolution of the geopolitical environment.

Real GDP growth in Cyprus averaged 2.5% in the four quarters and was respectively 3.1%, 2.1%, 2.2% and 2.2% in the first, second, third and fourth quarter. Trade, transport and accommodation contributed more than half of the recorded growth in the period. Accommodation, which is tourism driven, continues to reflect the recovery from the Covid collapse, and so the respective contribution to the overall growth of the economy is higher than normal. Other important contributions came from the sectors of information and communications, industry and public administration, education and health. Financial services and professional services made small negative contributions.

Private consumption expanded strongly supported by high employment and rising wages. The automatic partial indexation of wages (COLA) has somewhat cushioned the negative impact of elevated prices on consumption. Investment, particularly in residential construction, has been supported by the interest-subsidisation scheme for mortgages and an influx of foreign companies.

In the labour market employment growth slowed in the first three quarters of 2023, averaging 0.8% compared with 3.2% and 2.8% respectively in 2021 and 2022. The unemployment rate continued to decline from 6.8% average in 2022, to 6.0% in the third quarter of 2023, seasonally adjusted.

Inflation measured by the Harmonised Index of Consumer Prices, decreased to an average of 3.9% in Cyprus and 5.4% in the Euro area in 2023, from 8.1% on average in 2022 in Cyprus and 8.4% in the Euro Area. Core inflation (defined as total headline inflation excluding energy and food) for 2023 was 2.8% in Cyprus and 4.9% in the Euro area. The decline in the headline inflation was driven by the non-core components of energy and food, while core inflation was stickier. Harmonised inflation is expected to continue to decelerate in the medium term falling to around 2.4% and 2.1% respectively in 2024 and 2025 according to the European Commission's Winter forecasts assuming falling energy prices and support measures adopted by the government.

Tourist activity continued to improve in 2023 after a strong performance in 2022. Arrivals increased by 20.1% from a year earlier, reaching 3.8 million persons, which corresponds to 97% of arrivals in 2019 before the pandemic. Likewise, receipts for the year ended 31 December 2023 increased by 22.6% reaching almost €3 billion for the year, higher than total receipts in the respective period in 2019.

In public finances, there have been significant improvements in budget and debt dynamics including debt affordability indicators. The recovery in 2021 was underpinned by a significant increase in general government revenue and a relative decrease in government expenditure. The result was a reduction in the budget deficit to 1.9% of GDP, from a deficit of 5.7% of GDP in 2020. In 2022 the budget surplus rose to 2.4% of GDP and gross debt dropped to 85.6% of GDP from 99.3% of GDP in 2021. The budget surplus in 2023 is estimated at 2.4% of GDP according to the Cyprus Ministry of Finance with gross debt falling to 78.4% of GDP. The budget balance is forecast to remain in surplus at 2.1% of GDP in 2024 and 2.5% in 2025. Gross debt is set to decline strongly in relation to GDP, to 71.5% and 66.3% respectively, on the back of nominal GDP growth and substantial budget surpluses. Debt affordability metrics are favourable and are expected to remain solid in 2023-2024, as gross financing needs are moderate, and the cash buffer gives the government a high degree of financing flexibility.

Operating Environment (continued)

The ECB left its interest rates unchanged at the latest Governing Council meeting on 7 March 2024. The minimum refinancing operations rate remained at 4.5%, compared with zero at the start of the tightening cycle in July 2021, while the ECB deposit facility rate is at 4.0%, compared with -50 bps in July 2021. The ECB's policy remains focussed on ensuring that inflation returns to the 2% medium-term target in a timely manner, and so interest rates will remain at sufficiently restrictive levels for as long as necessary.

Non-performing exposures (NPE) continued their declining trend mostly due to sales packages by the two largest banks. Non-performing loans were 8.3% of gross loans at the end of November 2023, according to data from the Central Bank of Cyprus compared to 9.5% at the end of December 2022. The NPE ratio in the non-financial corporations segment was 7.1% and that of households was 10.5%. Private indebtedness continues to decline with total loans to residents excluding the government dropping to about 68% of GDP at the end of December 2023. New lending in 2023 remained in line with new lending volumes in 2022, showing signs of slowing in the last quarter of the year, particularly in relation to housing loans, reflecting the tighter monetary conditions prevailing.

Sovereign ratings

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

In December 2023, Fitch Ratings affirmed Cyprus' long-term foreign currency issuer default rating at 'BBB' and revised its outlook from stable to positive. This follows an affirmation of Cyprus' long-term foreign currency issuer default rating with a stable outlook in June 2023, and the upgrade in March 2023. The upgrade and affirmation reflect the improvement in public finances and government debt, as well as strong GDP growth, the resilience of the Cypriot economy to external shocks, and the improvement in the banking sector's asset quality.

In September 2023, Moody's Investors Service upgraded the long-term issuer and senior unsecured ratings of the Government of Cyprus to Baa2 from Ba1. The outlook was revised to stable from positive. This is a two-notch upgrade of Cyprus' ratings, reflecting broad-based and sustained improvements in the country's credit profile as a result of past and ongoing economic, fiscal and banking reforms. Economic resilience has improved and medium-term growth prospects remain strong. Fiscal strength has also improved significantly, with a positive debt trend and sound debt affordability metrics. The stable outlook balances the positive credit trends with remaining challenges.

In addition, S&P Global Ratings revised its outlook on Cyprus to positive from stable in September 2023 and affirmed Cyprus' long-term local and foreign currency sovereign ratings at BBB. The positive outlook reflects the ongoing macroeconomic normalisation since the country's financial crisis in 2012-2013, with the government on track to achieve steady fiscal surpluses and a declining debt-to-GDP ratio in the coming years. The positive outlook also reflects the significant progress made in the banking sector.

Also in September 2023, DBRS Ratings GmbH (DBRS Morningstar) upgraded the long-term foreign and local currency issuer ratings of the Republic of Cyprus from BBB to BBB (high). The rating action is stable. The upgrade is driven by the recent decline in government debt and the expectation that public debt metrics will continue to improve over the next few years, while economic growth is expected to remain among the strongest in the euro area. The stable outlook balances the recent favourable fiscal dynamics with downside risks to the economic outlook.

Strategy and Outlook

The vision of the Group is to create a lifelong partnership with its customers, guiding and supporting them in an evolving world.

The strategic pillars of the Group remain intact:
- Grow revenues in a more capital efficient way; by enhancing revenue generation via growth in high quality new lending, diversification to less capital intensive banking and other financial services (such as insurance and the digital economy) as well as prudent management of the Group's liquidity
- Achieve a lean operating model; by ongoing focus on efficiency through further automations facilitated by digitisation
- Maintain robust asset quality; by maintaining high quality new lending via strict underwriting criteria, normalising cost of risk and reducing other impairments
- Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by leading the transition of Cyprus to a sustainable future and building a forward-looking organisation embracing ESG in all aspects.

In 2023, there was a fast and steep increase in interest rates and in conjunction with the Group's highly liquid balance sheet, resulted in a significant increase in the net interest income of the Group. During 2023 the Group's net interest income has more than doubled compared to the previous year, facilitating strong profitability. Overall, the Group delivered a ROTE of 24.5% (or ROTE excluding distributions of 24.9%) for the year ended 31 December 2023, exceeding significantly its 2023 targets that were set in June 2023 during the Investor Update Event.

In line with the average market forward rates for January 2024, the ECB deposit facility rate is expected to average to 3.4% in 2024 (compared to 3.3% in 2023), with recent market expectation indicating great volatility in the path of rate cuts. Nevertheless, the ECB deposit facility rate is expected to normalise by 2025, and expected to reduce to 2.7% by the fourth quarter of 2024 and to 2.0% by the fourth quarter of 2025. Euribor rates have already started to move in expectation of these moves, with 6-month Euribor expected to average to 3.2% in 2024 (compared to 3.7% in 2023) using average January forecasts. As a result, the Group's net interest income is expected to exceed €670 million (compared to over €625 million previously guided in June 2023) with a quarterly declining trend. The main drivers for this guidance are:
- Time and notice deposit pass-through to increase to an average of 40% in 2024 from 18% in 4Q2023. The interest rate cuts are expected to pass gradually to new deposits whilst slow repricing of the back book is expected in 2025;
- Gradual change in deposit mix towards time and notice deposits from 32% as at 31 December 2023 to approximately 45% by 31 December 2024;
- Low single-digit loan growth whilst loans are expected to reprice to lower Euribor rates (in anticipation of the ECB deposit facility rate cuts);
- Fixed income portfolio is expected to continue to grow, subject to market conditions, so that it represents approximately 16% of total assets by end-2024, benefitting also from rollover to higher rates; and
- Higher wholesale funding costs, reflecting the full year impact of the 2023 senior preferred issuance and any further planned issuance in order to meet the 2024 MREL requirement.

Additionally, as the Group's majority of interest earning assets are floating, the Group is undertaking solutions in order to reduce its net interest income sensitivity, converting some of its assets from floating rate to fixed. During 2023 these actions included: investing in fixed rate bonds, initiating the use of reverse repos, offering fixed rate loans and engaging into receiving fixed interest rate swaps on the subordinated debt and debt securities. Simultaneously, about one fifth of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these structural hedging actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 bps) by €16 million in 2023 compared to prior year. These actions are expected to continue in 2024 so that the structural hedging increases by around €4 to €5 billion by end of 2024, subject to market conditions, via partial hedging of non-rate sensitive deposits through receipt of fixed interest rate swaps, further investment in fixed rate bonds, additional reverse repos and continuing offering of fixed rate loans. In this respect, it is expected that NII sensitivity by end-2024 will decrease further by approximately €30-€40 million.

Separately, the Group continues to focus on improving revenues through multiple less capital-intensive initiatives, with a focus on net fee and commission income, insurance and non-banking activities, enhancing the Group's diversified business model further. Non-interest income is an important contributor to the Group's profitability and historically covered on average around 80% of its total operating expenses and it is expected to continue covering around 70-80% of the Group's total operating expenses for 2024-2025, supported by a growing net fee and commission income in line with economic growth.

Strategy and Outlook (continued)

Maintaining cost discipline management remains an ongoing focus for the Group. The cost to income ratio excluding special levy on deposits or other levies/contributions is reiterated at approximately 40% for 2024, reflecting mainly reduced income due to the lower interest rates.

In terms of asset quality, the NPE ratio target by end-2024 is updated and is currently expected to stand at approximately 3% whilst the NPE ratio target of below 3% by end-2025 is reaffirmed. The cost of risk for 2024-2025 is expected to trend towards normalised levels of 40-50 bps.

Since 2019, the Real Estate Management Unit (REMU) stock has been consistently reducing, with properties sold exceeding the book value of properties acquired, while inflows remain substantially reduced following balance sheet derisking. Going forward, REMU sales are expected to continue, with expected inflows to remain at limited levels. Therefore, the target of REMU portfolio to reduce to approximately €0.5 billion by end-2025 is reiterated.

Overall, the Group continues to expect that it can deliver a ROTE of over 17% on 15% CET1 ratio (excluding amounts reserved for distribution) for 2024 corresponding to a CET1 generation of between 200-250 bps pre-distributions. Additionally, the ROTE target for 2025 of over 16% on 15% CET1 ratio (excluding amounts reserved for distribution) is reiterated, reflecting lower interest rates (average ECB deposit facility rate at 2.2% for 2025).

The Group's aim to provide sustainable shareholder returns is reiterated. Distributions are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the BOCH Group's adjusted recurring profitability. The Group's strategy is aligned to the BOCH Group Strategy.

A summary of the targets are shown below:

<table>
<tr><th>Key metrics</th><th>FY2024
(June 2023)</th><th>FY2025
(June 2023)</th><th>FY2024
(February 2024)</th></tr>
<tr><td>Net interest income</td><td>>€625 mn</td><td>Lower than 2024</td><td>>€670 mn</td></tr>
<tr><td>Average ECB Deposit facility rate</td><td>3.1%</td><td>2.5%</td><td>3.4%</td></tr>
<tr><td>Cost to income ratio[1]</td><td>c.40s</td><td>Mid 40s</td><td>c.40s</td></tr>
<tr><td>Return on tangible equity on 15% CET1 ratio</td><td>>17%</td><td>>16%</td><td>>17%[5]</td></tr>
<tr><td>NPE ratio</td><td><4%</td><td><3%</td><td>c.3%</td></tr>
<tr><td>Cost of risk</td><td colspan="2">To normalise towards 40-50 bps over the medium-term</td><td>Trending towards normalised levels of 40-50 bps</td></tr>
<tr><td>Capital</td><td colspan="2">200-250 bps organic capital generation p.a. pre distributions[2]
CET1 ratio of c.19% by end-2025</td><td>200-250 bps CET1 generation pre-distributions[3]</td></tr>
<tr><td>Distributions</td><td colspan="3">Building prudently and progressively to 30-50% payout ratio[4]</td></tr>
</table>

1. Excluding special levy on deposits and other levies/contributions
2. Based on profit after tax (pre distributions)
3. Yoy increase in CET1 ratio pre-distributions
4. Payout ratio calculated on BOCH Group's adjusted recurring profitability which refers to profit after tax before non-recurring items (attributable to the owners of the Company) taking into consideration the distributions from other equity instruments such as AT1 coupon. Any recommendation for a distribution is subject to regulatory approval.
5. Excluding amounts reserved for distribution

Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In December 2023, S&P Global Ratings upgraded the long-term issuer credit rating of the Bank to BB and maintained a positive outlook. The upgrade by one notch reflects the significant progress Cypriot banks have made toward rebalancing their funding profiles, reducing the dependence on non-resident deposits, the improved operating environment and the profitability prospects due to higher interest rates, improved efficiency and contained credit losses. In November 2023, Fitch Ratings upgraded the long-term issuer default rating to BB from B+, whilst maintaining the positive outlook. The two notch upgrade reflects a combination of Fitch's improved assessment of the Cypriot operating environment and continued improvement in the Bank's credit profile, strengthened capitalisation, reduced stock of legacy problem assets and structurally improved profitability. In October 2023 Moody's Investors Service upgraded the Bank's long-term deposit rating to the investment grade Baa3 from Ba1, while the outlook remained positive. The main drivers for this upgrade are the continued resilience of the Cypriot economy and credit conditions and the continued improvements in Bank's solvency profile, with further gradual improvements in asset quality and capital metrics, and a significant strengthening in the Bank's core profitability.

Financial performance

The Group is a leading, financial and technology hub in Cyprus. During the quarter ended 31 December 2023, the Group delivered another strong set of financial results, generating a ROTE of 24.9%, the fourth consecutive quarter with a ROTE over 20%. Overall, the Group generated €481 million profit after tax for the year, corresponding to a ROTE of 24.5%, surpassing its 2023 targets, supported by strong net interest income growth, whilst non-interest income remained a significant contributor to the Group's profitability and diversified model, covering 86% of total operating expenses. The Group's efficiency ratio was significantly improved on prior year reflecting continued revenue growth and disciplined cost management amidst inflationary pressures. The Group's tangible book value per share improved by 28% to €0.23. Currently, the Group enters a declining interest rate environment with the path of interest rate normalisation being very volatile. The Group reiterates its expectation of delivering a ROTE of over 17% based on 15% CET1 ratio (excluding amounts reserved for distribution) for 2024. Interest rates are expected to normalise to around 2.0-2.5% by 2025 and the Group's 2025 ROTE target of over 16% based on 15% CET1 ratio (excluding amounts reserved for distribution) is reaffirmed.

Financial Year 2023 Distribution at 30% payout ratio

The Group's strong financial performance in 2023 facilitated a rapid capital build-up, unlocking approximately 480s bps organic capital generation during the year and as a result, accelerating shareholder value. In March 2024, the Company obtained the approval of the ECB to pay a cash dividend (the 'Distribution'). The Distribution amounts to €137 million in total. The payout ratio for financial year 2023 of 30% of BOCH's Group Adjusted Recurring Profitability is in line with the updated Distribution Policy (refer to section 'Capital Base' above) and represents a material increase compared to the previous year (at 14% payout ratio).

Following ECB approval, the Board of Directors of the Company has resolved to propose to the AGM that will be held on 17 May 2024 for approval, a final cash dividend of €0.01 per ordinary share in respect of earnings for the year ended 31 December 2023. The Group's ROTE excluding amounts reserved for the Distribution for the year ended 31 December 2023 increases to 24.9% (compared to 3.3% for the year ended 31 December 2022 calculated on the same basis).

Business Overview (continued)

Financial performance (continued)

Interest rate environment

The structure of the Group's balance sheet is highly liquid, and hence benefitted immediately from the rises in interest rates. As at 31 December 2023, cash balances with ECB (excluding TLTRO III of approximately €2.0 billion) amounted to approximately €7.6 billion. The repricing of the references gradually benefited the interest income on loans as almost half of the Group's loan portfolio is Euribor based. As a result, the net interest income for the year ended 31 December 2023 amounted to €793 million, more than double compared to the previous year. This increase was underpinned by faster and steeper than expected interest rate rises as well as a resilient low cost of deposits.

In a dynamic interest rate environment, the Group's interest earning assets are in majority floating rate. Therefore, the Group undertook pro-active solutions to reduce the net interest income sensitivity by converting some of its floating assets to fixed rate assets. These actions included: investing in fixed rate bonds, initiating the use of reverse repos, offering fixed rate loans and engaging into receiving fixed interest rate swaps on the subordinated debt and debt securities. Simultaneously, about one fifth of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 bps) by €16 million compared to prior year.

The Group intends to increase its structural hedging position by a further €4 to €5 billion (with average duration of 3-4 years) by end of 2024, subject to market conditions, via partial hedging of non-rate sensitive deposits with fixed interest rate swaps, further investment in fixed rate bonds, additional reverse repos and continuing offering of fixed rate loans. In this respect, it is expected that NII sensitivity by end-2024 will decrease further by approximately €30 to €40 million.

In line with the average market forward rates for January 2024, the ECB deposit facility rate is expected to average to 3.4% in 2024 (compared to 3.3% in 2023), with recent market expectation indicating great volatility in the path of rate cuts. Nevertheless, the ECB deposit facility rate is expected to normalise by 2025, and expected to reduce to 2.7% by the fourth quarter of 2024 and to 2.0% by the fourth quarter of 2025. Euribor rates have already started to move in expectation of these moves, with 6-month Euribor expected to average to 3.2% in 2024 (compared to 3.7% in 2023) on the basis of average January forward rates.

As a result, the Group's net interest income is expected to exceed €670 million (compared to over €625 million previously guided in June 2023) with a quarterly declining trend. This updated guidance incorporates assumptions on deposit pass-through, deposit mix, loan and fixed income portfolio growth, the impact of structural hedging and wholesale funding costs. For further details, please refer to section 'Strategy and Outlook'.

Growing revenues in a more capital efficient way

The Group remains focused on growing revenues in a more capital efficient way through growth of high-quality new lending and the growth in niche areas, such as insurance and digital products that provide further market penetration and diversify through non-banking operations.

The Group has continued to provide high quality new lending in the year ended 31 December 2023 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the Bank's target risk profile. During the year ended 31 December 2023, new lending remained strong at €2,025 million, despite the rising interest rate environment. Gross performing loan book remained broadly flat on a yearly basis, as repayments offset new lending. Low single-digit loan growth per annum for 2024 and 2025 is expected.

Fixed income portfolio continued to grow in 2023 to €3,548 million, and currently represents 14% of total assets (net of TLTRO III). This portfolio is mostly measured at amortised cost and is highly rated with average rating at Aa3. The amortised cost fixed income portfolio as at 31 December 2023 has an unrealised gain of €3 million, reflecting an improvement in the market value of this portfolio, following the reduction in bond yields. Careful expansion of fixed income portfolio is expected, subject to market conditions, so that fixed income portfolio represents approximately 16% of total assets by 31 December 2024.

Business Overview (continued)

Financial performance (continued)

Growing revenues in a more capital efficient way (continued)
Separately, the Group focuses to continue improving revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. During the year ended 31 December 2023, non-interest income amounted to €300 million, remaining an important contributor to the Group's profitability, and covering overall 86% of the Group's total operating expenses and is expected to continue covering 70-80% of the Group's total operating expenses for 2024-2025.

In 2023, net fee and commission income is negatively affected by the termination of liquidity fees in December 2022 and an NPE sale-related servicing fee in mid-February 2023. When disregarding the aforementioned impact of the liquidity fees and NPE sale-related servicing fee, net fee and commission income increased by 6% on prior year, reflecting higher net credit card commissions and transactional fees. In the following two years, net fee and commission income is expected to increase broadly in line with economic growth.

Net fee and commission income is enhanced by transaction fees from the Group's subsidiary, JCC Payment Systems Ltd (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. During the year ended 31 December 2023, JCC's net fee and commission income contributed 10% of total non-interest income and amounted to €30 million, up 11% compared to the prior year, backed by strong transaction volume.

The Group's insurance companies, EuroLife and GI are respectively leading players in the life and general insurance business in Cyprus, and have been providing recurring and improving income, further diversifying the Group's income streams. The net insurance result for the year ended 31 December 2023 contributed 18% of non-interest income and amounted to €54 million, up 20% compared to the year ended 31 December 2022, reflecting improved experience variance in life insurance business; insurance companies remain valuable and sustainable contributors to the Group's profitability.

Finally, the Group through the Digital Economy Platform (Jinius) ('the Platform') aims to support the national digital economy by optimising processes in a cost-efficient way, allow the Bank to strengthen its client relationships, create cross-selling opportunities as well as to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The first Business-to-Business services are already in use by clients and include invoice, remittance, tender and ecosystem management. Currently, over 2,000 companies are registered in the platform and over €360 million cash were exchanged via the platform in 2023 through invoicing and remittance services. In February 2024, the Business-to-Consumer service was launched, a product marketplace aiming to increase the touch points with customers.

Currently over 50 retailers were onboarded in fashion and technology sectors and over 100 thousand products were embedded in the marketplace.

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

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included further branch footprint optimisation and substantial streamline of workforce. In 2022 the Group successfully completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total cost of €101 million. Following the completion of the VEP, the gross annual savings were estimated at approximately €37 million or 19% of staff costs with a payback period of 2.7 years. Additionally, in January 2022, one of the Bank's subsidiaries completed a small-scale targeted VEP, through which a small number of full-time employees were approved to leave at a total cost of €3 million. In relation to branch restructuring, during 2022 the Group reduced the number of branches by 20 to 60, a reduction of 25%.

In 2023, 50 full-time employees were approved to leave the Group at a total cost of approximately €7.5 million, recorded in staff costs.

In addition, staff costs for the year ended 31 December 2023 include approximately €11 million staff cost rewards, namely the Short-Term Incentive Plan and the Long-Term Incentive Plan. The Short-Term Incentive Plan involves variable remuneration to selected employees and will be driven by both, delivery of the Group's strategy as well as individual performance.

Business Overview (continued)

Financial performance (continued)

Lean operating model (continued)
At the Annual General Meeting of BOCH which took place in May 2022, a special resolution was approved for the establishment and implementation of the share based Long-Term Incentive Plan ('LTIP'). In December 2022, 819,860 share awards were granted to 22 eligible employees under the LTIP, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three-year performance period 2022-2024 (with all performance conditions being non-market performance conditions). In October 2023, 479,160 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period 2023-2025 (with all performance conditions being non-market performance conditions).

These shares will then normally vest in six tranches, with the first tranche vesting after the end of the performance period and the last tranche vesting on the fifth anniversary of the first vesting date.

The Group's total operating expenses for the year ended 31 December 2023 amounted to €348 million, up by 7% compared to the prior year with savings partly offsetting inflationary pressures. Total operating expenses excluding exit costs of approximately €7.5 million, variable pay (STIP and LTIP) of approximately €11 million and the cost of €2.5 million for the Reward Programme for performing borrowers, approximately at the same level compared to 31 December 2022. The cost to income ratio excluding special levy on deposits and other levies/contributions for the year ended 31 December 2023 was reduced further to 32%, 17 p.p. down compared to the year ended 31 December 2022, driven mainly by the higher total income and disciplined cost management. Maintaining cost discipline management is a key priority. The cost to income ratio excluding special levy on deposits and other levies/contributions for 2024 of approximately 40% is reaffirmed, reflecting mainly lower income due to lower rates.

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

Digital transformation
In the dynamic world of banking, the Group stands as a pioneer of digital banking innovation in Cyprus, reshaping the banking experience into something more intuitive, more responsive, and more aligned with the contemporary needs of its customers, consistently pushing the boundaries to offer unparalleled banking services. The Group aims to continue to innovate and simplify the banking journey, providing a unique and personalised experience to each of its customers.

The Group's digital channels continue to grow. As at 31 December 2023, the Group's digital community has increased to more than 450 thousand active subscribers, both on Internet Banking and the BoC Mobile App, improving by 9.4% since the beginning of the year. Likewise, the BOC Mobile App, had more than 410 thousand active subscribers as at 31 December 2023 and increased by 14.4% since the beginning of the year. This app is a central pillar in the Group's ongoing endeavour to constantly refine, expand and elevate its digital services, ensuring that every interaction is a testament to its commitment to digital excellence.

During 2023, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. The redesign of the Home Insurance flow in BOC Mobile App for improved user experience that will lead to a substantial increase in user engagement, ultimately translating into higher adoption rates and amplified sales figures. A new feature 'View Card Details' was launched in BOC Mobile App empowering users with greater control and accessibility to their essential payment information. This new functionality enables users to effortlessly access crucial card details, including card number, expiry date, and CVV, directly within BOC mobile app. In collaboration with the Ministry of Culture, the Group launched the 'Youth Culture Card', a transformative initiative aimed at fostering cultural engagement among young adults. The Youth Culture Card, designed for individuals aged 18 and above, is a prepaid card loaded with €220 in credit, empowering recipients to immerse themselves in a diverse array of enriching cultural experiences throughout the year.

Business Overview (continued)

Financial performance (continued)

Lean operating model (continued)

Digital transformation (continued)
One of the Group's latest digital innovations, Quickloans, accessible through both the BOC Mobile App and Internet Banking, has transformed the traditional loan process, enabling customers to obtain a credit facility decision instantly, without the need to visit a branch. Since the beginning of the year 2023, over 33 thousand applications were processed, granting €100 million new loans.

The digital signing feature, launched in July 2023 further simplified the process of allowing customers to apply, sign, and obtain loans up to €15 thousand and car loans up to €35 thousand efficiently. In collaboration with Genikes Insurance, an insurance plan purchase was integrated into BoC Mobile App, enabling customers to access car or home insurance plans through the BOC Mobile App at lower rates than branch prices. Digital insurance sales for the year ended 31 December 2023 amounted to €415 thousand, compared to €68 thousand for the year ended 31 December 2022, reflecting around 1,400 policies in 2023 compared to approximately 230 policies in 2022.

As at 31 December 2023, 95.6% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 11.8 p.p. from 83.8% in June 2020). In addition, 84.1% of individual customers were digitally engaged (up by 11.7 p.p. from 72.4% in June 2020), choosing digital channels over branches to perform their transactions. Furthermore, digital account openings increased by 108% in 2023 to 9,715 from 4,667 in 2022 and new debit cards increased by 156% to 11,536 in 2023.

Asset quality
Balance sheet de-risking was largely completed in 2022, marked by the completion of Project Helix 3 in November 2022 which refers to the sale of non-performing exposures with gross book value of approximately €550 million as at the date of completion. As at 31 December 2023, the Group's NPE ratio stood at 3.6% below its 2023 target of reaching an NPE ratio below 4%. The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration. The NPE ratio target for the year ended 31 December 2024 is updated and is currently expected to stand at approximately 3% whilst the NPE ratio target of below 3% by end-2025 is reaffirmed. The cost of risk for 2024-2025 is expected to trend towards normalised levels of 40-50 bps.

Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda
Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual. In 2023, the Company received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

Reaffirming its strong commitment to sustainability and to the long term value creation for all its stakeholders, in November 2023, the Bank was the first bank in Cyprus to become an official signatory of the United Nations Principles for Responsible Banking representing a single framework for a sustainable banking industry developed through a collaboration between banks worldwide and the United Nations Environment Programme Finance Initiative.

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

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

Business Overview (continued)

Financial performance (continued)

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

For the Group to continue its progress against its primary ESG targets and address the evolving regulatory expectations, it further enhanced in 2023, its ESG working plan which was established in 2022. Progress on the ESG working plan is closely monitored by the Sustainability Committee, the Executive Committee and the Board Committees on a quarterly basis.

Environmental Pillar

The Group has estimated the Scope 1 and Scope 2 greenhouse gas (GHG) emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. The Bank being the main contributor of GHG emissions of the Group, designed in 2022 the strategy to meet the carbon neutrality target by 2030 and GHG progress towards Net Zero target of 2050. For the Group to become carbon neutral by 2030, Scope 1 and Scope 2 emissions should be reduced by 42% by 2030. The Bank, following the implementation of various energy upgrade actions in 2022 and 2023, achieved approximately 18% reduction in Scope 1 and Scope 2 GHG emissions in 2023 compared to the baseline of 2021.

The Group plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to approximately 3-4% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Group expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Bank achieved a reduction of approximately 8% in Scope 1 - Mobile and Stationery Combustion GHG emissions and approximately 11% in Scope 2 – Purchased electricity GHG emissions in the year ended 31 December 2023 compared to the year ended 31 December 2022 due to new solar panels connected to energy network in 2022 and early 2023 as well as buildings abandonment as part of the digitalization journey. The Group is also considering several other actions aiming to a further reduction of approximately 30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022. The Bank achieved an increase of 65% in renewable energy production, from 173,583 Kwh to 285,907 Kwh in the year ended 31 December 2023 compared to the year ended 31 December 2022.

The Group is gradually integrating climate-related and environmental (C&E) risks into its Business Strategy. The Bank was the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022, and has estimated and published the Financed Scope 3 GHG emissions associated with its lending portfolio using the PCAF standards, methodology and proxies. Following the estimation of Financed Scope 3 GHG emissions of loan portfolio, the Bank established a decarbonization target on Mortgage loan portfolio. The decarbonization target on Mortgage loan portfolio was established by applying the International Energy Agency's Below 2 Degree Scenario.

For the Group's Mortgage loan portfolio to be aligned with the climate scenario and effectively be associated with lower transition risks, the baseline as at 31 December 2022 of 53.5 $kgCO_2e/m^2$ should be reduced by 43% by 31 December 2030. The carbon intensity of the Mortgage loan portfolio as at 31 December 2023 was estimated at 50.73 $kgCO_2e/m^2$ achieving a reduction of approximately 5% compared to baseline, due to increased installation of solar panels in residential properties in 2023. A Green Housing product was launched at the end of 2023 to support the Bank to meet the decarbonization target on Mortgage loans and effectively limit the level of climate transition risk that is exposed to. In addition, the Bank has set lending and investment limits on specific carbon intensive sectors which are widely considered to be associated with high climate transition risk. Further, having introduced and implementing a Business Environment Scan process, the Bank developed green/transition new lending targets in certain sectors to support its customers' transition to a low carbon economy and effectively manage climate transition risks.

During 2023, the Bank has made considerable progress in integrating climate-related and environmental risks into its risk management approach and risk culture. The Bank revised and enhanced the Materiality assessment process on C&E risks. The Bank has carried out a comprehensive identification and assessment of C&E risks as drivers of existing financial and non-financial risks considering its business profile and loan portfolio composition. As part of this process, the Bank has identified the risk drivers, both physical and transition, which could potentially have an impact on its risk profile and operations and has assessed the severity of each risk driver for all the existing categories of risks. The Bank has implemented an ESG Due Diligence process designed to enhance data collection, score customers on their performance against various aspects around C&E risks and provide guidance on remediation actions. This process involves the utilization of structured ESG questionnaires applied at the individual company level for customers of the Corporate Division to derive an ESG score.

Business Overview (continued)

Financial performance (continued)

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

Environmental Pillar (continued)
The Bank established a structure and detailed Business Environment Scan process to monitor the impact of C&E risks on its business environment in the short, medium and long-term. The results of the preliminary (quarterly) and final (annual) impact assessment have been incorporated in the Materiality assessment of C&E risks as well as informed the Bank's Business Strategy.

BOC PCL offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. Specifically, BOC PCL offers loans for energy upgrades of homes, installation of solar panels, acquisition of new hybrid or electric cars, as well as financing of renewable energy projects. The gross amount of environmentally friendly loans as at 31 December 2023 was €24.5 million compared to €20.9 million as at 31 December 2022.

During 2023, in order to enhance the awareness and skillset on ESG matters, the Group performed relevant trainings to the Board of Directors and Senior Management as well as to members of control functions and other members of staff.

Social Pillar
At the centre of the Group's leading social role lie its investments in the Bank of Cyprus Oncology Centre (with an overall investment of approximately €70 million since 1998, whilst 60% of diagnosed cancer cases in Cyprus are being treated at the Centre), the immediate and efficient response of Bank of Cyprus' SupportCY network, consisting of companies and organisations, to various needs of the society and in cases of crises and emergencies, through the activation of programs, specialized equipment and a highly trained Volunteers Corps, the contribution of the Bank of Cyprus Cultural Foundation in promoting the cultural heritage of the island, and the work of IDEA Innovation Centre. During 2023, SupportCY among other initiatives responded to more than 30 fire incidents in Cyprus and Greece, the deadly floods in Greece and sent support to the earthquake victims in Syria.

The Cultural Foundation undertook a number of innovative projects such as 'AISTHISEIS' - Multi sensory museum experience for groups with disabilities, educational programs for schools approved by the Ministry of Education, Sport and Youth, aspiring to bring youth closer to art, literature, museums and culture of Cyprus as well as exhibitions, events and activities developed to encourage and promote the island's history. The ReInHerit program facilitating innovation and research cooperation between European museums and heritage continued also into 2023, with 35,154 people participating in events at the Cultural Foundation between January to December 2023.

The IDEA Innovation Centre, invested approximately €4 million in start-up business creation since its incorporation, supported creation of 89 new companies to date, provided support to 210+ entrepreneurs through its Startup program since incorporation, and provided education to 7,000 entrepreneurs. Staff continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff and capitalising on modern delivery methods. In 2023, the Bank's employees attended 72,888 hours of training. In addition, in 2023 the Group launched the BoC Academy to offer up-skilling short courses for employees, with 20 members of staff enrolling on the Academy's programs. In addition, 4 full MBA scholarships were offered to selected members of staff. Moreover, the Group continued its emphasis on staff wellness during 2023 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by approximately 2,000 employees through its Well at Work program. One of the highlights of 2023, was the successful launch of the 1st BOC Intrapreneurship Competition 'Think Tank'. The vision was to empower creativity, increase engagement, nurture a Culture of Innovation, and identify our talents. More than 70 ideas were submitted with 9 Think Tank finalists presenting their ideas to the committee in a final pitching event. The 3 winning ideas were related with the areas of ESG, Digital Transformation and New product development.

Business Overview (continued)

Financial performance (continued)

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

Governance Pillar

The Group continues to operate successfully within a complex regulatory framework. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group operates within a framework with adequate control environment, which enable risk assessment and risk management based on the relevant policies under the leadership of the Board of Directors.

The Group has set up a Governance Structure to oversee its ESG agenda. Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board of Directors. The Sustainability Committee is a dedicated executive committee set up in early 2021 to oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in the Group's business targets.

The Group's ESG Governance structure continues to evolve, so as to better address the Group's evolving ESG needs. The Group's regulatory compliance continues to be an undisputed priority.

The Board composition of BOCH and the Bank is diverse, with 45% of the Board members being female as at 31 December 2023. The Board displays a strong skillset stemming from broad international experience. Moreover, the Group's aspiration to achieve a representation of at least 30% women in Group's management bodies (defined as the EXCO and the Extended EXCO) by 2030, has been reached earlier. As at 31 December 2023 there is a 33% representation of women in Group's management bodies, following the appointment of two female General Managers in Eurolife and General Insurance of Cyprus. As at 31 December 2023, there is a 40% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

Going concern

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

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

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, liquidity and funding position, taking also into consideration, the Group's Financial Plan 2024-2027 approved by the Board in February 2024 (the 'Plan') and the operating environment (as set out in section 'Operating Environment' in the Management Report). The Group has sensitised its projection to cater for an adverse scenario and has used reasonable economic inputs to develop its medium-term strategy. The Group is working towards materialising its Strategy.

Capital

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

Funding and liquidity

The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 31 December 2023 that can be easily and readily monetised in a period of stress.

Principal risks and uncertainties - Risk management and mitigation

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

Information relating to the principal risks the Group faces and risk management is set out in Notes 44 to 47 of the Consolidated Financial Statements and in the 'Risk and Capital Management Report', both of which form part of the Annual Financial Report for the year ended 31 December 2023, and in the 'Pillar III Disclosures 2023' which is published on the Group's website. In addition, in relation to legal risk arising from litigations, investigations, claims and other matters, further information is disclosed in Note 38 of the Consolidated Financial Statements.

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

Details of the financial instruments and hedging activities of the Group are set out in Note 21 of the Consolidated Financial Statements. Further information on financial instruments is also presented in Notes 44 and 45 of the Consolidated Financial Statements.

The Group's activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment, as described in the 'Operating environment' section of this Management Report and changes in the macroeconomic conditions and geopolitical developments as described in the 'Risk and Capital Management Report' which forms part of the Annual Financial Report for the year ended 31 December 2023.

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

As the war in Ukraine continues and the latest military conflict in the Middle east rages on, considerable uncertainly is added to the outlook for the global economy and the wider impact will depend on how these conflicts evolve in the future. The Group has limited direct exposure to both Ukraine and Russia as well as to Israel, and is continuously monitoring the current affairs and remains vigilant to take precautionary measures as required.

The risk factors discussed above and, in the reports, referenced above should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be risks and uncertainties of which the Group is not aware of, or which the Group does not consider significant, but which may become significant. There are challenging conditions in global markets due to the high interest rate environment, inflationary pressures, the geopolitical developments, the growing threat from cyberattacks and other unknown risks. As a result the precise nature of all risks and uncertainties that the Group faces cannot be predicted with accuracy as many of these risks are outside of the Group's control.

Events after the reporting date

KEDIPES Loan portfolio acquisition
In December 2023, BOC PCL entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of approximately €58 million with reference date 31 December 2022 (the 'Transaction'). The Transaction is broadly neutral to the Group's income statement and capital position. Regulatory approvals have been obtained and the Transaction was completed in March 2024.

Distribution out of 2023 earnings
The Group, in March 2024, obtained regulatory approval from the European Central Bank for a Distribution in respect of 2023 earnings of a total amount of €137 million, comprising a cash dividend. Following ECB approval, the Board of Directors of the Company recommended a final dividend to shareholders as described in section 'Distributions' below.

No other significant non-adjusting events have taken place since 31 December 2023.

Capital base

Total equity excluding non-controlling interests totalled €2,468 million at 31 December 2023, compared to €2,030 million at 31 December 2022 (as restated). The regulatory CET1 ratio on a transitional basis stood at 17.4% at 31 December 2023 (incorporating the Distribution in respect of 2023 earnings of €137 million) and at 15.3% at 31 December 2022 as restated. During the year ended 31 December 2023, the CET1 ratio was positively affected by organic capital generation from profitability in the year, net of deduction for a distribution in respect of 2023 earnings at a payout ratio of 30% in line with the Group Distribution Policy and as approved by the ECB and relevant resolution by the Board of Directors, as well as the €50 million distribution to BOC PCL in February 2023 by the life insurance subsidiary. The CET1 ratio was negatively affected mainly by the final phasing-in of IFRS 9 and other transitional adjustments, the increase in risk-weighted assets and the deduction of 0.33% in relation to the ECB prudential expectations for NPEs as well as the AT1 coupon and refinancing costs. The regulatory Total Capital ratio on a transitional basis at 31 December 2023 stood at 22.4% (2022: 20.4% as restated).

Additional information on the regulatory capital is disclosed in the 'Risk and Capital Management Report' which forms part of this Annual Financial Report.

Share capital

As at 31 December 2023, there were 9,597,944,533 issued ordinary shares with a nominal value of €0.10 each. Information about the authorised and issued share capital during 2023 and 2022 is disclosed in Note 34 of the Consolidated Financial Statements.

Share-based payments - share awards

Long-term incentive award
During the Annual General Meeting of the shareholders of BOCH which took place on 20 May 2022, a special resolution was approved for the establishment and implementation of the share-based Long-Term Incentive Plan of Bank of Cyprus Holdings Public Limited Company (the 'LTIP'), which is effective for ten years since its adoption.

Share-based payments - share awards (continued)

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

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

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

Under the LTIP, share awards were granted by BOCH in December 2022 (subject to a three-year performance period during 2022-2024) and in October 2023 (subject to a three-year performance period during 2023-2025). Each award vests in six tranches and vesting is subject to service conditions. Awards are subject to potential forfeiture under certain leaver scenarios. Further information on awards granted is disclosed in Note 14 of the Consolidated Financial Statements.

Short-term incentive award

Short-term incentive award refers to a Short-Term Incentive Plan established in 2023. This involves variable remuneration in the form of cash to selected employees and is driven by both delivery of the Company's and BOCH's strategy, as well as individual performance, in the relevant year. Executive Management are also eligible to be considered for the short-term incentive award. The short-term incentive award is generally paid in cash and is non-deferred, however, and in cases where the amount exceeds a specified threshold as per regulatory guidelines, 50% of the award is awarded in shares and 50% in cash. In cases the award for an individual comprises both a share and a cash component, the award vests, similarly to LTIP vesting, i.e. 40% vests in the year of the grant i.e. following the performance year to which the incentive award relates to and the remaining 60% vests in tranches (12%) over five years. Further information on the short-term incentive award for the performance year 2023 awarded to Executive Directors and Other Key Management personnel is disclosed in Note 49 of the Consolidated Financial Statements. Other than the amounts disclosed in Note 49, the Short-Term Incentive Plan award for the performance year 2023 will be in the form of cash.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2023 and 2022.

Change of control

There are no significant agreements to which the Company is a party and which take effect following a change of control of the Company following a bid, but the Company is a party to a number of funding agreements that may allow the counterparties to alter or terminate the agreements following a change of control. As at 31 December 2023, these agreements were not deemed to be significant in terms of their potential effect on the Group as a whole given the liquidity position of the Group at the time, but the extent of their significance could vary depending on the liquidity position at the time of the change of control.

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

Other information

During 2023 and 2022 there were no restrictions on the transfer of the Company's ordinary shares or securities and no restrictions on voting rights other than the provisions of the Banking Law of Cyprus which requires regulatory approval prior to acquiring shares of the Company in excess of certain thresholds, and the generally applicable provisions including those of the Market Abuse Regulation and applicable takeover legislation. From time to time, specific shareholders may have their rights in shares restricted in accordance with sanctions, anti-corruption, anti-money laundering and/or anti-terrorism compliance, including sanctions relating to events in Ukraine as applicable. The Group's policy is to comply with all applicable laws, including sanctions and other restrictive measures that apply at all times, and the Group may from time to time request individual shareholders to refrain from exercising certain rights to facilitate compliance with such measures or related compliance issues.

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

Distributions

Based on the 2022 SREP decision, effective from 1 January 2023, any equity dividend distribution is subject to regulatory approval, both for the Company and BOCH. The requirement for approval 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 nor to the payment of coupons on any AT1 capital instruments issued by the Company and BOCH.

Distribution in respect of 2023 earnings
The Group, in March 2024, obtained regulatory approval from the European Central Bank (ECB) for a distribution in respect of 2023 earnings of a total amount of €137 million, comprising a cash dividend. Following ECB approval, the Board of Directors of the Company recommended a final cash dividend to shareholders of €0.01 per ordinary share in respect of earnings for the year ended 31 December 2023 (totalling €137 million based on the total number of ordinary shares currently outstanding). This is subject to shareholder approval at the Annual General Meeting in May 2024. The financial statements for the year ended 31 December 2023 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2024.

Dividends are funded out of distributable reserves.

Distribution in respect of 2022 earnings
In April 2023, the Company obtained the approval of the ECB to pay a dividend in respect of earnings for the year ended 31 December 2022. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the Annual General Meeting ('AGM') on 26 May 2023, a final dividend of €0.002 per ordinary share in respect of the earnings of the year ended 31 December 2022 ('2022 Dividend'). The AGM on 26 May 2023 declared a final dividend of €0.002 per share. The 2022 Dividend amounted to €22,310 thousand in total.

Research and development

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

Preparation of periodic reporting

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

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

Preparation of periodic reporting (continued)

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

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

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

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

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

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

Service agreements termination

The service contract of one of the Executive Directors in office as at 31 December 2023 includes a clause for termination, by service of six months' notice to that effect by the Executive Director but provided there is a change of control of BOC PCL as this is defined in the service agreement. In such an event, the Executive Director will be entitled to compensation as this is determined in the service contract. The terms of employment of the other Executive Director are mainly based on the provisions of the collective agreement in place, which provides for notice or compensation by BOC PCL based on years of service and for a four-month prior written notice by the Executive Director, in the event of a voluntary resignation.

Board of Directors

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

On 17 February 2023 the Board of Directors nominated Mrs Monique Hemerijck as a new member to the Board of Directors. On 10 August 2023 ECB approved the appointment of Mrs Monique Hemerijck as a member of the Board of Directors.

On 31 March 2023 Mr Arne Berggren resigned as a member of the Board of Directors and on the same day the Board of Directors nominated Mr Adrian John Lewis as a new member of the Board of Directors. On 17 November 2023 ECB approved the appointment of Mr Adrian John Lewis as a member of the Board of Directors.

On 13 October 2023 Mrs Maria Philippou resigned as a member of the Board of Directors. On 11 December 2023 Mr Nicolaos Sofianos resigned as a member of the Board of Directors. On 31 December 2023 both Mrs Paula Hadjisotiriou and Mr Ioannis Zographakis resigned from their respective positions as members of the Board of Directors.

Board of Directors (continued)

In accordance with the Articles of Association, the Directors are subject to re-election at the Annual General Meeting of the Company every three years from the date of their appointment.

The remuneration of the Board of Directors is disclosed in Note 49 of the Consolidated Financial Statements.

Auditors

The Auditors, PricewaterhouseCoopers ('PwC') Chartered Accountants and Statutory Audit Firm, were re-appointed as Auditors at the last Annual General Meeting held on 26 May 2023.

ESG Disclosures

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

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

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

Task Force on Climate-related Financial Disclosures

The Financial Conduct Authority (FCA) Listing Rules require premium-listed and standard-listed companies to make disclosures under the TCFD framework. As the parent entity of the Group is listed on the London Stock Exchange, the BOCH Group prepares relevant disclosures and consequently the Group also provides relevant disclosures. The Group's disclosures are in line with the TCFD Recommendations and Recommended Disclosures which are structured in the core elements of how organisations operate – governance, strategy, risk management and metrics and targets.

The Group is cognisant that the preparation of comprehensive TCFD aligned disclosures is an ongoing process and anticipates that a number of key actions will be necessary in 2024 to further advance our TCFD disclosures, including:

i. setting additional Science Based Targets aligned with a climate scenario relating to the loan portfolio, enabling the Group to incorporate further climate-related objectives and targets into the Group's business strategy;
ii. setting additional metrics used to assess the impact of climate-related risks on loan portfolio;
iii. estimating Financed Scope 3 GHG emissions and Insurance associated GHG emissions on additional asset classes currently not available under the PCAF standards;
iv. developing further the stress testing and risk quantification methodologies and modelling;
v. developing the methodology to estimate the impact of climate-related issues on the financial performance and financial position of the Group;
vi. developing further our tracking and data capabilities to facilitate regular and transparent reporting on our progress; further leveraging our climate-related opportunities, in particular in relation to the development of the Group's sustainable finance propositions; and
vii. continuing to address feedback from the ECB on the Group's Climate Risk Implementation Plan and implementing actions as per the expectations embedded in the ECB Guide on climate-related and environmental risks.

ESG Disclosures (continued)

Task Force on Climate-related Financial Disclosures (continued)
BOCH and the Company acknowledge the importance of the TCFD and the UK's FCA Listing Rules' requirements for reporting on climate-related risks and opportunities. We have undertaken a comprehensive review of our climate-related risks and opportunities, taking into account the potential impact of climate change on our business environment, and we have been making progress in integrating these considerations into our overall risk management framework. Disclosures have been made for all TCFD Recommendations and Recommended Disclosures, providing information on relevant decisions and on how these were taken. We have considered our 'comply or explain' obligation under the UK's FCA Listing Rules, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures.

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

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

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

Information required is included in the 'Non-financial information statement' included within the 'ESG Disclosures' section of the Annual Financial Report.

EU Taxonomy
In 2020, the European Union adopted the Taxonomy Regulation establishing a list of activities that can qualify as environmentally sustainable and the obligation for companies subject to the NFRD to disclose how their operations align with the EU Taxonomy.

In response to the disclosure requirement, in 2021 and 2022 the Group published the eligibility ratio. This ratio shows the proportion of activities on its balance sheet that are included in the list of EU Taxonomy activities, but without determining if they are aligned.

For the first time in 2023, financial institutions are required to publish the green asset ratio (GAR) for two climate objectives (Climate Change Mitigation and Climate Change Adaptation).

As companies' transparency in line with the EU Taxonomy increases, it will enable expanded reporting against the Taxonomy. The adoption of CSRD and European Sustainability Reporting Standards (ESRS) will support further implementation of the EU Taxonomy Regulation into our business strategy, systems, investment and lending processes.

Information required is included in the 'Non-financial information statement' included within the 'ESG Disclosures' section of the Annual Financial Report.

ESG Disclosures (continued)

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

The Group publishes its Annual Non-Financial Results based on the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board ('SASB') guidelines and standards, which identify and include all the above information. The Corporate Sustainability Report 2023 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

In November 2023, TCFD was succeeded by the International Sustainability Standards Board (ISSB). Going forward, the Group will align its disclosures with the Corporate Sustainability Reporting Directive (CSRD) and the International Financial Reporting Standards for Climate (S2) and Sustainability Disclosures (S1).

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

28 March 2024

Risk and Capital Management Report 2023

The Group's approach to risk management

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

1. Risk Management Framework (RMF)

The Board of Directors, through the Risk Committee (RC), is responsible to ensure that a coherent and comprehensive Risk Management Framework (the 'Framework' or 'RMF') for the identification, assessment, monitoring and controlling of all risks is in place. The Framework ensures that material and emerging risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with the Group's risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained.

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

1.1 Risk Governance

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

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

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

Furthermore, the roles of the CEO and the Group CRO are critical as they carry specific responsibilities with respect to risk management. These include:

1. Risk Management Framework (RMF) *(continued)*

1.1 Risk Governance *(continued)*

Chief Executive Officer (CEO)

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

Chief Risk Officer (CRO)

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

1.2 Organisational Model

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

*The Data Quality and Governance Unit of the Data Office & Risk Analytics Department directly reports through its manager to the Data Quality & Governance committee chaired by the Executive Director People & Change.

RMD organisational model

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

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

1. Risk Management Framework (RMF) (continued)

1.2 Organisational Model (continued)

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

The RMD is responsible for the risk identification and management across the Group companies.

1.3 Risk Identification

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

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

1.4 Three Lines of Defence

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

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

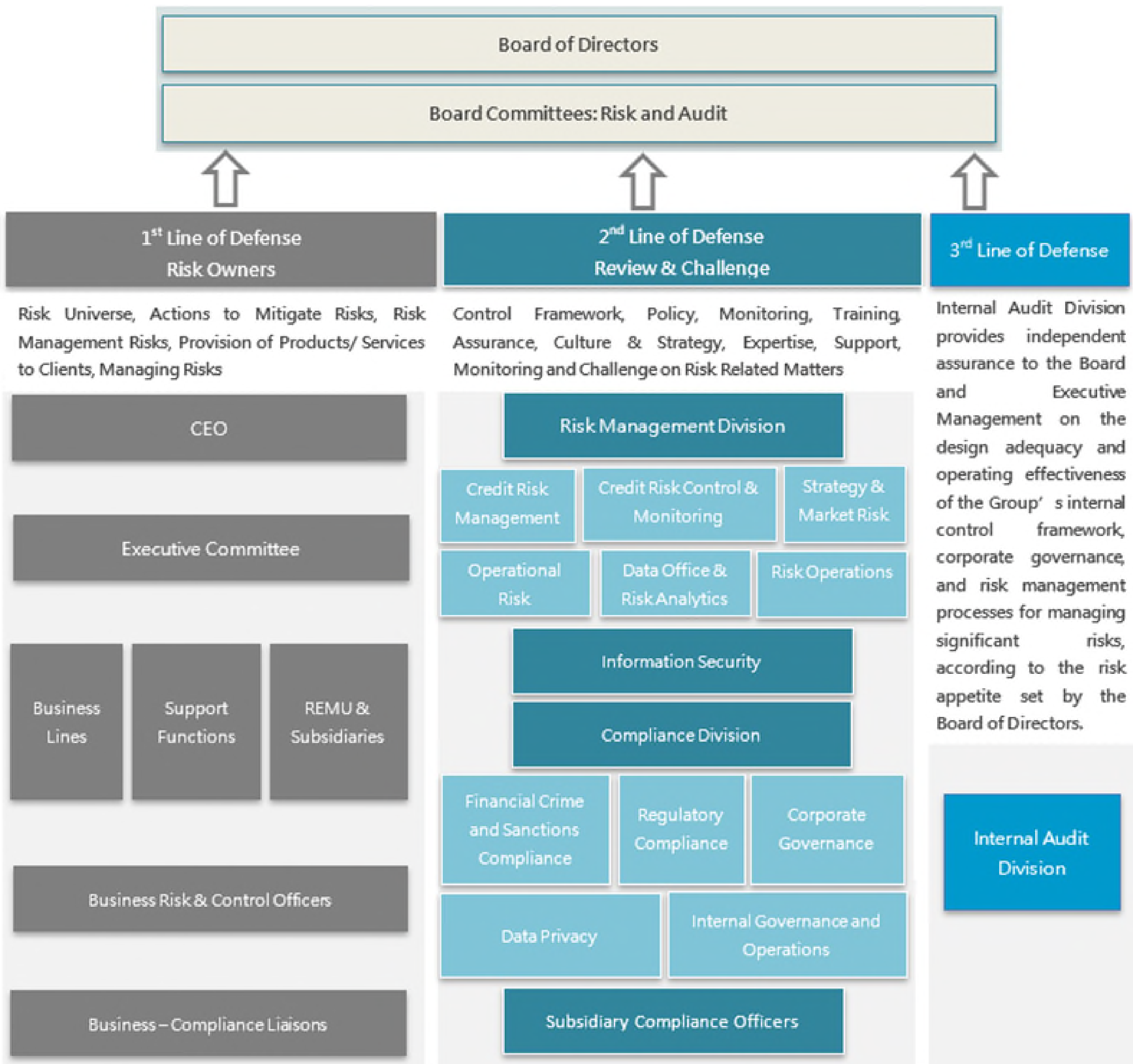
Second Line of Defence
The second line of defence includes functions that oversee the compliance of the first line management and staff, with the regulatory framework and risk management principles. It comprises of the RMD, Information Security and Compliance functions. The second line of defence sets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

1. Risk Management Framework (RMF) (continued)

1.4 Three Lines of Defence (continued)

Third Line of Defence

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



1. Risk Management Framework (continued)

1.5 Risk Appetite Framework (RAF)

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

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

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

Risk Appetite Statement (RAS)

The RAS is the articulation, in written form, of the aggregate level and types of risk that the Group is willing to accept in the course of executing its business objectives and strategy. It includes qualitative statements as well as quantitative measures expressed relative to Financial and Non-Financial risks. As part of the overall framework for risk governance, it forms a boundary condition to strategy and guides the Group in its risk-taking and related business activities.

Risk appetite and Financial Plan interaction

The Group's Financial Plan is integral to how the Group and the Company manages its business and monitors performance. It informs the delivery of the Group's strategy and is aligned to the Risk Appetite Statement. The RAS is subject to an annual review process during the period in which the Group's Financial Plan as well as the divisional strategic plans are being formulated. The interplay between these processes provides for cycle of feedback during which certain RAS indicators (such as ones related to minimum regulatory requirements) act as a backstop to the Group's Financial Plan while for other indicators the Group Financial Plan provides input for risk tolerance setting. Furthermore, the Group Financial Plan and Reforecast exercises are tested to ensure they are within the Group's risk appetite.

1. Risk Management Framework (continued)

1.5 Risk Appetite Framework (RAF) (continued)

Risk Appetite monitoring

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

Where a breach of a RAS indicator occurs, the Risk Appetite Framework provides the necessary escalation process to analyse the materiality and nature of the breach, notify the appropriate authorities, and decide the necessary remediation actions.

1.6 Risk Taxonomy

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

The Risk taxonomy provides a categorisation of different risk types / factors enabling the institution to assess, aggregate and manage risks in a consistent way through a common risk language and mapping. It comprises of several levels of risks in increasing granularity and supports a multi-level tree categorization to enhance the overall risk classification. This risk categorization is also used to accommodate additional regulatory compliance requirements and internal risk analysis and reporting needs.

1.7 Risk measurement and reporting

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

Additionally, the RMD:

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

1. Risk Management Framework (continued)

1.7 Risk measurement and reporting (continued)

Stress testing

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

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

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

If the stress testing scenarios reveal vulnerability to a given set of risks, management makes recommendations to the Board, through RC, for remedial measures or actions.
The Group's stress testing programme embraces a range of forward looking stress tests and takes all the Group's material risks into account. These key internal exercises include:

- Stress testing undertaken in support of the Internal Capital Adequacy Assessment Process (ICAAP). Quarterly ICAAP reviews are also undertaken.
- Stress testing applied to the funding and liquidity plan in support of the Internal Liquidity Adequacy Assessment Process (ILAAP) to formally assess the Group's liquidity risks. Quarterly ILAAP reviews are also undertaken.
- Annual recovery stress tests which use scenarios to assess the adequacy of recovery indicators of both capital and liquidity in identifying the recovery plan options used to exit that stress;
- Ad hoc stress testing as and if required, including in response to regulatory requests.

Other business and specific risk type stress tests

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

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

ICAAP

The ICAAP is a process whose main objective is to assess the Group's capital adequacy in relation to the level of underlying material risks that may arise from pursuing the Group's strategy or from changes in its operating environment. More specifically, the ICAAP analyses, assesses and quantifies the Group's risks, establishes the current and future capital needs for the material risks identified and assesses the Group's absorption capacity under both the baseline scenario and stress testing conditions, aiming to assess whether the Group has sufficient capital, under both the base and stress case scenarios, to support its business and achieve its strategic objectives as per its Board-approved Risk Appetite and Strategy.

The Group undertakes quarterly reviews of its ICAAP results as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the RC, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile is reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy.

1. Risk Management Framework (continued)

1.7 Risk measurement and reporting (continued)

The 2023 ICAAP is due for submission to the ECB on 28 March 2024. The 2023 quarterly ICAAP reviews indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under baseline and stressed conditions.

ILAAP

The ILAAP is a process whose main objective is to assess whether the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both the base and severe stress scenarios, and to meet regulatory requirements, including the LCR and the NSFR.

The Group undertakes quarterly reviews of its ILAAP results through quarterly liquidity stress tests which are submitted to the ALCO and the RC, where actual and forecasted information is considered. Any material changes since the year-end are assessed in terms of liquidity and funding.

The 2023 ILAAP is due for submission to the ECB on 28 March 2024. The 2023 quarterly ILAAP reviews indicated that the Group maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

1.8. 2023 ECB SREP Stress Test

The Group participated in the ECB SREP Stress Test of 2023 at the level of BOCH Group. The stress test measures how banks would fare in a hypothetical adverse economic scenario, which assumes a prolonged period of low growth, elevated interest rates and high inflation. It is not a 'pass-or-fail' exercise, and no threshold is set to define the failure or success of banks. Instead, the findings of the stress test will feed into the ongoing supervisory dialogue, in which supervisors explain their assessment to banks and discuss potential measures to address any shortcomings.

The ECB published on 28 July 2023 the results of the stress test. As per the relevant ECB press release 'Capital depletion at the end of the three-year horizon was lower than in previous stress tests'. This was mainly due to banks overall being in better shape going into the exercise, with higher-quality assets and stronger profitability.

1. Risk Management Framework (continued)

1.8. 2023 ECB SREP Stress Test (continued)

By its standard procedures, the ECB considers the quantitative performance in the adverse scenario as an input when reconsidering the level of the Pillar II Guidance in its 2023 SREP assessment and the qualitative performance as one aspect when holistically reviewing the Pillar II Requirement. The stress test was based on a static balance sheet approach, thus using the Group's financial and capital position as at 31 December 2022 as a starting point. The results for the BOCH Group, as published by the ECB, are presented below:

		High-level individual results by range			**Scenario sensitivities: 2023-2025 projections**		
		adverse scenario, FL			**(delta over total REA FL 2022)**		
Institution	Sample	Maximum CET1 ratio (FL) depletion by ranges	Minimum CET1 ratio (FL) by ranges	Minimum Tier 1 leverage ratio (FL) by ranges	Delta projected NII adverse vs. baseline scenario (in %)	Delta projected LLPs adverse vs. baseline scenario (in %)	Delta projected profit/ loss adverse vs. base-line scenario (in %)
Bank of Cyprus Holdings Public Limited Company	SSM	300 to 599 bps	8%≤CET1R < 11%	5%≤LR < 6%	-3.7%	4.4%	-9.0%

In terms of the results, the capital depletion of the CET1 FL ratio over the 3-year horizon in the adverse scenario was in the range of 300 to 599 basis points as indicated above, compared to 600 to 899 basis points in the 2021 stress test, and compares well with the average 480 basis points for the 98 ECB stress-tested banks.

1.9 The Group is participating in the Fit-for-55 exercise.

The Group is also participating in the European Banking Authority ("EBA") "Fit-for-55" climate risk scenario analysis exercise. The one-off exercise is part of the new mandates received by the EBA in the scope of the European Commission's Renewed Sustainable Finance Strategy. Under the European Green Deal, all 27 EU Member States committed to turning the EU into the first climate-neutral continent by 2050 and pledged to reduce emissions by at least 55% by 2030, compared to 1990 levels. The One-off Fit-for-55 climate risk scenario analysis aims at assessing the resilience of the financial sector in line with the Fit-for-55 package and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress.

1.10 The Group is participating in the ECB Cyber Resilience Stress Test

The Group is participating in the cyber resilience stress test exercise being conducted by the ECB in the first half of 2024. The aim is to assess the cyber-resilience framework for all SSM Significant Institutions. The exercise will assess how banks respond to and recover from a cyberattack, rather than their ability to prevent it. The insights gained will be used for the wider supervisory assessment in 2024. Supervisors will discuss the findings and lessons learned with each bank as part of the 2024 Supervisory Review and Evaluation Process.

2. Recovery and resolution planning

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

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

3. Risk Culture

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

4. Principal Risks

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

4.1 Credit Risk

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

- Counterparty credit risk (CCR): the Group's credit exposure with other counterparties. The risk of losses arising as a result of the counterparty not meeting their contractual obligations in full and on time.
- Settlement risk: the risk that a counterparty fails to deliver the terms of a contract with the Group.
- Issuer risk: the risk to earnings arising from a credit deterioration of an issuer of instruments in which the Group has invested.
- Concentration risk: the risk that arises from the uneven distribution of exposures (i.e. credit concentration) to individual borrowers or by industry, collateral, product, currency, economic sector or geographical region.
- Country risk: the Group's credit exposure arising from lending and/or investment or the presence of the Group to a specific country.

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

- Develops policies, guidelines and approval limits necessary to manage and control or mitigate the credit and concentration risk in the Group. These documents are reviewed and updated at least annually, or earlier if deemed necessary, to reflect any changes in the Group's risk appetite and strategy and consider the market environment or any other major changes from external or internal factors that come into effect;
- Assesses credit applications before their submission for approval to Credit Committee 3 / the RC / the Board from an independent credit risk perspective and prepares recommendations with suggestions to improve credit proposals and mitigate credit risk;
- Participates as an observer in the Credit Committee 3 and in specific cases that fall under the approving authority of Corporate Sanctioning;
- Sets KRIs for monitoring the loan portfolio quality and adopts a proactive monitoring approach for such risks;
- Measures the expected credit losses in a prudent way in order to have a fair representation of the loan book in the financial statements of the Group

The Group sets and monitors Risk Appetite limits relating to credit risk. Furthermore, a limits framework is in place in relation to the credit granting process and its structure and also the general rules are documented in the Group's Lending Policy. Relevant circulars and guidelines are in place that provide limits and parameters for the approval of credit applications and related credit limits. The Group has an established Credit Committee (Credit Committee 3) which is comprised of members from various Group divisions outside RMD to ensure independence of opinion. Applications falling outside the approval limits of Credit Committee 3 are submitted to the RC or the Board, depending on the total exposure of the customer group.

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

The Group dedicates considerable resources to assess credit risk and to correctly reflect the value of its on-balance and off-balance sheet exposures in accordance with regulatory and accounting guidelines. This process can be summarised in the following stages:

- Analysing performance and asset quality
- Measuring exposures and concentrations
- Raising allowances for impairment

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

Approved policies and procedures are in place for the approval of Credit and Settlement Limits per counterparty based on the business needs, current exposures and investment plans. Counterparty credit and settlement limits for Treasury transactions are monitored real-time through the Treasury front to back system.

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

Country Risk

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

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

Credit Risk Mitigation

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

Collaterals are used for risk mitigation. Collaterals are considered as an alternative means of debt recovery in case of default. Collateral by itself is not a predominant criterion for approving a loan, with the exception of when the loan agreement envisages that the repayment of the loan is based on the sale of the property pledged as collateral or liquid collateral provided (e.g. cash). The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group policies.

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

- Lending Policy
- Write-off policy
- Concentration Risk Policy
- Valuation Policy
- Credit Risk Monitoring Policy
- Environmental & Social Policy
- Asset Acquisition and Disposal Policy
- Loan Syndication Policy
- Green Lending Policy
- Shipping Finance Policy

4. Principal Risks (continued)

4.1 Credit Risk (continued)

Systems

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

Further information and analysis relating to credit risk is set out in Note 44 of the Consolidated Financial Statements. Furthermore, the Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment/expected credit losses (ECLs) are set out in Note 5 'Significant and other judgements, estimates and assumptions' of the Consolidated Financial Statements.

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

31 December 2023	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which: NPEs	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**35,249**	-	-	-	**6**	-	-	-
Other financial corporations	**253,077**	805	1,201	448	**4,247**	378	308	305
Non-financial corporations	**4,931,801**	155,212	258,469	95,156	**91,640**	61,097	37,355	33,472
Of which: Small and Medium sized Enterprises[3] (SMEs)	***3,017,909***	*125,600*	*161,086*	*69,551*	***66,104***	*48,370*	*25,743*	*22,814*
Of which: Commercial real estate[3]	***3,567,684***	*136,152*	*228,516*	*90,842*	***66,458***	*50,862*	*33,774*	*31,716*
Non-financial corporations by sector								
Construction	**484,893**	24,873			**8,585**			
Wholesale and retail trade	**869,753**	37,739			**22,936**			
Accommodation and food service activities	**1,169,399**	14,310			**9,657**			
Real estate activities	**1,019,544**	40,296			**23,461**			
Manufacturing	**359,874**	3,852			**4,589**			
Other sectors	**1,028,338**	34,142			**22,412**			
Households	**4,781,114**	207,883	196,070	96,019	**83,560**	58,962	30,330	25,227
Of which: Residential mortgage loans[3]	***3,726,056***	*169,734*	*173,407*	*83,445*	***52,863***	*39,732*	*25,119*	*20,849*
Of which: Credit for consumption[3]	***590,945***	*29,347*	*21,312*	*12,704*	***21,108***	*13,357*	*4,897*	*4,157*
Total on-balance sheet	**10,001,241**	**363,900**	**455,740**	**191,623**	**179,453**	**120,437**	**67,993**	**59,004**

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

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

4. Principal Risks (continued)

4.2 Market Risk

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

a. Interest Rate Risk in the Banking Book (IRRBB);
b. Currency / foreign exchange rates risk;
c. Securities price risk (bonds, equities);
d. Properties risk;

Each of the risks above is defined and further analysed in the subsections below. Furthermore, additional information relating to Market risk is set out in Note 45 of the Consolidated Financial Statements.

The management of market risk in the Group is governed by the Group's Risk Appetite Statement approved by the Board and by the Market Risk Policy, approved by the RC. These are supplemented by a range of approved limits and controls as per Market Risk Limits document approved by the Board. The Group has an established governance structure for market risk. Market risk is measured using portfolio sensitivity analysis, Value at Risk ('VaR') and stress testing measures. Measurement and reporting to management body and committees are performed on a frequent basis.

Interest Rate Risk in the Banking Book

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

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

In order to manage interest rate risk, the Group sets a one year limit on the maximum reduction of the net interest income. Limits are set as a percentage of Group Tier 1 capital and as a percentage of Group annual net interest income (when positive). There are different limits for Euro and USD. Whilst limit breaches must be avoided at all times, any such occurrence is reported to the relevant authorities (ALCO and / or RC) and mitigating actions are put in place. Monthly monitoring is provided to the ALCO.

Treasury Division is responsible for managing the interest rate exposure of the Group. Corrective actions are taken by Treasury Division with a view of minimizing the risk exposure and in any event to restrict exposure within limits.

Currency/foreign exchange rates risk

Currency/foreign exchange rates risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

4. Principal Risks (continued)

4.2 Market Risk (continued)

Currency/foreign exchange risk (continued)

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

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

Equities Price Risk

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

The Group holds equity and fund investments on in its balance sheet. The equity portfolio mainly relates to certain legacy positions acquired through loan restructuring activity and specifically through debt for equity swaps, whereas the fund portfolio mainly relates to investments held by the insurance operations of the Group. The policy is to manage the current equity portfolio with the intention to run it down by selling all positions for which there is a market. No new purchases of equities are allowed without ALCO approval. Nevertheless, new equities may be obtained from repossessions of collateral for loans. Analysis of equity and fund holdings are reported to ALCO on a quarterly basis. The RC is also updated on a quarterly basis. Analysis of the positions the Group maintains as at 31 December 2023 is presented in Note 20 of the Consolidated Financial Statements.

Debt Securities Price Risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuers changes and/or as the interest rates of fixed rate securities change.

The Group invests a significant part of its liquid assets in debt securities. Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Group. Debt securities classified as HTC are held at amortised cost.

Debt security investment limits exist at RAS level governing the level of riskiness of the overall portfolio. Credit limits per issuer are also in place. Limit monitoring is performed on a daily basis by the Market & Liquidity Risk Unit. Any breaches are reported following the escalation process depending on the limit breach.

The debt security portfolio is managed by the Treasury Division and governed by the Bond Investment Policy. The annual bond investment strategy is proposed by Treasury and approved by ALCO. Treasury proceeds with bond investment amounts as approved through the Financial Plan which are within the Bond Investment Policy and within limits and parameters set in the various policies and frameworks. Analysis of the positions the Group maintains as at 31 December 2023 is presented in Note 20 of the Consolidated Financial Statements.

4. Principal Risks (continued)

4.2 Market Risk (continued)

Property Price Risk

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

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

The Group is exposed to the risk of negative changes in the fair value of property which is held either for own use, as stock of property or as investment property. Stock of property has been predominately acquired in exchange of debt with a clear plan and intention to be disposed of in line with the Group's strategy.

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

- It has an established Real Estate Management Unit (REMU), a specialised division to manage, promote and monetise the repossessed portfolio, including other non-core assets, through appropriate real estate disposal initiatives;
- ;It has placed great emphasis on the efficient and quick disposal of on-boarded properties and in their close monitoring and regular reporting. RAS indicators and other KPIs are in place monitoring REMU properties in terms of value, aging, and sales levels;
- It assesses and quantifies property risk as one of the material risks for ICAAP purposes under both the normative and economic perspective;
- It monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement;
- As part of the valuation process, assumptions are made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts;
- For the valuation of properties owned by the Group, judgement is exercised which takes into account available reference points, such as comparable market data, expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.

4.3 Liquidity and Funding Risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its commitments as they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory requirements (e.g. MREL).

Further information relating to Group risk management in relation to liquidity and funding risk is set out in Note 46 of the Consolidated Financial Statements. Additionally, information on encumbrance and liquidity reserves is provided below.

4.3.1 Encumbered and unencumbered assets

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations.

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €3,681,929 thousand as at 31 December 2023 (2022: €3,631,269 thousand).

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can potentially be pledged and those that are not readily available to be pledged. As at 31 December 2023, the Group held €20,640,651 thousand (2022: €19,468,233 thousand) of unencumbered assets that can potentially be pledged and can be used to support potential liquidity funding needs and €717,575 thousand (2022: €659,311 thousand) of unencumbered assets that are not readily available to be pledged for funding requirements in their current form.

The table below presents an analysis of the Group's encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes. The carrying amount of such assets is disclosed below:

31 December 2023	Encumbered	Unencumbered		Total
	Pledged as collateral	Which can potentially be pledged	Which are not readily available to be pledged	
	€000	€000	€000	€000
Cash and other liquid assets	72,800	9,890,350	439,353	10,402,503
Investments	260,011	3,419,445	15,953	3,695,409
Loans and advances to customers	3,349,118	6,229,383	243,287	9,821,788
Property	-	1,101,473	18,982	1,120,455
Total on-balance sheet	**3,681,929**	**20,640,651**	**717,575**	**25,040,155**
31 December 2022				
Cash and other liquid assets	73,557	9,391,365	307,147	9,772,069
Investments	284,343	2,393,796	25,564	2,703,703
Loans and advances to customers	3,273,369	6,397,745	282,138	9,953,252
Property	-	1,285,327	44,462	1,329,789
Total on-balance sheet	**3,631,269**	**19,468,233**	**659,311**	**23,758,813**

Encumbered assets primarily consist of loans and advances to customers and investments in debt securities. These are mainly pledged for the funding facilities of the European Central Bank (ECB) and for the covered bond (Notes 29 and 46 of the Consolidated Financial Statements for the year ended 31 December 2023 respectively). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

BOC PCL maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the Central Bank of Cyprus (CBC). Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. The covered bonds have a maturity date on 12 December 2026 and interest rate of 3-months Euribor plus 1.25% payable on a quarterly basis. On 9 August 2022, BOC PCL proceeded with an amendment to the terms and conditions of the covered bonds following the implementation of Directive (EU) 2019/2162 in Cyprus. The covered bonds are listed on the Luxemburg Bourse and have a conditional Pass-Through structure. All the bonds are held by

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

BOC PCL. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Unencumbered assets which can potentially be pledged include debt securities and Cyprus loans and advances which are less than 90 days past due. Balances with central banks are reported as unencumbered and can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered not readily available to be pledged.

Unencumbered assets that are not readily available to be pledged primarily consist of loans and advances which are prohibited by contract or law to be encumbered or which are more than 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred to the Company or a subsidiary are not considered to be readily available as collateral.

Insurance assets held by Group insurance subsidiaries are not included in the table above or below as they are primarily due to the insurance policyholders.

The carrying and fair value of the encumbered and unencumbered investments of the Group as at 31 December 2023 and 31 December 2022 are as follows:

31 December 2023	**Carrying value of encumbered investments**	**Fair value of encumbered investments**	**Carrying value of unencumbered investments**	**Fair value of unencumbered investments**
	€000	**€000**	**€000**	**€000**
Equity securities	0	0	144,016	144,016
Debt securities	260,011	250,480	3,291,383	3,303,818
Total investments	**260,011**	**250,480**	**3,435,399**	**3,447,834**
31 December 2022				
Equity securities	-	-	194,841	194,841
Debt securities	284,343	265,696	2,224,519	2,150,383
Total investments	**284,343**	**265,696**	**2,419,360**	**2,345,224**

4.3.2 Liquidity regulation

The Group is required to comply with provisions on the Liquidity Coverage Ratio (LCR) under CRD IV/CRR (as supplemented by Delegated Regulations (EU) 2015/61), with the limit set at 100%. The Group must also comply with the Net Stable Funding Ratio (NSFR) calculated as per the Capital Requirements Regulation II (CRR II), with the limit set at 100%.

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

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.2 Liquidity regulation (continued)

As at 31 December 2023, the Group was in compliance with all regulatory liquidity requirements. As at 31 December 2023, the Group's LCR stood at 359% (compared to 291% at 31 December 2022) and the Group's NSFR stood at 158% (compared to 168% at 31 December 2022).

4.3.3 Liquidity reserves

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

Composition of the liquidity reserves	31 December 2023			31 December 2022		
	Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible	
		Level 1	Level 2A & 2B		Level 1	Level 2A & 2B
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	**9,428,052**	**9,428,052**	**-**	9,379,888	9,379,888	-
Placements with banks	**214,588**	**-**	**-**	55,825	-	-
Liquid investments	**3,299,967**	**2,801,667**	**354,128**	1,827,698	1,344,032	214,800
Available ECB Buffer	**92,088**	**-**	**-**	147,844	-	-
Total	**13,034,695**	**12,229,719**	**354,128**	11,411,255	10,723,920	214,800

Internal Liquidity Reserves present the total liquid assets as defined in BOC PCL's Liquidity Policy. Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 present the liquid assets as per the definition of the aforementioned regulation i.e., High-Quality Liquid Assets (HQLA).

Balances in Nostro accounts and placements with banks are not included in Liquidity reserves as per LCR, as they are not considered HQLA (they are part of the LCR Inflows).

Liquid investments under the Liquidity reserves as per LCR are shown at market values reduced by standard weights as prescribed by the LCR regulation. Liquid investments under Internal Liquidity Reserves include additional unencumbered liquid bonds which are shown at market values net of haircuts based on the ECB methodology and haircuts for the ECB eligible bonds, while for the non-ECB eligible bonds, a more conservative internally developed haircut methodology is used.

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

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

4. Principal Risks (continued)

4.4 Operational Risk

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

The Group recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The Group also maintains adequate insurance policies to cover for unexpected material operational losses.

Operational Risk Management (ORM) Framework

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

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

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature.

To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation.

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

Operational Risk Appetite

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

Risk Control Self-Assessment (RCSA)

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

4. Principal Risks (continued)

4.4 Operational Risk (continued)

Operational Risk Management (ORM) Framework (continued)

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

Operational risk loss events are classified and recorded in the Group's Risk and Compliance Management System (RCMS), which serves as an enterprise tool integrating all risk-control data (e.g. risks, loss incidents, KRIs) to provide a holistic view with regards to risk identification, corrective action and statistical analysis. During the year ended 31 December 2023, 710 loss events with gross loss equal to or greater than €1,000 each were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2023 (2022: 466 loss events).

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

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

Training and awareness
The Group strives to continuously enhance its risk control culture and increase the awareness of its employees on operational risk issues through ongoing staff training (both through physical workshops and through e-learning).

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

4.4.1 Fraud Risk Management

The Group has a dedicated unit under the ORM Function, the Fraud Risk Management (FRM) unit, which is responsible for the oversight of internal and external fraud by:

- Developing and maintaining a framework and supporting policies for the management of internal and external fraud risks;
- Undertaking Specialised Fraud Risk Assessments and ensuring that divisions and business departments have a sound process for identifying new and emerging fraud risks;
- Promoting and adopting automated / alert-based systems and controls for the prevention and early detection of external and internal fraud;
- Establishing structured Fraud Incident response management processes and plans;
- Analysing data and emerging fraud trends for the proactive management of emerged fraud;
- Providing direction through policy, education, tools and training;

4. Principal Risks (continued)

4.4 Operational Risk (continued)

4.4.1 Fraud Risk Management (continued)

- Ensuring compliance with relevant regulations and assessing new regulations or amendments to existing ones with regards to fraud related issues, by performing regulatory gap analysis in cooperation with other related stakeholders.

Ongoing activities/initiatives towards further enhancements of FRM involved inter alia, the provision of fraud risks and emerged frauds awareness seminar to Group's staff and top-management, and the further strengthening of external fraud prevention controls and framework, as a result of the customers' accelerated shift towards digital channels and digital banking.

4.4.2 Third-Party Risk Management

The Group has a dedicated unit under the ORM Function, the Third-Party Risk Management unit, which is responsible to perform risk assessments on all outsourcing, strategic and intragroup arrangements of the Group. As part of the risk assessment, the team identifies and monitors the effective handling of any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing, strategic or intragroup arrangement as well as prior to their renewal, annually and upon any change of scope of service.

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

4.4.3 Business Continuity Risk Management (BCRM)

The Group has a dedicated unit under the ORM Function, the Business Continuity Risk Management unit, which provides direction and sets the overall framework to individual Business Units (BUs) to mitigate business continuity risks and minimize the impact of severe disruptive incidents such as natural disasters, loss of Information Technology Center, loss of electricity, pandemic etc.

5. Other principal risks and uncertainties

In addition to the risks described in section 4 above, further risks are also faced by the Group. These risks are described below as well as the way these are identified, assessed, managed and monitored by the Group, including the available mitigants.

Emerging risks are defined as new risks or existing risks that may escalate in a different way, with the potential to threaten the execution of the Group's strategy or operations over a medium-term horizon. The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The internal and external risk environment of the Group as well as macro-themes are assessed to identify such emerging risks that may require escalation and implementation of suitable mitigation actions. Half-year reporting of emerging risks to the RC and the EXCO is performed to ensure all significant risks are escalated effectively for discussion and action. The main emerging risks currently considered by the Group are Geopolitical Risk, Digital Transformation and Climate and Environment Risks all of which are also principal risks and are further described below.

The risks described, should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants, as other factors either not yet identified or not currently material, may also adversely affect the Group.

5. Other principal risks and uncertainties (continued)

5.1 Business Model and Strategic Risk

Business model and strategic risk is the risk of not achieving the Group Strategy and business goals and arises from changes in the external environment including economic trends and competition, and their underlying factors or enablers such as geopolitical influences and regulatory changes and/or due to inadequate planning or implementation. The Group faces competition from domestic banks, international banks and financial technology companies operating in Cyprus and in other parts of Europe and insurance companies offering savings, insurance and investment products. Also, a possible deterioration of the macroeconomic environment stemming from the impact of inflationary pressures and the high interest rates or other factors could lead to adverse financial performance which could deplete capital resources.

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

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

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

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

5.2 Geopolitical Risk

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors which are beyond the control of the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links, or in specific regions, can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, a higher interest rate environment for longer, and higher competition in the financial services industry, could negatively affect the Group’s business environment, results and operations.

Geopolitical tensions remain high as the war in Ukraine continues and the latest military conflict in the Middle East rages on, adding considerable uncertainty to the outlook for the global economy. The wider impact will depend on how these conflicts evolve in the future.

5. Other principal risks and uncertainties (continued)

5.2 Geopolitical Risk (continued)

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

Amid the ongoing conflict in Gaza, there exists the potential of further escalation, with spillovers being felt in Lebanon and the Red Sea. This may translate to disruptions in the supply chain, including a shortage in goods and oil supplies, which could potentially have an impact on inflation. Having identified its exposure in terms of credit risk and market risk related to Israel, the Group has determined that its exposure is limited. The Group closely monitors the situation and remains vigilant to take any precautionary measures as required.

In Cyprus, financial sector exposure to foreign markets has been reduced since the 2013 banking crisis. Although, there have been distinct improvements in Cyprus' risk profile after the banking crisis, substantial risks remain. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, influenced by external developments with substantial potential impact on the domestic economy. Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results, and market position.

Interest rates in the US and the eurozone peaked in the third quarter as headline inflation continues to decline while core inflation proves stickier. Amidst a high interest rate environment, financial stability risks will remain elevated.

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

5.3 Legal Risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings and regulatory investigations against the Group (Information on pending litigation, claims, regulatory and other matters is disclosed in Note 38 of the Consolidated Financial Statements). In the event that legal issues are not properly dealt with by the Group, this may result in financial and/or reputational loss to the Group.

The Group has procedures in place to ensure effective and prompt management of Legal risk including, among others, the risk arising from regulatory developments, new products and internal policies.

The Legal Services department (LSD) monitors the pending litigation against the Group and assesses the probability of loss for each legal action against the Group based on International Accounting Standards. It also estimates the amount of potential loss where it is deemed as probable. Additionally, it reports pending litigation and latest developments to the Board.

5. Other principal risks and uncertainties (continued)

5.4 Technology Risk

Technology risk arises from system downtimes impacting business operations and/or customer service. Downtimes may be caused by hardware or software failures due to malfunctions, failed processes, human error, or cyber incidents. Use of outdated, obsolete and unsupported systems increase this risk.

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

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

5.5 Digital Transformation Risk

Digital transformation risk continues to be a principal and emerging risk, as banking models are rapidly evolving both locally and globally and available technologies have resulted in the customers’ accelerated shift towards digital channels. Money transmission, data driven integrated services and Digital Product Sales are rapidly evolving. How the Group adapts to these emerging developments could impact the realisation of its market strategies and financial plans.

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

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

5.6 Information security and cyber risk

Information security and cyber-risk is a significant inherent risk, which could cause a material disruption to the operations of the Group. The Group’s information systems have been and will continue to be exposed to an increasing threat of continually evolving cybercrime and data security attacks. Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar threats.

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

The Group has an internal specialized Information Security team which constantly monitors current and future cyber security threats (either internal or external, malicious or accidental) and invests in enhanced cyber security measures and controls to protect, prevent, and appropriately respond against such threats to Group systems and information. The Group maintains an approved Group Information Security Policy that provides a set of standards, guidelines, controls, measures designed to achieve a desired level of information.

5. **Other principal risks and uncertainties** (continued)

5.6 **Information security and cyber risk** (continued)

The Group also collaborates with industry bodies, the National Computer Security Incident Response Team (CSIRT) and intelligence-sharing working groups to be better equipped with the growing threat from cyber criminals. In addition, the Group maintains insurance coverage which covers certain aspects of cyber risks, and it is subject to exclusion of certain terms and conditions.

5.7 Regulatory Compliance Risk

The Group conducts its business subject to on-going regulation and the associated regulatory risk, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations. Regulatory compliance risk is the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal standards and policies, and expectations of key stakeholders such as shareholders, customers, employees and society. Failure to comply with regulatory framework requirements or identify and plan for emerging requirements could lead to, amongst other things, increased costs for the Group, limitation on BOC PCL's capacity to lend and could have a material adverse effect on the business, financial condition and results, 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 of the Group (including the ECB, the CBC and others, such as CySec and CSE). The Regulatory Steering Group, chaired by the CEO and consisting of executive management, is regularly updated on Regulatory Compliance Risk matters, through the Regulatory Affairs Department, which obtains relevant information from Group Compliance, to ensure that all regulatory matters are brought to the attention of management in a timely manner.

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

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

5. Other Principal Risks and uncertainties (continued)

5.7 Regulatory Compliance Risk (continued)

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

- The assessment of periodic reports submitted by the network of its compliance liaisons;
- The use of aggregated risk measurements such as compliance risk indicators;
- Oversighting and challenging the regulatory risks identified by compliance liaisons and subsidiary compliance officers through the gap analysis of new or amended regulations, assessments of new or amended processes and procedures, project assessments, new or amended product/services assessments and any other ad-hoc assessments with regulatory impact such as new operating models, reorganisations etc., to ensure that compliance risks within the Group are managed effectively and recommending additional controls and corrective actions, where needed;
- Oversighting the compliance risk assessment process followed by the compliance liaisons and subsidiary compliance officers and the monitoring of the implementation of mitigating actions for the management of identified risks;
- Overseeing the complaints process and utilising customer complaints as a source of relevant information in the context of its general monitoring responsibilities;
- Cooperating and exchanging information with other internal control and risk management functions on compliance matters, assessing any regulatory incidents, monitoring any mitigating actions to avoid reoccurrence and manage the risk and reporting to competent authorities incidents of non-compliance as per the relevant regulations;
- Conducting periodic onsite/offsite reviews with applicable laws, rules, regulations and standards and providing recommendations / advise to management on measures to be taken to ensure compliance,
- Investigating possible breaches of the compliance policy and regulatory framework and/or conducting investigations thereof, as requested by competent authorities with the assistance, if deemed necessary; of experts from within the institution such as experts from the Internal Audit function, Legal Services Department, Information Security Department or Fraud Risk Management unit.

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

5.8 Insurance risk and re-insurance risk

The Group, through its subsidiaries, EuroLife Ltd ('EuroLife') and General Insurance of Cyprus Ltd ('Genikes Insurance'), provides life insurance and non-life insurance services, respectively, and is exposed to certain risks specific to these businesses. Insurance events are unpredictable and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial and statistical techniques. Insurance risk therefore is the risk that an insured event under an insurance contract occurs and uncertainty over the amount and the timing of the resulting claim exists.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements.

For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating and reinsurance arrangements are monitored and reviewed to ensure their adequacy as per the reinsurance policy. In addition, counterparty risk assessment is performed on a frequent basis.

5. Other Principal Risks and uncertainties (continued)

5.8 Insurance risk and re-insurance risk (continued)

Both EuroLife and Genikes Insurance perform their annual stress tests (ORSA) which aim to ensure, among others, the appropriate identification and measurement of risks, an appropriate level of internal capital in relation to each company's risk profile, and the application and further development of suitable risk management and internal control systems.

5.9 Climate Related & Environmental Risks

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

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

- **Physical risk** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is categorised as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

- **Transition risk** refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

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

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

The Group also acknowledges the growing importance of environmental / nature-related risks which, as per the Task Force for Nature-related Financial Disclosures (TNFD), are defined as those potential threats posed to an organization arising from its own and the wider society's dependencies and impacts on nature. These risks can be physical or transition risks, as defined below:

- **Physical risks** arise when natural systems are compromised, due to the impact of climate.
- **Transition risks** result from a misalignment between a company or investor's strategy and management and its changing regulatory and policy landscape.

5. Other Principal Risks and uncertainties (continued)

5.9 Climate Related & Environmental Risks (continued)

Dedicated teams both within Risk Management and Investor Relations & ESG Department, as well as other resources, have been mobilised across the Group and are engaged in various streams of work such as the measuring of own and financed emissions, the integration of C&E risk in the risk management framework and the enhancement of green products offering.

Further information on C&E risks and its risk management is provided in the ESG Disclosures 2023 that form part of the Group's Annual Financial Report for 2023, within part A 'Task Force on Climate-related Financial Disclosures (TCFD)'.

6. Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among others, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 (phasing in at 25% in 2022, 50% in 2023 and 75% in 2024) and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020. This temporary treatment was in effect until 31 December 2022.

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

6. **Capital management** (continued)

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

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

The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive and were endorsed in December 2023 by the preparatory bodies of the Council and European Parliament. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. Although still subject to legal revision and to the final vote in the Plenary, no changes in substance are expected until its adoption by the European Parliament by the second quarter of 2024. It is expected that the provisions will come into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The Regulatory CET1 ratio of the Group as at 31 December 2023 stands at 17.4% and the Total Capital ratio at 22.4% on a transitional basis. The capital ratios as at 31 December 2023 include profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings as described in Section 'Distributions' in the Directors Report included within the Annual Financial Report. Group's adjusted recurring profitability is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments, such as the annual AT1 coupon.

Minimum CET1 Regulatory Capital Requirements	**2023**	**2022**
Pillar I – CET1 Requirement	**4.50%**	4.50%
Pillar II – CET1 Requirement	**1.73%**	1.83%
Capital Conservation Buffer (CCB)*	**2.50%**	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	**1.50%**	1.25%
Countercyclical Buffer (CcyB)	**0.48%**	0.02%
Minimum CET1 Regulatory Requirements	**10.72%**	10.10%

** Fully phased in as of 1 January 2019*
*** Increasing by 0.375%. every year thereafter, until being fully implemented on 1 January 2025 at 2.25%.*

6. **Capital management** (continued)

Minimum Total Capital Regulatory Requirements	**2023**	**2022**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.08%	3.26%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	1.50%	1.25%
Countercyclical Buffer (CcyB)	0.48%	0.02%
Minimum Total Capital Regulatory Requirements	**15.56%**	15.03%

** Fully phased in as of 1 January 2019*
*** Increasing by 0.375%. every year thereafter, until being fully implemented on 1 January 2025 at 2.25%.*

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

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

The capital position of the Group and BOC PCL as at 31 December 2023 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.

In the context of the annual SREP conducted by the ECB in 2022 and based on the final SREP decision received in December 2022 effective from 1 January 2023, the P2R has been revised to 3.08%, compared to the previous level of 3.26%. The revised P2R included a revised P2R add-on of 0.33%, compared to the previous level of 0.26%, relating to ECB's prudential provisioning expectations. When disregarding the P2R add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00% to 2.75%. The ECB has also maintained the P2G unchanged.

As of 30 September 2023, the amount corresponding to the abovementioned Pillar II add-on of 0.33% relating to ECB's prudential provisioning expectations is being deducted from CET1 capital and therefore the Pillar II requirement decreased to 2.75% as of 1 January 2024. As at 31 December 2023, the impact of the capital deduction taken, corresponds to 32 bps.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB for the Group as at 31 December 2023 has been calculated at 0.48%.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50% became applicable as from 30 November 2023. Moreover, on 2 June 2023, the CBC, announced its decision to raise the CcyB rate to 1.00% of the total risk exposure amount in Cyprus of each licenced credit institution incorporated in Cyprus. The said increase of the CcyB is effective as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase further.

6. Capital management (continued)

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and since November 2021 the O-SII Buffer had been set to 1.50%. This buffer was phased in gradually, having started from 1 January 2019 at 0.50%. The O-SII Buffer as at 31 December 2022 stood at 1.25% and was fully phased in on 1 January 2023 and as at 31 December 2023 stands at 1.50%. In October 2023, the CBC concluded its reassessment for the designation of credit institutions that meet the definition of O-SII institutions and the setting of O-SII buffer to be observed. The Group's O-SII buffer has been revised to 2.25% (from 1.50%), to be phased in annually by 37.5 bps to 1.875% on 1 January 2024 and by another 37.5 bps to 2.25% on 1 January 2025.

The Group's minimum phased in CET1 capital ratio requirement as at 31 December 2023 is set at 10.72%, comprising a 4.50% Pillar I requirement, a P2R of 1.73%, the CCB of 2.50%, the O-SII Buffer of 1.50% (to be fully phased in at 2.25% on 1 January 2025, as aforementioned) and the CcyB of 0.48%. The Group's minimum phased in Total Capital requirement was set at 15.56%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a P2R of 3.08%, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%.

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

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

Following the annual SREP performed by the ECB in 2023, and based on the final SREP decision received in November 2023, effective from 1 January 2024, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements decreased, when disregarding the phasing in of the O-SII buffer and CcyB, mentioned above, reflecting the elimination of the Pillar II add-on relating to ECB's prudential provisioning expectations following the Group's decision to directly deduct from own funds such amount. On 1 January 2024, the Group's minimum phased-in CET1 capital ratio requirement was set at approximately 10.91%, comprising a 4.50% Pillar I requirement, a 1.55% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and CcyB of approximately 0.48%. On 1 January 2024, the Group's minimum phased-in Total Capital ratio requirement was set at approximately 15.61%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 2.75% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.48%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). From 2 June 2024 both CET1 and Total Capital minimum requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB described above.

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

6. Capital management (continued)

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

Regulatory capital	Group		BOC PCL	
	31 December 2023[1]	31 December 2022 (restated)[2]	**31 December 2023**[1]	31 December 2022 (restated)[2]
	€000	€000	**€000**	€000
Common Equity Tier 1 (CET1)[3]	**1,799,068**	1,544,050	**1,766,707**	1,509,056
Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional total regulatory capital	**2,319,068**	2,064,050	**2,286,707**	2,029,056
Risk weighted assets – credit risk[4]	**9,013,412**	9,104,933	**9,005,552**	9,150,831
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,329,223**	1,011,639	**1,292,350**	997,720
Total risk weighted assets	**10,342,635**	10,116,572	**10,297,902**	10,148,551
Transitional	**%**	%	**%**	%
Common Equity Tier 1 (CET1) ratio	**17.4**	15.3	**17.2**	14.9
Total capital ratio	**22.4**	20.4	**22.2**	20.0
Leverage ratio	**7.7**	7.0	**7.5**	6.9

1. Includes profits for the year ended 31 December 2023 and a deduction for a distribution in respect of 2023 earnings, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.
2. The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023 and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand.
3. CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €24,337 thousand for the Group and €16,861 thousand for BOC PCL as at 31 December 2023 (31 December 2022: €30,421 thousand for the Group and €25,445 thousand for BOC PCL). As at 31 December 2023 an amount of €15,337 thousand, for the Group and €12,643 thousand for BOC PCL, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2022: €12,934 thousand for the Group and for BOC PCL).
4. Includes Credit Valuation Adjustments (CVA).

6. **Capital management** (continued)

The capital ratios of the Group and BOC PCL as at the reporting date on a fully loaded basis are presented below:

Fully loaded	**Group**		**BOC PCL**	
	31 December 2023[1,2]	31 December 2022[3,4] (restated)	**31 December 2023[1,2]**	31 December 2022[3,4] (restated)
	%	%	**%**	%
Common Equity Tier 1 ratio	**17.3**	14.5	**17.1**	14.1
Total capital ratio	**22.4**	19.7	**22.2**	19.3
Leverage ratio	**7.6**	6.7	**7.5**	6.5

[1] Includes profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.
[2] IFRS 9 fully loaded as applicable.
[3] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded as applicable.
[4] The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023 and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand.

During the year ended 31 December 2023, CET1 ratio was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary and negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, the payment of AT1 coupon, AT1 refinancing costs, the capital deduction of 0.33% in relation to the ECB prudential expectations for NPEs, other movements and the increase in risk-weighted assets. The CET1 ratio is also impacted by the deductions for distribution in respect of 2023 earnings and charges in line with the applicable framework as set out above. As a result, the CET1 ratio (on a transitional basis) has increased by c.210 bps during the year ended 31 December 2023, whereas on a fully loaded basis the ratio has increased by c.280 bps.

In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 12 bps on the Group's CET1 ratio as at 31 December 2023, decreased from 26bps as at 31 December 2022. Furthermore, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 31 December 2023 the impact of these requirements was 24 bps on the Group's CET1 ratio. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

In June 2023, BOCH successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'New Capital Securities').

The proceeds of the issue of the New Capital Securities were on-lent by BOCH to BOC PCL to be used for general corporate purposes. The on-loan qualifies as Additional Tier 1 capital for BOC PCL.

In June 2023, BOCH invited the holders of its outstanding €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities callable in December 2023 to tender the previous AT1 issue in 2018 at a purchase price of 103% of the principal amount. At the same time the Company also proceeded to invite the holders (BOCH) of its outstanding €220,000 thousand Old AT1 Loan to tender their Old AT1 Loan on the same terms as the tender by BOCH of the external AT1, i.e at a purchase price of 103% of the principal amount.

6. Capital management (continued)

As a result of the tender offer, c.€204 million or 93% in aggregate principal amount of the Old AT1 Loan was purchased and cancelled by the Company, and c.€16 million in aggregate principal amount of the Old AT1 Loan remained outstanding as at 30 June 2023. In July 2023, the Company purchased and cancelled a further c.€7 million of the Old AT1 Loan, after which €8.25 million in aggregate principal amount of the Old AT1 Loan remained outstanding.

On 29 November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining €8.25 million in aggregate principal amount outstanding of the Old AT1 Loan on 19 December 2023.

Capital requirements of subsidiaries

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. From 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. In February 2023, the activities of the regulated asset management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In January 2024, the Bank received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2024, one year earlier than the previous decision, in light of the Group's progress over the years of becoming a strong, well-capitalised with sustainable profitability organisation.

Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by BOC PCL to meet the CBR are not eligible to meet its MREL requirement 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.

In July 2023, BOC PCL proceeded with an issue of €350 million senior preferred notes (the 'Notes'). The Notes comply with the MREL criteria and contribute towards BOC PCL's MREL requirement.

6. Capital management (continued)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL) (continued)

The MREL ratio as at 31 December 2023, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 25.5% of RWAs and at 11.7% of LRE (based on the regulatory Total Capital as at 31 December 2023). The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR requirement, which stood at 4.48% as at 31 December 2023 (compared to 3.77% as at 31 December 2022), reflecting the increase as at 30 November 2023 of CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus and expected to further increase to 1.00% from June 2024 as announced by CBC. Additionally, the CBR requirement is increased further as at 1 January 2024 following the increase of the O-SII buffer from 1.50% to 1.875% and subsequently to 2.25% from 1 January 2025.

BOC PCL continues to evaluate opportunities to optimise the build-up of its MREL.

ESG DISCLOSURES 2023

PART A:

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is a reality, with extreme weather events happening more and more frequently such as this year's unprecedented snow-storms and wildfires in Europe. This trend will have catastrophic impact to the planet; for reversing it, drastic action is needed. The EU has committed to reach net zero emissions by 2050 (with 2030 other intermediate targets) and now each country must define its own, optimum pathway to reach Net Zero.

The global focus, in 2023, was climate and environmental related issues with events such as Conference of Parties ('COP') 28 on climate change, keeping these topics to the forefront of public and political discourse. The results of the world's efforts to address climate change under the Paris agreement were presented for the first time on COP28. Having shown that progress was too slow across all areas of climate action, countries responded with a decision on how to accelerate action across all areas by 2030. This includes a call on governments to speed up the transition away from fossil fuels to renewables such as wind and solar power in their next round of climate commitments.

As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group systematically moves forward to the alignment with sustainable banking and continues to embed Environmental, Social and Governance ('ESG') in its infrastructure, strategies and policies. The Group's commitment to integrate climate risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management highlights the Group's aspiration to be a frontrunner in the climate space in Cyprus. This is the second TCFD report published by the Company, presenting the current activities and future plans in the climate field.

TCFD Recommendations		*Pages in our disclosures*
Governance	Board's oversight of climate-related risks and opportunities	→ 91–93, 95-97, 128
	Management's role in assessing and managing climate-related risks and opportunities	→ 94-95, 98-101
Strategy	Climate-related risks and opportunities (short, medium and long term)	→ 102-104, 113-126
	Impact of climate-related risks and opportunities on business, strategy and financial planning	→ 105-111
	Resilience of strategy, considering different climate-related scenarios, including a 2C or lower scenario	→ 112, 130-131, 141-142
Risk Management	Processes for identifying and assessing climate-related risks	→ 113-126
	Processes for managing climate-related risks	→ 127-134
	Integration of processes for identifying, assessing and managing climate-related risks into overall risk management	→ 127-134
Metrics and targets	Metrics to assess climate-related risks and opportunities in line with strategy and risk management process	→ 106-107, 127, 135-138, 141-147
	Scope 1, 2 and 3 GHG emissions and the related risks	→ 139-147
	Targets used to manage climate-related risks and opportunities and performance against targets	→ 106-107, 127, 135-138, 141-147

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

Pillar I - Governance

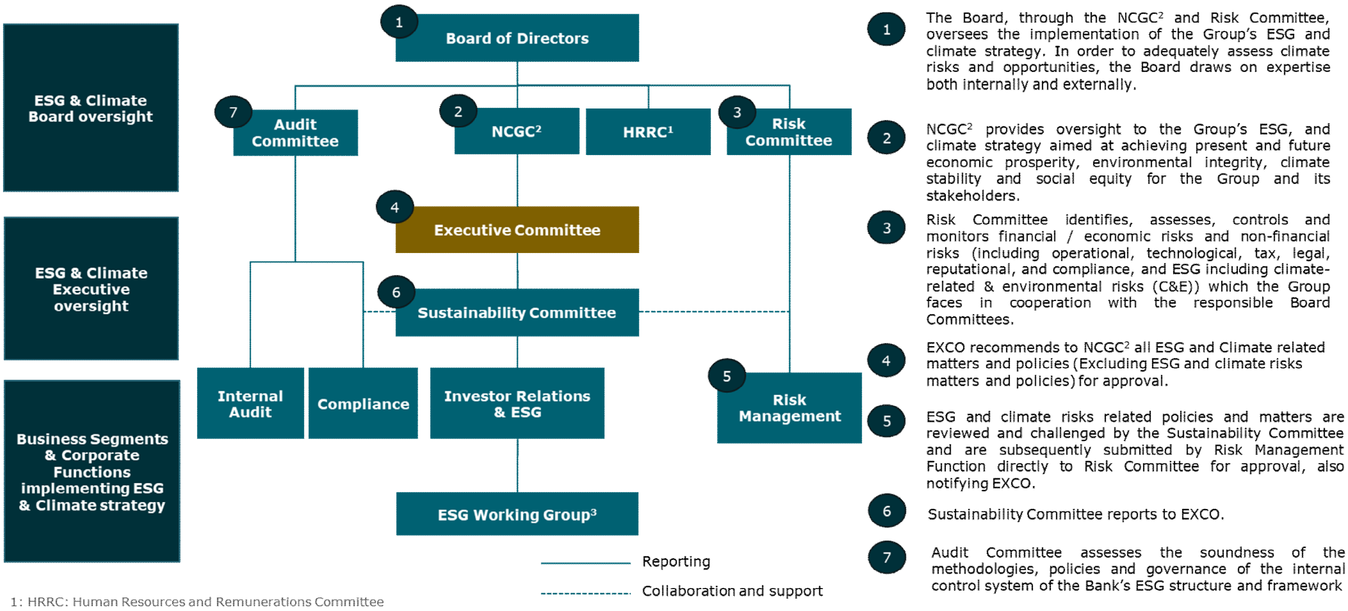
The Group considers climate action as one of its key priorities. To reflect this strong commitment, climate-related risks and opportunities are integrated into the governance structure. The Group is committed to high standards of governance that are consistent with regulatory expectations and evolving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

Organisational structure of the governance structure of the Group

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

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

i. The Board of Directors (the 'Board')
ii. Board Committees
iii. Senior Management Committees



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

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

Pillar I - Governance (continued)

Board of Directors and Board Committees

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

Board Committee	Role and Responsibilities
Risk Committee	The Risk Committee ('RC') has been delegated authority by the Board and consists of 3 independent non-executive members of the Board, who possess appropriate knowledge, skills, and expertise to understand and monitor the strategy regarding the risk appetite of the Group. The main purpose of the RC is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and ensure both Risk Profile and Risk Appetite remain appropriate. The RC is responsible for the following: i. Oversee the identification, assessment, control and monitor of financial/economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance, and ESG including C&E risks) which the Group faces in cooperation with the responsible Board Committees. ii. Ensure that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, any key issues and themes impacting the Group and the internal control environment. iii. Ensure effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness. iv. Report to the Board any current or emerging topics relating to ESG risks and matters, including C&E risks and matters, that are expected to materially affect the business, operations, performance, or public image of the Group or are otherwise pertinent to it and its stakeholders and if appropriate, detail actions taken in relation to the same. v. Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies. vi. Review and monitor key enterprise wide ESG, including C&E, metrics, targets, Key Performance Indicators ('KPIs'), Key Riks Indicators ('KRIs') and related goals and monitor the progress towards achieving targets and benchmarks. vii. Receive and review periodic reports from management on ESG and climate trends, issues, and risks, including developments in applicable regulations, as well as the corresponding mitigation initiatives and controls.

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

Pillar I - Governance (continued)

Board of Directors and Board Committees (continued)

Board Committee	Role and Responsibilities
Nominations and Corporate Governance Committee	The Nominations and Corporate Governance Committee ('NCGC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills, and expertise to provide oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders. The NCGC is responsible for the following: i. Develop a strategy for ESG including C&E matters focusing on Environmental, Climate, Ethical, Social, and Economic pillars and ensure it is embedded throughout the operations of the Group. ii. Advise, support and guide the Chief Executive Officer ('CEO') and Executive Management Team in formulating and implementing a business strategy geared to the sustainable development of the Group taking into account ESG including C&E impacts. iii. Oversee the Sustainability Committee's ('SC') implementation and progress regarding the ESG working plan. iv. Review the institution's response and plan of action to the objectives set out under international agreements. v. Review and approve the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance. vi. Review and approve the non-financial disclosures presented by the SC. vii. Review and approve the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds.
Human Resources and Remuneration Committee	The Human Resources and Remuneration Committee ('HRRC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives. The HRRC reviews at least annually the appropriate structure of the remuneration system and whether the total amount of variable compensation has been set in accordance with the Remuneration Framework of the Central Bank Directive on Governance. Therefore, any enhancements to the Remuneration Policy to incorporate ESG and climate criteria are approved by the HRRC.
Audit Committee	The Audit Committee ('AC') has been delegated authority by the Board and as of 31 December 2023 consists of 3 independent non-executive members of the Board, who possess appropriate knowledge, skills and expertise to assess the soundness of the methodologies and policies that the management of the Group uses to develop ESG, including C&E metrics and other disclosures and to assess the key vendors' plans about sustainability. The AC is responsible for the following: i. Ensure the ESG frameworks/standards, including C&E frameworks/standards, used are proper and relevant climate-related financial disclosures are investor grade. ii. Consider materiality in terms of how ESG issues, including C&E issues, impact the Group's financial performance and ability to create long-term value (Financial materiality) and how the Group's actions impact people and the planet (Social materiality). iii. Review other material public disclosures with respect to ESG, including C&E matters and discuss with management the Group's engagement with stakeholders on key ESG matters, including C&E matters, including in response to any proposals or other concerns that have been submitted to BOCH and/or BOC PCL or the Board. iv. Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe[1].

[1] The auditable areas, processes, systems and activities as assessed according to the primary risks which may impair their functionality.

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

Pillar I - Governance (continued)

Management Committees

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

<table>
<tr><th>Management Committee</th><th>Role and Responsibilities</th></tr>
<tr><td>Sustainability Committee</td><td>The SC is an executive level committee chaired by the CEO and has as a primary role the oversight of the ESG agenda of the Group aiming to lead the Group towards a cleaner, fairer, healthier, and safer world. This will be achieved by helping its customers manage risks in a long term sustainable and equitable way and aims for the Group to be an employer of choice in Cyprus.

The SC is responsible for the following:
i. Monitor and review the development of the Group's ESG strategy for managing ESG risks, including C&E risks.
ii. Oversee the implementation of the Group's ESG & Climate strategy.
iii. Review the institution’s response and plan of action to the objectives set out under international agreements.
iv. Review ESG targets and KPIs, including C&E targets and KPIs.
v. Review the incorporation of ESG including C&E targets, KPIs and KRIs in the business strategy.
vi. Monitor progress against the Group’s ESG working plan including the implementation of the ECB Guide on C&E risks.
vii. Monitor progress on KPIs set to manage C&E risks and the performance against wider ESG targets, on a quarterly basis, through the Sustainability Performance Report. The Sustainability performance report will be monitored by the Executive Committee (‘EXCO’) and NCGC on a quarterly basis.
viii. Monitor KRIs set to manage C&E risks, through the Climate Risk report, on a quarterly basis. The Climate Risk Report will also be monitored by the EXCO and RC on a quarterly basis.
ix. Oversee the degree of the Group’s alignment with regulatory ESG including C&E related guidance, rules (such as EU Taxonomy, SFDR, NFRD and TCFD) and ECB expectations.
x. Oversee the establishment of environmentally friendly products and Sustainable Finance Framework.
xi. Review policies relating to ESG matters, including C&E, matters to ensure that they are in line with the needs of the Group and the Group’s ESG strategy and that they comply with applicable legal and regulatory requirements. Monitors the implementation of policies relating to ESG including C&E matters (Excluding ESG and C&E risks related policies).
xii. Review and challenge Risk Management Division (‘RMD’) regarding ESG matters and policies, including C&E risks related matters and policies, such as ESG and C&E risk identification, quantification, materiality assessment (‘MA’) and establishment of ESG and C&E criteria in the loan origination process. RMD subsequently submits to RC for approval of ESG and C&E risks related matters and policies, also notifying EXCO.
xiii. Review non-financial disclosures including but not limited to the TCFD, relevant ESG disclosures in Pillar 3 and the annual Sustainability Report.
xiv. Monitor the external ESG and C&E trends affecting the formulation of ESG policies, strategies and objectives.</td></tr>
</table>

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

Pillar I - Governance (continued)

Management Committees (continued)

Management Committee	Role and Responsibilities
Executive Committee	The EXCO is responsible for the following: i. Consider the overall financial performance and progress of the Group per line of business, including, but not limited to, the Group's capital and liquidity position, the Group profitability, the NPE and the REMU portfolio. ii. Consider the market conditions and strategic initiatives. iii. Monitor the recovery and early warning indicators and assess the need to escalate for further action to the RC and the Board. iv. Consider the Risk Report. v. Consider and approve budgets, business strategies/risk strategy to be presented to the Board for approval. vi. Consider and approve the Group's Risk Appetite Statement to be presented to the RC and Board for approval. vii. Consider and approve the Group's Capital Plan to be presented to the RC and the Board for approval. viii. Consider the Compliance Reports/Matters and progress. ix. Consider the Internal Audit Reports/Matters and progress. x. Consider the HR/People Management/Matters and progress. xi. Consider the Corporate Affairs Report/Matters and progress. xii. Approve all matters escalated to EXCO within its delegated authorities and/or recommend matters requiring escalation to the Board. xiii. Consider all other matters escalated for discussion by any member of the EXCO or any other Committee/Forum. xiv. Monitor the Board and Board Committees pending decision lists. xv. Note the minutes of the Acquisition & Disposal Committee ('ADC'), Group Asset & Liability Committee ('ALCO'), the Regulatory Steering Group ('RSG') and the Business Development Committee ('BDC').

Board Oversight

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

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

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

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

Pillar I - Governance (continued)

Board Oversight (continued)

Specifically, the process through which the Board Committees are informed on C&E issues is presented below:

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

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

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

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

v. The SC reviews BOCH's annual non-financial disclosures including, but not limited to the TCFD, relevant ESG disclosures in Pillar 3 and the annual Sustainability Report and recommends to NCGC for approval, also notifying the EXCO.

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

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

Pillar I - Governance (continued)

Board Oversight (continued)

Refer to the table below on the items discussed at the Board Committee level in 2023 on the ESG & Climate field.

<table>
<tr><th>Board Committee</th><th>Date</th><th>ESG & Climate items</th></tr>
<tr><td rowspan="6">NCGC</td><td>February 2023</td><td>i. Update on the ESG Working Plan.
ii. Reviewed and approved the updated ESG & Climate Governance arrangements.
iii. Discussed and approved the Sustainable Finance Framework.</td></tr>
<tr><td>March 2023</td><td>i. Reviewed and approved the updated ESG & Climate Governance arrangements.
ii. Reviewed and approved the ESG Disclosures included in the Group's Annual Report.
iii. Reviewed and approved the ESG Disclosures included in the Annual Pillar 3.
iv. Reviewed and approved the action plan to address the JST thematic review observations on climate related and environmental risks.</td></tr>
<tr><td>June 2023</td><td>i. Reviewed and approved the Annual Sustainability Report of BOC PCL.</td></tr>
<tr><td>August 2023</td><td>i. Reviewed and approved the ESG Disclosures included in the Interim Pillar 3 Disclosures for the six months ended 30 June 2023.
ii. Reviewed and approved the proposal to join the United Nations Environment Programme – Finance Initiative (‘UNEP FI’) Principles for Responsible Banking (‘PRB').</td></tr>
<tr><td>November 2023</td><td>i. Reviewed and approved the updated ESG & Climate Governance arrangements.
ii. Reviewed and approved the updated roles and responsibilities on C&E risks of the three lines of Defence.
iii. Reviewed and approved the establishment of Business Environment Scan (‘BES’) process on C&E risks.
iv. Reviewed and approved the decarbonisation target on Mortgage portfolio and sector limits on carbon intensive sectors.
v. Updated on the performance against Sustainability KPIs through the establishment of the Sustainability Performance Report.</td></tr>
<tr><td>December 2023</td><td>i. Reviewed and approved the BES Results and Follow up actions.
ii. Reviewed and approved the ESG & Climate Data Gap & Strategy.</td></tr>
<tr><td rowspan="3">RC</td><td>March 2023</td><td>i. Reviewed and approved the action plan to address the JST thematic review observations on climate related and environmental risks.
ii. Reviewed and approved the MA on C&E risks.</td></tr>
<tr><td>June 2023</td><td>i. Updated through the Climate Risk Report.</td></tr>
<tr><td>December 2023</td><td>i. Reviewed and approved the enhanced MA on C&E risks.
ii. Reviewed and approved the incorporation of ESG and Climate considerations in Loan pricing.
iii. Reviewed and approved C&E Risks Quantification.
iv. Reviewed and approved Environmental risks management.
v. Reviewed and approved ESG Due Diligence in loan origination process.
vi. Reviewed and approved the incorporation of C&E risks in risk classification.
vii. Reviewed and approved the C&E risks in collateral valuations.
viii. Updated through the Climate Risk Report.</td></tr>
</table>

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

Pillar I - Governance (continued)

Management Oversight

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

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

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

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

Following the compilation of the ESG strategy in 2021, the ESG working plan in 2022 and 2023, specific accountabilities are assigned to the Group's Executives and Directors. The C&E responsibilities assigned to key Executives and Directors of the Group are summarised in the table below:

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

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

Pillar I - Governance (continued)

Management Oversight (continued)

Investor Relations and ESG Department

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

i. Develop the action plan for the implementation of the ESG and climate strategy;
ii. Compile the ESG working plan and monitor its progress;
iii. Establish the ESG and climate targets and KPIs and monitor their progress;
iv. Develop and roll out the institution's methodology for portfolio alignment assessments (e.g., using Paris Agreement Capital Transition Assessment ('PACTA') and Science Based Target Initiative ('SBTi'));
v. Develop and roll out the institution's methodology for measuring financed emissions (e.g., using Partnership for Carbon Accounting Financials ('PCAF'));
vi. Prepare ESG and climate-related reporting;
vii. Coordinate the activities and deadlines of the ESG Working Group;
viii. Review in cooperation with RMD the activities completed by the ESG Working Group;
ix. Support other functions in the formulation/update of policies in line with ESG Strategy;
x. Report to the SC in frequent intervals and Board Committees in line with the Terms of Reference;
xi. Update ESG communication messages in coordination with Corporate Affairs Department ('CAD');
xii. Communicate ESG strategy to internal and external stakeholders in coordination with CAD and RMD; and
xiii. Manage relationship with ESG Rating Agencies & analysts and coordinates improvement actions.

Risk Management Division

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

i. incorporate ESG risks, including C&E risks, in the Risk Management Framework, policies and procedures;
ii. incorporate ESG and climate criteria in the loan origination process;
iii. review in cooperation with IR&ESG the activities completed by the ESG Working Group;
iv. comply with ECB guide on C&E risks;
v. establish the ESG and climate targets and KPIs in cooperation with IR&ESG; and
vi. establish the C&E KRIs through the ESG and climate targets and KPIs set.

The RMD main tasks regarding ESG risks, including C&E risks:

i. Carries out the necessary MA in relation to C&E risks;
ii. Identifies ESG risks, including C&E risks, and ensures their inclusion in the risk taxonomy and risk register of BOC PCL;
iii. Quantifies C&E risks through scenario or other analysis and provides estimates for their potential impact;
iv. Assesses the impact of C&E risks on BOC PCL's capital adequacy from an economic and normative perspective;
v. Incorporates C&E risks in its risk classification procedures;
vi. Analyses and provides expert judgement on exposures to clients from high-risk industries;
vii. Makes recommendations for risk-mitigating actions for transactions assessed as high-risk;
viii. Prepares and maintains the institution's climate-related risk management policies (e.g., exclusion policies);
ix. Develops and rolls out the institution's climate-related client questionnaires for due diligence and data collection purposes;
x. Conducts C&E risks stress testing and provides input on ESG supporting Governance;
xi. Produces reports on C&E risks for submission to the SC, EXCO and RC; and
xii. Provides advice and checks on the institution's climate-related product offering, such as "green" products.

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

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

Pillar I – Governance (continued)

Management Oversight (continued)

The Group, in addition to the specific tasks and responsibilities assigned to RMD and IR&ESG, has assigned roles and responsibilities on ESG including C&E risks to the Business Lines, Compliance Division and Internal Audit Division.

Business Lines:

The main tasks of Business lines on ESG risks, including C&E risks are to:

i. Lead the interaction with customers regarding the incorporation of the ESG and climate criteria in the credit underwriting process through the ESG questionnaires and scoring process;
ii. Observe and adhere any sector limits being put in place as derived from the science-based targets;
iii. Implement all policies relating to the Green transition (e.g., Environmental and Social Policy ('E&S'), Green Lending Policy etc.);
iv. Enable the Green Transition through promotion of Green products and services;
v. Engage with key customers for investments in Green products;
vi. When discussing a new lending, guide the customers towards green lending which will help them become a more sustainable business;
vii. Implement initiatives included in BOC PCL's decarbonisation strategy for own operations to reduce energy consumption, paper consumption and GHG emissions in relation to the operation of their business unit;
viii. Own and manage C&E risks as part of their responsibility for achieving objectives and for implementing corrective actions to address process and control deficiencies; and
ix. Support in the design of "green" products and services to meet customer's needs and incentivise clients to reduce emissions.

Compliance Division:

Compliance Division's main tasks regarding ESG risks, including C&E risks, are:

i. Identifying, on an on-going basis, the legal and regulatory framework concerning ESG including C&E risks and communicating to business units any regulatory developments applicable to them;
ii. Ensuring that a complete and updated register of ESG including C&E risks is maintained and that emanating compliance obligations are documented and supported by appropriate action plans by the responsible units;
iii. Assess and monitor the implementation of actions to ensure timely and effective compliance with regulatory obligations concerning ESG including C&E risks and recommends changes to the institution's policies and coordinates the implementation of such changes;
iv. Updates SC, EXCO and AC on ESG Regulations & Compliance Requirements;
v. Performs compliance reviews taking into account ESG including C&E laws, rules, regulations and standards identifying compliance weaknesses and risks. Prepares and recommends follow-up actions for mitigating such risks. Reports the outcome of these reviews to the management body and/or its committees, including as regards residual risk;
vi. Provides advice on ESG including C&E related policies, ensuring these are consistent with the Board's risk appetite and the Group's ESG Strategy;
vii. Provides advice on design and evolution of the ESG and Climate Governance Structure; and
viii. Supports functions and Business Lines for Compliance with ESG Regulations.

Internal Audit Division ('IA'):

The IA, as a third line of defense, provides independent assurance to the Board and Executive Management on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG and C&E risks), according to the risk appetite set by the Board.

IA maintains a Risk & Audit Universe, which includes all material risks that BOC PCL is exposed to, as well as all auditable areas of BOC PCL. The management of C&E risks has been included in IA's Risk and Audit Universe both as a relevant primary risk, but also as an auditable area. Therefore, during the risk assessment process, which is followed to derive IA's Annual Audit Plan ('AAP'), all auditable areas in the Audit Universe are assessed against C&E risks.

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

Pillar I - Governance (continued)

Management Oversight (continued)

Internal Audit Division ('IA'): (continued)

Furthermore:

i. IA ensures the existence of adequate and appropriate resources for all audit engagements included in the AAP, through the calculation of the estimated hours needed on the basis of engagement scope and complexity, while also considering the assigned staff's knowledge, skills and other competencies in the area. Through the use of timesheets, the actual hours spent are recorded and compared with the estimated hours, with deviations investigated and if necessary relevant actions being taken.
ii. The knowledge and skills of the IA staff is assessed on an annual basis, in accordance with its Competency Framework. Based on this assessment, IA takes necessary actions and prepares specific development plans, in order to ensure that its staff possesses the necessary skills and knowledge for the performance of their duties (including C&E related topics, if required).

It is noted that, since the maintenance of the Risk and Audit Universe is an ongoing process, as the BOC PCL gradually builds its overall capabilities for managing ESG including C&E risks and enhances relevant processes within its first and second lines of defence, IA will be modifying its Risk and Audit Universe to cover them accordingly**.**

Remuneration policy

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

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

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

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

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

Pillar II - Strategy

Climate change is the biggest challenge that humanity faces. The World Meteorological Organisation ('WMO') declared that 2023 is the warmest year on record. In 2023, the annual average global temperature was 1.45°C ± 0.12°C above pre-industrial levels. The Paris agreement overarching goal is to limit the increase of long-term temperature to no more than 1.5°C above pre-industrial levels. The Global Greenhouse Gas ('Global GHG') emissions continue to increase, and extreme climate events are more frequent than ever. To keep warming to 1.5°C, cuts of 45% are required by 2030, with Global GHG emissions reaching Net Zero by 2050. This means GHG emissions need to decline now. The transition to this low carbon economy requires a transformation of assets and behaviours, for which trillions of dollars in finance are required.

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

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

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

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

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

i. Become carbon neutral by 2030;
ii. Become Net Zero by 2050;
iii. Steadily increase Green Asset Ratio ('GAR'); and
iv. Steadily increase Green Mortgage Ratio.

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

Pillar II – Strategy (continued)

Climate-related and Environmental Risks and Opportunities

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

The Group views climate risk as a cross-cutting risk which manifests itself through or amplifies existing risk categories within the Group's Risk Taxonomy, as described further in the 'Pillar III - Risk Management' section of these TCFD. These transition and physical risks can manifest themselves differently across risk categories in the short, medium, and long term. The time horizons considered are described here for reference.

Time horizon label	Start Year	End Year	Rationalisation
Short-term (1-3 years)	2023	2026	The Corporate Sustainability Reporting Directive ('CSRD') is expected to be a major disruption and a milestone for climate change activation. As CSRD will first be applied in January 2025 (for FY2024) for EU listed companies, and every year thereafter up until 2028 to include certain SMEs and large companies (Years 1-3), the Group considers the first three years as its first time horizon. Furthermore, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions from own operations. The Group has focused its main decarbonisation actions in the short-term up to 2026 in order to lead the decarbonisation efforts, lead by example and also to benefit from any government subsidies that will be announced as part of the Recovery and Resilience Facility ('RRF') of the European Union. As a result, the risk horizon the Group focuses for short term is between 1-3 years.
Medium-term (4-7 years)	2027	2030	As 2030 is the year set by the EU for the goal of "Fit for 55" (i.e., a 55% reduction of GHG emissions below 1990 levels), the Group has also set 2030 as the medium term risk horizon for the identification of C&E risks and opportunities. Therefore, the time horizon for medium term is between 4-7 years. In addition, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions by 2030, therefore C&E risks should be identified and managed in a horizon of 4-7 years in order to achieve the target set.
Long-term (8-27 years)	2031	2050	The Group considers a time horizon of over 8 years for chronic physical risks to manifest. Additionally, the Group has set a target to become net zero by 2050, following its commitment to the Paris Agreement, which indicates that Scope 1, Scope 2 and Scope 3 GHG emissions should be reduced by 2050 to zero. For Scope 1 and Scope 2 own operations the reduction target is relevant for all time horizons. However, the climate related risks associated with Financed Scope 3 GHG emissions depend also on the useful life of the assets, which for the majority of the current loan portfolio of the Group this translates to a maturity beyond 8 years. As such a long-term time horizon has been set to 8–27 years to cover both the risks as well as the strategic aspects of climate related risks within the organisation.

Under 'Pillar III - Risk management' section of these TCFD further detail is provided on the transition and physical climate-related risks identified in each time horizon that could have a material financial impact on the Group as well as description of the processes on how the Group identifies and assesses the materiality of transition and physical climate-related risks.

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

Pillar II – Strategy (continued)

Climate-related and Environmental Risks and Opportunities (continued)

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

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

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

Pillar II – Strategy (continued)

Net Zero Strategy

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

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

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

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

For the Group to reach carbon neutrality by 2030, Scope 1 and Scope 2 GHG emissions should be reduced by 42% by 2030 compared to 2021 baseline. The decarbonisation target on Scope 1 and Scope 2 is monitored through the Sustainability Performance Report on a quarterly basis by the SC, EXCO and Board Committees.

BOC PCL plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. The Group expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Group is also considering several other actions aiming to a further reduction of c.30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022. The actions planned by BOC PCL between 2024 to 2025 include:

i. Air-conditioning systems replacements
ii. Boiler replacements
iii. Roof insulation
iv. CO_2 sensors installation
v. Heat recovery installation

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

Currently the Group does not plan to set specific targets for the material non-Financed Scope 3[1] GHG emissions as the vast majority of its Scope 3 GHG emissions relate to Financed Scope 3 GHG emissions.

Apart from the strategy to reduce GHG emissions associated with its own operations, BOC PCL should design the strategy to reduce GHG emissions associated with its loan portfolio (i.e. customers) and investment portfolio which effectively will lead to less exposure to C&E risks. Therefore, BOC PCL became a member of the PCAF and estimated GHG emissions derived from its loan, investment and insurance portfolio based on PCAF standard and proxies. BOC PCL is integrating C&E risks into its Business Strategy through the following:

1. Sector limits;
2. Decarbonisation targets;
3. Green/Transition Lending;
4. ESG and Climate considerations in loan pricing.

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

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

Pillar II – Strategy (continued)

Net Zero Strategy (continued)

1. Sector Limits
Certain sectors are inherently associated with higher transition risks due to the fact that their current operating model is not considered sustainable under a low carbon economy. The fact that the current and prospective regulatory environment is driving us towards that direction, indicates that the entities, operating in carbon intensive sectors, might fail to adopt. Failure to adopt might impact customers' profitability, liquidity, creditworthiness and ultimately their sustainability in the longer term. In order to manage transition risks and be aligned with Net Zero commitment, BOC PCL established certain sector lending limits to restrict its exposure to sectors which are widely considered as carbon intensive sectors (i.e. cement, oil, gas, iron, steel, aluminium and power generation through fossil fuels). The role of BOC PCL is to engage with the customers operating in carbon intensive sectors, in order to educate them on the C&E risks that are exposed and support them in the transition to low carbon economy by providing them Green or transition financing. The sector limits are not applicable to Green or Transition financing or to entities, operating in carbon intensive sectors, with an externally validated transition plan, so to motivate and support the customers to their transition to a low carbon economy. The abovementioned sector limits have been reflected in the BOC PCL Concentration Policy. For more details refer to 'Pillar III – Risk Management' of these TCFD under section 'e. Policies'.

2. Decarbonisation targets
BOC PCL by taking into account the MA performed on C&E risks, the available methodologies to estimate Financed Scope 3 GHG emissions and Insurance associated GHG emissions as well as the available methodologies to set decarbonisation targets on certain sectors and asset classes aligned with a climate scenario, determined to set decarbonisation target on its Mortgage portfolio. Following the establishment of the decarbonisation target on Mortgage portfolio BOC PCL designed the strategy to meet the target and align its Mortgage portfolio with the International Energy Agency's ('IEA') Below 2 Degree Scenario ('B2DS') by aiming to finance more energy efficient residential properties. BOC PCL designed and introduced a "Green Housing" product, aligned with Green Loan Principles ('GLP') of Loan Market Association ('LMA'), in order to support the feasibility of the decarbonisation target. The decarbonisation target on Mortgage portfolio and the new lending strategy to meet the target have been incorporated in the Group's Financial Plan for 2024-2027. The Group is also examining to set decarbonisation target on Commercial Real Estate ('CRE') asset class as well as on Transportation and Storage business loan sector of loan portfolio, within 2024.

3. Green/Transition Lending
BOC PCL, by taking into account the results of BES and the materiality assessment on C&E risks, has set Green /Transition new lending targets for 2024 in order to support the transition of its customer and Cyprus to a low carbon economy and limit its exposure to transition risks in certain sectors. Specifically, BOC PCL by taking into account the results of the MA on C&E risks, the expected introduction of Green taxation in Cyprus, the amendments adopted by the European Parliament on 14 March 2023 on the proposal for a directive of the European Parliament and of the Council on the energy performance of buildings as well as the Cyprus Government subsidies identified climate related opportunities and has set Green/Transition new lending targets on specific sectors (i.e., Manufacturing, Trade, Construction and Accommodation) to enable the Green transition. The Green/Transition new lending targets have been included in the Group's Financial Plan for 2024 – 2027 and monitored on a monthly basis by the Business Development Committee ('BDC') of the Group. Taking into account that the Green/Transition new lending targets are incorporated for the first time in the Financial Plan of the Group, those comprise of c.10% of total new lending projections for 2024 of Corporate & SME Division. Green / Transition new lending is expected to increase in the upcoming years given the maturity of the market in climate spectrum.

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

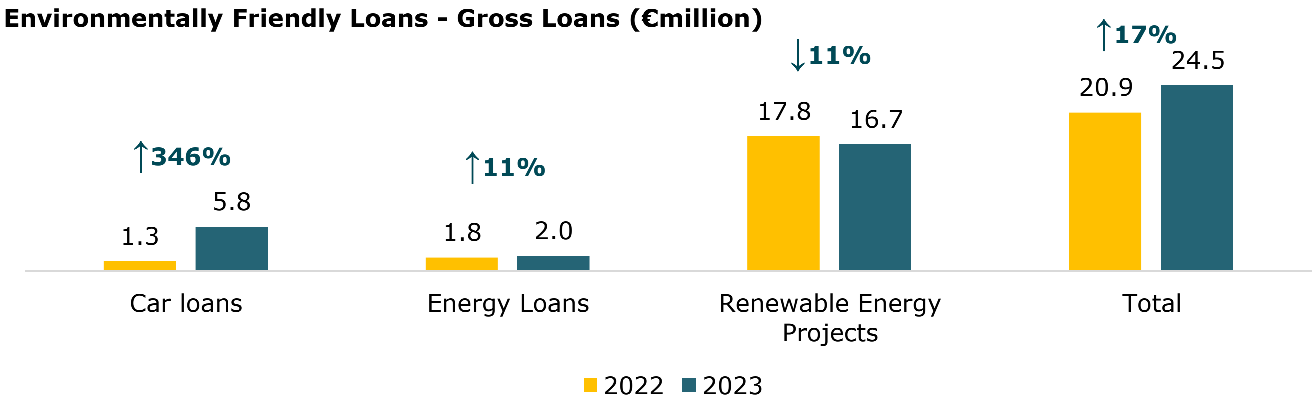
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Net Zero Strategy (continued)

3. Green/Transition Lending(continued)
At the end of 2023, BOC PCL launched the "Green Housing" product, aligned with GLPs of LMA, in order to support the decarbonisation of residential properties in Cyprus, ensure feasibility of the decarbonisation target and effectively being exposed to lower level of transition risks. Looking forward, in 2024 the Group will continue to build out its green product offering further.

The Group has set up a Sustainable Finance Framework which will facilitate the issuance of Green, Social or Sustainable bonds. The proceeds from such bonds will be allocated to eligible activities and products as designated in the Sustainable Finance Framework. The Group is in the process of gathering necessary data to identify an eligible pool of assets for a potential issuance of a bond under the Sustainable Finance Framework.



Note: Car loans include loans to buy a new hybrid or electric car. Energy loans include loans to renovate and upgrade the energy efficiency of privately owned primary residence or holiday homes and acquisition/installation of solar panels. Renewable energy projects relate to loans financing solar parks or wind parks.

4. ESG and Climate considerations in loan pricing
In addition, BOC PCL is recognizing the importance of promoting sustainability in its lending practices, so it has developed a comprehensive plan aiming to integrate ESG and climate factors into its loan pricing framework to ensure a long-term sustainable growth. The plan has two main phases, the Transition phase and the Long-term phase.

Transition phase:
BOC PCL performed market research to identify the best practices to incorporate ESG and climate considerations in the loan pricing. Following the market research, BOC PCL introduced margin discounts by taking into account the customer's ESG score and the transaction eligibility under Green Lending Framework. Essentially, a margin discount, based on the client's ESG and climate impact, will be implemented for both new and existing clients on new lending requests, for all clients (all sectors) under Corporate Division, differentiating however between carbon-intensive vs. non-carbon intensive sectors. BOC PCL linked the margin discount at the client level to the borrower's "E" scoring (extracted from borrower's "ESG" score). In addition, BOC PCL linked the margin discount at the transaction level (i.e. whether lending is Green or not) utilizing the provisions of the BOC PCL's Green Lending Framework.

Long-term phase:
BOC PCL has developed a longer-term plan for undertaking the necessary activities and analysis that will allow for a structured approach to incorporate ESG and climate factors in the Lending Pricing Policy and Lending Pricing Framework pricing components and where necessary associate pricing with defined KPIs. The plan is divided into four distinct phases, each with specific objectives and activities designed to ensure successful integration:

i. Inception: the objectives are to develop an ESG and climate Pricing strategy that is aligned with the BOC PCL's values, objectives, and risk appetite. Specifically, BOC PCL envisages to set the Strategic direction to be followed and how this will accommodate the balance between the Strategic View Pricing approach and Risk View Pricing approach.

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

Pillar II – Strategy (continued)

Net Zero Strategy (continued)

4. *ESG and Climate considerations in loan pricing* (continued)

ii. Preparation: the objectives are to undertake a feasibility analysis in relation to which pricing components are the most prominent to analyse in terms of adjusting them to reflect any ESG and climate considerations as well as to further specify the roles and responsibilities of each unit for ESG and climate integration in loan pricing.

iii. Development: The Development phase of the ESG and climate pricing strategy plan is divided into two parts, the Risk View and the Strategic View. Under the Risk View, BOC PCL aims to conduct analysis and assessment of various ESG and climate factors to determine their relevance and importance and prioritise them for inclusion in the pricing framework, in conjunction with the outcome of the feasibility analysis. Under the Strategic View, BOC PCL aims to start defining pre-requisites that will allow, upon a more mature state, to enhance its approach on strategic view to be more holistic than the one implemented on Transition phase.

iv. Implementation: the objective is to perform the necessary actions to implement the selected approach of incorporating ESG and climate considerations in pricing components so to become business-as-usual.

GAR[3] and Green Mortgage Ratio[4]

As BOCH falls under the Non-Financial Reporting Directive it is mandatory to also comply with the EU Taxonomy regulation for financial institutions. As such, BOCH is taking necessary actions and measures to estimate and disclose its GAR, which presents the proportion of the share of a credit institution’s assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets, such as those consistent with the European Green Deal and the Paris agreement goals. The financial institutions are required to disclose the EU Taxonomy eligible and aligned activities as a share of total covered assets for Climate Change Mitigation[5] (‘CCM’) and Climate Change Adaptation[6] (‘CCA’) environmental objectives as at 31 December 2023. EU Taxonomy required disclosures are provided in Part B of these ‘ESG Disclosures’.

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

BOC PCL has in place a Green Lending Policy which aims to provide the framework and the requirements BOC PCL will implement for the creation of green loans and to support borrowers in financing environmentally sound and sustainable projects. The Policy sets the criteria for a loan to be categorised as “green” which include, among others, clear environmental benefits, environmental sustainability objectives, the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant green project(s) etc. To fully operationalise the policy, BOC PCL is in the process of preparing the relevant guidelines, which will provide further guidance on the specific procedures to be followed. To support this goal, the Group has developed a Green Lending Framework which currently follows the GLP but also uses the EU Taxonomy as the main consideration to inform criteria for green or transition loans. This framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands.

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[3] The proportion of the share of credit institution’s assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets.
[4] The proportion of the share of credit institution’s assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgages assets.
[5] CCM: The process of holding the increase in the global average temperature to well below 2 C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.
[6] CCA: The process of adjustment to actual and expected climate change and its impacts.

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

Pillar II – Strategy (continued)

Sustainable Development Goals ('SDGs')

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

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

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

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

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

Pillar II – Strategy (continued)

Principles for Responsible Banking

In September 2022, BOC PCL voluntarily conducted an impact analysis, using its loan portfolio, in accordance with the PRB's impact analysis tools. In October 2023, BOC PCL has become the first Bank in Cyprus to sign the United Nations PRB which is a single framework for a sustainable banking industry, developed through a collaboration between banks worldwide and the UNEP FI.

The Principles are the leading framework for ensuring that banks' strategies and practices align with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement. BOC PCL, by signing the Principles, commits to be ambitious in its sustainability strategy, working to embed sustainability into the heart of its business, while allowing BOC PCL to remain at the cutting-edge of sustainable finance.

Under the Principles, BOC PCL should identify and measure the environmental and social impact resulting from its business activities, set and implement targets where it has the most significant impact, and regularly report publicly on their progress. BOC PCL has already measured its environmental and social impact by voluntarily applying the PRB's impact analysis tools in order to identify and report on the material impacts arising from its business activities (i.e. loan portfolio). The material impacts identified have been reported in the Sustainability Report of 2022. The next step for BOC PCL is to set at least two targets associated with the PRB's impact areas which can have the most significant impact. For BOC PCL the two key impact areas are Climate Stability and availability, accessibility, affordability & quality of resources and services. BOC PCL has set, in 2023, a decarbonisation target on Mortgage portfolio which reflects the first SMART target set on loan portfolio for the Climate stability impact area. For the performance against the decarbonisation target on Mortgage refer to section "Pillar IV – Metrics and Targets" of these TCFD. BOC PCL is expected to set SMART target on the availability, accessibility, affordability & quality of resources and services impact area in 2024.

Signatories to the Principles take on a leadership role, demonstrating how banking products, services and relationships can support and accelerate the changes necessary to achieve shared prosperity for current and future generations, building a positive future for both people and the planet. These banks also join the world's largest global banking community focused on sustainable finance, sharing best-practice and working together on practical guidance and pioneering tools of benefit to the entire industry.

The endorsement of PRB by BOC PCL is fully aligned with and reinforces our strategic priority to become a market leader for sustainable banking and lead the transition of Cyprus to a sustainable future. The Group aims not only to deliver financial but also environmental and social value to our stakeholders. As such, our approach is multidimensional: to maintain our leading role in supporting Cypriot society; to implement our commitments to these Principles through effective governance and a culture of responsible banking; to reduce our own environmental footprint as well as supporting our customers to reduce their GHG emissions and to continue supporting our staff by providing training and upskilling opportunities as well as staff wellness initiatives.

BOC PCL is committed to the following principles:

1. **Alignment:** BOC PCL will align its business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
2. **Impact & Target Setting:** BOC PCL will continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from its activities, products and services. To this end, BOC PCL will set and publish targets where it can have the most significant impacts.
3. **Clients & Customers:** BOC PCL will work responsibly with its clients and its customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
4. **Stakeholders:** BOC PCL will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
5. **Governance & Culture:** BOC PCL will implement its commitment to these Principles through effective governance and a culture of responsible banking.

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

Pillar II – Strategy (continued)

Principles for Responsible Banking (continued)

6. **Transparency & Accountability:** BOC PCL will periodically review its individual and collective implementation of these Principles and be transparent about and accountable for its positive and negative impacts and its contribution to society's goals.

Group Financial and Business Plan Process

The Group enhanced the Group Financial and Business Plan manual to ensure the incorporation of consideration on C&E risks in the Business Strategy. Specifically, during the planning phase of new lending the RMD and IR&ESG provides the sectors associated with C&E risks, the preliminary impact assessment derived from BES process, science-based targets (GHG emission reduction targets aligned with a climate scenario) set and the direction of Green/Transition new lending based on BES. In addition, each Division, taking into account the preliminary impact assessment (performed by RMD, IR & ESG and Strategy) on risk profile and strategy arising from the BES on C&E risks as well as the MA on C&E risks, identifies which are the material C&E risks over the Financial plan period and defines the actions, strategies and products to mitigate the C&E risks identified. IR&ESG department ensures the adequacy, relevance and reasonableness of the business lines strategies to manage material C&E risks on the main portfolios.

Business Environment Scan

BOC PCL, in 2023, established a structured and detailed process, with clear roles and responsibilities, to gather a broad range of updates and developments, both internal and external, and link them with sectors/industries and products/services so to assess their impact, across different time horizons, and identify C&E risks emerging from these updates and developments and inform BOC PCL's risk and strategic profile.

The BES process facilitates the ongoing monitoring of potential impacts of C&E risks on its business environment across short-, medium- and long-term time horizons. This process involves the systematic monitoring of various news, updates, and developments, including regulatory developments, macroeconomic trends, competitive landscape, technological trends, as well as societal demographic developments and geopolitical updates. As part of the process, BOC PCL collects external information, on a monthly basis, from various sources, such as news articles, publications, policy and regulatory updates, as well as internal information such as strategy updates, process changes and other relevant internal documentation.

The identified developments are then mapped to the relevant business lines, sectors/industries and portfolios that might be impacted, as well as to specific products/services, where applicable. Developments are further assessed in terms of their relevance across the various time horizons, and preliminary impact scores are assigned based on the expected effect on the BOC PCL's risk and strategic profile. Scores range from 0 (No impact) to 5 (Critical impact). BOC PCL has established a dynamic interaction between the BES and the MA to ensure that the insights from both exercises continually inform and enhance each other, fostering a more robust and effective C&E risks management and control.

BOC PCL has performed the first round of the BES and analysed recent regulatory and market updates, relevant to BOC PCL's business. The results of the first run of the BES have been considered and informed the MA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical" impact.

The preliminary impact assessment of key updates and developments on risk profile and strategy is conducted and reported to the SC and EXCO on a quarterly basis. The final impact assessment of key updates and developments on risk profile and strategy is conducted and presented to the SC, EXCO, NCGC and RC on an annual basis.

BOC PCL established also a BES Working Group with specific responsibilities assigned to Compliance Division, RMD and Strategy Department so to collectively perform the impact assessment arising from key updates and developments on risk profile and strategy.

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

Pillar II – Strategy (continued)

Resilience of strategy against climate change risks

The concept of climate resilience requires that organisations develop the adaptive capacity to respond to climate change, leveraging opportunities and managing the associated transition and physical risks.

TCFD recommends that organisations describe the ability of their strategy to leverage opportunities related to climate change, consistent with a scenario of orderly transition to a low-carbon economy, but also their resilience to possible scenarios of increased climate risks.

BOC PCL developed a Framework to quantify transition risks. The framework addresses all sectors of the BOC PCL's portfolio, but dedicated models were created for those sectors that are more susceptible to transition risks, based on their inherent activities and their exposures.

In terms of physical risks, efforts were focussed on estimating the impact on property value from the potential materialisation of such risks. Granular data was obtained from an external vendor, providing granular, location level information. The monetary impact (damage function) for each combination of property, hazard, scenario, and year was estimated. At the moment, the damage function measurement, for wildfire hazard, has been incorporated as part of the ICAAP process.

Moreover, the identified material risks are in the process of being incorporated into all relevant processes of the RMD including the ICAAP and ILAAP scenario analysis.

For more details refer to section 'Climate Risk Sensitivity and Stress Testing' under 'Pillar III Risk Management' of these TCFD.

The resilience of the strategy in the face of 2°C or lower climate scenarios is reinforced by the fact that BOC PCL has set ESG as one of its four strategic pillars, with a special focus on the fight against climate change and its commitment to Net Zero by 2050. Aligned with its commitment, BOC PCL is gradually aligning its loan portfolio with scenarios compatible with the Paris Agreement. BOC PCL in 2023, has set a decarbonisation target on its Mortgage portfolio, following the IEA's B2DS, and designed the new lending strategy to reach the relevant target. BOC PCL performed several sensitivities on the new lending strategy and decarbonisation target to ensure the strategy's resilience. The decarbonisation target and new lending strategy to reach the relevant target are embedded in the Group's Financial Plan for 2024-2027.

The Group is also examining setting decarbonisation target on CRE asset class as well as Transportation and Storage sector of loan portfolio, within 2024. For more details on the decarbonisation target on Mortgage and sensitivities performed refer to section 'Reduction of all GHG emissions to become Net Zero by 2050' under 'Pillar IV – Metrics and Targets' of these TCFD.

On the business side, the analysis is ongoing and the available results point to a resilient situation, given the relatively low exposure to clients operating in carbon-intensive sectors which inherently carry increased climate transition risks. In fact, BOC PCL loan exposures related to carbon-intensive sectors represent c.1.7% of Non-Financial Corporations exposure of €4.9bn, and 0.8% of the total exposure of €10bn. BOC PLC, in 2023, has set new lending sector limits to carbon intensive sectors to reduce its exposure to climate transition risks. The new lending sector limits are not applicable to Green or Transition financing or to entities, operating in carbon intensive sectors, with an externally validated transition plan so to motivate and support the customers to their transition of low carbon economy. For more details refer to section 'Sector Limits' above.

Finally, by taking into account the BES results and MA on C&E risks, BOC PCL identified climate-related opportunities and has set new Green/Transition lending targets on Corporate and SME customers which are embedded in the Group's Financial Plan 2024-2027.Refer to section '*Green/Transition Lending'* above.

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

Pillar III – Risk Management

BOC PCL, as one of the systematic banks in Cyprus, is exposed to potential C&E risks and as such has taken the necessary steps to commit in managing and integrating these risks in the overall risk management framework. BOC PCL regularly oversees its exposure concentration in portfolios that are sensitive to C&E risks. To pursue that, BOC PCL ensures that its policies and frameworks are in line with the applicable regulatory requirements and following best banking practises.

Identification and MA of C&E risk drivers

BOC PCL has aligned its definitions of C&E risks with the requirements set in the ECB Guide on C&E risks (November 2020) and additional specific remarks outlined in the TCFD framework. In particular, BOC PCL has defined C&E risks as per the table below (Table 1). C&E risks can be split into two categories, (1) risks relating to the transition to a lower-carbon economy (transition risks) and (2) risks relating to the physical impacts of climate change (physical risks)[7]. Furthermore, physical risk is further categorised into acute and chronic for physical hazards, whilst transition risk is further categorised into policy, legal, technology, market and reputational risks.

Climate-related risks[8]	Climate-related risks are potential risks that may arise from climate change or from efforts to mitigate climate change, changes in technology, regulation or the market. Climate-related risks can be divided into physical risks from climate change and the risks of transitioning to a carbon neutral economy.
Environmental risks[9]	Environmental risks can be divided into chronic and acute risks. Environmental chronic risks are the risks arising from environmental degradation that are permanent or risks that result from economic and human activities, including, for example, the pollution of air, soil and water or changes in land use and deforestation. In addition to the aforementioned, biodiversity loss, chronic degradation of habitat and the threatening of species are also considered to be an environmental risk. Environmental acute risks, such as earthquakes and tsunamis, refer to sudden and intense events or incidents that have the potential to cause significant and immediate harm to the environment or human activities.
Physical risk	Physical risk refers to the financial impact of changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. It considers how chronic and acute climate events can directly damage physical assets, impact their value or productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.
Transition risk	Transition risk refers to the financial impact that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences. It considers how changes in these drivers can lead to changes in the value of assets, commodities and companies.

Table 1: *Overview of the key C&E risk terminology*

[7] E06 - Climate related risks and opportunities.pdf (tcfdhub.org)
[8] ECB's Guide on climate-related and environmental risks, November 2020.
[9] ECB's Guide on climate-related and environmental risks, November 2020.

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

Pillar III – Risk Management (continued)

C&E Risks Identification & Materiality Assessment ('RIMA') process

In 2023, BOC PCL has refined its MA of C&E risks as drivers of existing financial and non-financial risks, namely Credit risk, Liquidity risk, Market risk, Operational risk, Strategic risk as well as Reputational and Legal risk, taking into consideration its business profile and loan portfolio composition.

As part of the RIMA process, BOC PCL has enhanced the following steps to ensure a comprehensive and structured MA process, having due consideration on the specificities of its business model, operating environment and risk profile:

i. Identification and documentation of C&E risk drivers
ii. Definition of transmission channels for C&E risks
iii. Assessment of materiality of C&E risk drivers

Specifically, BOC PCL has conducted an assessment of the following C&E risks, as drivers of existing risks:

i. Climate-related physical risk drivers
ii. Climate-related transition risk drivers
iii. Environmental transition risk drivers (other than climate risks)
iv. Environmental physical risk drivers (other than climate risks)

The assessment has been conducted using both quantitative and qualitative methods. For data driven methods, a combination of internally collected BOC PCL specific data and external data have been used.

In summary, as a first step, a more granular list of potential C&E risk drivers has been identified through the enhancement of the inventory of C&E risks already developed by BOC PCL in the course of the previous C&E risk assessment exercises. In particular, BOC PCL has proceeded with an additional classification and categorisation of the C&E risks across four levels of granularity as per the following example:

i. Climate-related risk (Level-1)
ii. Physical risk (Level-2)
iii. Acute risk (Level-3)
iv. Wildfire (Level-4).

As a second step, the C&E risks have been mapped to the existing financial and non-financial risks through respective transmission channels.

As a third step, a combination of qualitative and quantitative methods has been utilised for the purpose of the performance of the MA of C&E risks using various materiality parameters and thresholds, depending on the method and data used for the assessment. In addition, the evolution of C&E risks has been considered over the short, medium and long-term time horizons.

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

Pillar III – Risk Management (continued)

C&E Risks Identification & Materiality Assessment (RIMA) process (continued)

An overview of the steps followed for the performance of the MA is presented in the following figure:

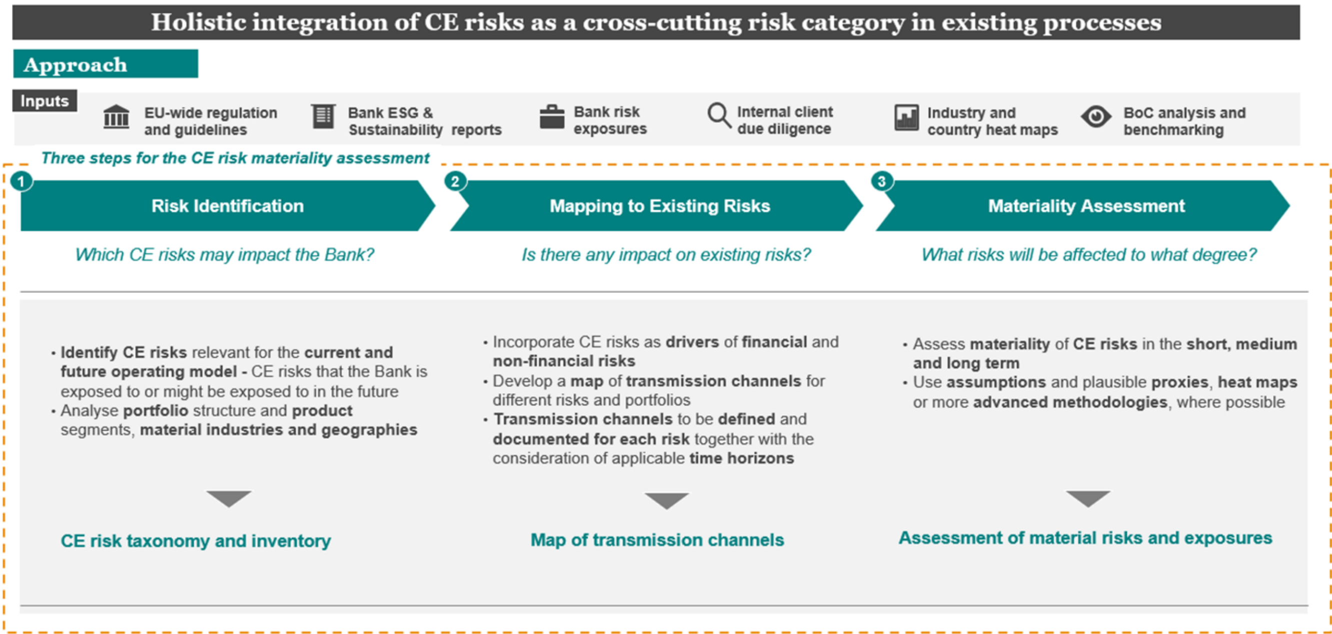


Figure 1: *Overview of BoC's C&E MA 2023 stages*

The following table (Table 2), provides an overview of BOC PCL's C&E risks inventory, which includes all C&E risks considered as part of the MA performed. A further split of C&E risks has been considered accordingly by defining thirty (30) underlying risk types.

ID	C&E risk	C&E risk sub-type	C&E risk sub-type	C&E risk sub-type
	[Level 1]	**[Level 2]**	**[Level 3]**	**[Level 4]**
1				(Extreme) Heat
2				Drought (increased frequency, intensity, duration)
3				High intensity / duration precipitation events (increase; causing flooding)
4	Climate-related	Physical	Acute	Landslide
5				River flood
6				Storms (increased activity and/or intensity)
7				Wildfire
8			Chronic	Desertification

Table 2: *BOC's list of identified C&E risks*

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

Pillar III – Risk Management (continued)

C&E Risks Identification & Materiality Assessment (RIMA) process (continued)

ID	C&E risk	C&E risk sub-type	C&E risk sub-type	C&E risk sub-type
	[Level 1]	**[Level 2]**	**[Level 3]**	**[Level 4]**
9	Climate-related	Physical	Chronic	Ocean acidity
10				Precipitation (decreased average precipitation)
11				Sea level rise (increasing risk from coastal flood)
12				Temperature (increase of average temperature)
13		Transition	Policy and Regulation	Failure to comply with climate (ESG) disclosures and GHG reporting obligations
14				Risks from litigation
15			Technology	Transition to low-emission alternative products and services/business models
16			Market	Increased energy costs and costs of raw materials
17				Increased stakeholder concern or negative stakeholder feedback / markets sentiment and preferences
18	Environmental	Physical	Acute	Earthquake
19				Tsunami
20			Chronic	Air pollution
21				Soil pollution
22				Water pollution
23				Biodiversity loss (incl. species extinction)
24				Deforestation (incl. habitat destruction) and land use change
25				Water scarcity
26				Pests (increased prevalence)
27		Transition	Policy and Regulation	Circular economy & waste management
28				Environmental protection requirement
29			Technology	Environmentally friendly technologies
30			Market	Environmentally driven consumer behaviour

Table 2: *BOC's list of identified C&E risks (continued)*

Each C&E risk has been individually assessed as a driver of Credit risk, Liquidity risk, Market risk and Operational risk, and individual risk scores have been assigned. For these categories of existing risks, the results of the assessment have been aggregated at the level of physical and transition risks sub-types. The assessment of C&E risks as drivers of Strategic risk, Reputational risk and Legal risk has been performed on the abovementioned granularity level.

C&E Transmission Channels

C&E risks are recognized as drivers of the existing risks and may impact BOC PCL directly or indirectly through counterparties, assets (microeconomic channels) or the broader economy in which the relevant clients and BOC PCL operates (macroeconomic channels). BOC PCL has defined the transmission channels through which the C&E risks can influence each of its existing risk categories. A more detailed description of each of the C&E risk transmission channels with regard to the principal risks and the arising impact on BOC PCL is provided in Table 3 below.

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

Pillar III – Risk Management (continued)

C&E Transmission Channels (continued)

C&E Risk Drivers	Transmission Channels (Non-exhaustive List)	Potential Impact on the Group	Affected Financial and Non-Financial Risk Types
Transition Risks	i. Impact on repayment ability of clients through: i. Increased operating costs for compliance and/or lower revenues ii. Increased capital expenditures to comply with regulatory standards iii. Closure of business lines or facilities due to transition to greener economies and public sentiment	Increased Probability of Default ('PD') and Loss Given Default ('LGD')	**Credit Risk**[10]
	i. Impact on the price of marketable instruments (bonds/equity) and to Real Estate assets ii. Impact on BOC PCL's valuation if it does not reduce its emissions and/ or increase its GAR	i. Decrease in value of the REMU portfolio due to increase in operational costs and decrease in the value of the assets ii. Large/ small sell-off (of High Quality Liquid Assets ('HQLA')) against reduced prices and/ or potential difficulty to liquidate iii. Interest rate and FX shocks, credit spreads changes	**Market Risk**[11]
	i. Inability to raise funding due to lack of climate change action by the organisation ii. Depletion of deposits to address increase operational costs or mitigate transition risks	i. Rapid withdrawal of customer deposits ii. Unexpected significant expenses or charges that may influence liquidity position and net outflows iii. Lack of funding sources / negative changes in funding structure iv. Lower demand for BOC PCL's capital issuance v. Difficulties in selling assets / selling of assets with a discount	**Liquidity Risk**[12]

Table 3: *Overview of the key transmission channels and potential impact on the Group through C&E risks*

[10] Including Counterparty risk, Settlement risk, Issuer risk, Concentration risk and Country risk.
[11] Including Interest rate risk, FX risk, Real Estate risk, Credit Spread risk and Equity risk.
[12] Including Liquidity risk and Funding risk.

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

Pillar III – Risk Management (continued)

C&E Transmission Channels (continued)

C&E Risk Drivers	Transmission Channels (Non-exhaustive List)	Potential Impact on the Group	Affected Financial and Non-Financial Risk Types
Transition Risks	Socio-economic changes (e.g. changing consumption patterns / customer preferences)	i. Losses due to physical damages or shutdowns ii. Increased operational costs for the buildings of BOC PCL iii. Losses from lower productivity iv. Losses from wrong decisions/ process issues v. Additional significant operating or capital expenses	**Operational Risk**[13]
	i. Inability to meet stakeholders' demands as a result of changing market sentiment ii. Reputational damage due to the financing of environmentally harmful projects	i. Limited business opportunities/ lessened expansion potential ii. Workforce fluctuations iii. Client withdrawal iv. Additional investments to improve internal processes and comply with expectations	**Reputational Risk**
	Litigation risks due to financing of environmentally harmful projects	i. Litigation costs may reduce the value of the REMU portfolio ii. Non-compliance with regulation and policy measures iii. Investments in carbon intensive and unsustainable projects, buildings or similar iv. Misalignment of communicated targets and reality	**Legal/Litigation Risk**
	i. Additional costs and regulatory repercussions relating to, for example, exposure to real estate portfolio without adequate EPC labels, or exposure to high emitting/ polluting sectors ii. Regulatory and / or market developments in relation to financial institutions offering 'green' products impacting BOC PCL's competitiveness	i. Loss of revenues due to strategic reorientation (e.g. loss of profitable business line) ii. Inadequate definition and execution of the strategy (e.g. incorrect or faulty assumptions, poor implementation) iii. Expenses for the implementation of upcoming C&E regulatory requirements / changes iv. Limited business opportunities/ lessened expansion potential	**Strategic Risk**

Table 3: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

[13] Including Regulatory Compliance/Conduct risk, FEC risk, Internal/ External Fraud risk, People risk, BC risk, IT/ Cyber Risk, Technology risk, Data Accuracy and Integrity risk, Physical Security and Safety risk, Statutory Reporting and Tax risk, Transaction Processing and Execution risk, Project risk, Model risk and Third Party risk.

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

Pillar III - Risk Management (continued)

C&E Transmission Channels (continued)

C&E Risk Drivers	Transmission Channels (Non-exhaustive List)	Potential Impact on the Group	Affected Financial and Non-Financial Risk Types
Physical Risks	i. Increased operating costs due to retrofitting and/or damage / substitution of assets ii. Increase in insurance costs iii. Lower revenues due to reduced productivity or damage in value chain operations iv. Decrease in value of property collateral	Increased PD and LGD	**Credit Risk**
	i. Impact on the price of marketable instruments (bonds/equity) and to Real Estate assets ii. Impact on BOC PCL's valuation if it does not reduce its emissions and/ or increase its GAR	i. Decrease in value of the REMU portfolio due to increase in operational costs and decrease in the value of the assets ii. Large / small sell-off (of HQLA) against reduced prices and/ or potential difficulty to liquidate iii. Interest rate and FX shocks, credit spreads changes	**Market Risk**
	Depletion of deposits to address increase operational costs or address or mitigate physical risks (e.g. to finance damage repairs)	i. Rapid withdrawal of customer deposits ii. Unexpected significant expenses or charges that may influence liquidity position and net outflows iii. Lack of funding sources / negative changes in funding structure iv. Lower demand for Bank's capital issuance v. Increase in funding costs vi. Difficulties in selling assets/ selling of assets with a discount	**Liquidity Risk**

Table 3: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

Pillar III - Risk Management (continued)

C&E Transmission Channels (continued)

C&E Risk Drivers	Transmission Channels (Non-exhaustive List)	Potential Impact on the Group	Affected Financial and Non-Financial Risk Types
Physical Risks	Increased operating costs due to damage on premises, operating locations and other facilities	i. Losses due to physical damages or shutdowns ii. Increased operational costs for the buildings of BOC PCL (e.g. to comply with energy efficiency standards) iii. Losses from lower productivity iv. Losses from wrong decisions/ process issues v. Unplanned or additional significant operating or capital expenses	**Operational Risk**
	Increased operating costs arising from the management of C&E risks	i. Limited business opportunities/ lessened expansion potential (including respective operating losses) ii. Workforce fluctuations (including respective operating losses) iii. Client withdrawal (including respective operating losses) iv. Additional investments to improve internal processes and comply with expectations	**Reputational Risk**
	Litigation risks arising from BOC PCL's exposure to physical climate-related and/ or environmental damages	i. Litigation costs may reduce the value of the REMU portfolio ii. Non-compliance with regulation and policy measures iii. Investments in carbon intensive and unsustainable projects, buildings or similar (knock on effects from reputational loss) iv. Misalignment of communicated targets and reality	**Legal/Litigation Risk**
	Inadequacies in BOC PCL's product offerings without factoring in the potential damages resulting from physical risks associated with climate change; this could result in increased defaults on loans and negatively impact BOC PCL's asset quality.	i. Loss of revenues due to strategic reorientation (e.g. loss of profitable business line) ii. Inadequate definition and execution of the strategy (e.g. incorrect or faulty assumptions, poor implementation) iii. Expenses for the implementation of upcoming C&E regulatory requirements / changes iv. Limited business opportunities	**Strategic Risk**

Table 3: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

Pillar III - Risk Management (continued)

Assessment of C&E risks as drivers of financial and non-financial risks

Following the mapping of C&E risks as potentially relevant or not-relevant drivers of the principal risks through the transmission channels, follows the assessment of the C&E risks and their relevant impact based on the principal risks. BOC PCL has applied a combination of both qualitative and quantitative methods. The following methodologies have been applied:

a. Quantitative Geographic Assessment

This assessment is applicable to C&E physical risks as drivers of Credit, Market, Liquidity and Operational risks. Specific physical climate-related hazards, namely Wildfire, Landslide, River Flood, Wind Gusts (Storms), and Sea Level Rise have been considered using geolocation data (i.e. coordinates, postal codes, municipalities) with respect to the following:

i. Credit risk: borrowers' collateralized (secured) portfolio (geolocation coordinates of collateral properties) and unsecured portfolio (postal codes or municipalities of borrowers' location);
ii. Market risk: properties of BOC PCL's REMU portfolio (geolocation coordinates of collateral properties);
iii. Liquidity risk: deposits held by Cyprus residents (postal codes or municipalities of deposit holders' locations);
iv. Operational risk: BOC PCL's physical locations (postal codes or municipalities of Bank's facilities).

Furthermore, specific environmental hazards, namely Air Pollution, Soil Pollution and Earthquake have been considered with respect to the following:

i. Property collateral for Credit risk secured portfolio (geolocation coordinates of collateral properties) - with respect to Air pollution, Soil pollution and Earthquake;
ii. Borrowers for Credit risk unsecured portfolio (postal codes or municipalities of borrowers' location) - with respect to Air pollution, Soil pollution and Earthquake;
iii. Property collateral for the REMU portfolio for Market risk (geolocation coordinates of collateral properties) - with respect to Earthquake;
iv. Deposits held by Cyprus residents for Liquidity risk (postal codes or municipalities of deposit holders' locations) - with respect to Earthquake;
v. BOC PCL's physical locations for Operational risk (postal codes or municipalities of BOC PCL's facilities) - with respect to Earthquake.

To further analyze the materiality of risk exposures to both physical and environmental hazards, a distribution analysis of underlying credit exposures (for both secured and unsecured portfolios), deposit amounts and employees count across risk scores (1-Low, 2-Medium, 3-High, 4-Critical) is performed. To conclude on the materiality of a specific hazard based on the distribution analysis across risk scores, a decision tree logic has been applied leading to one resulting risk score per hazard.

b. Quantitative Country and Industry Heatmaps

To inform the MA process, BOC PCL has performed a heatmapping exercise to determine how physical and transition risks affect certain industries that BOC PCL is exposed to, and subsequently to determine the impact on the overall BOC PCL's risk profile and operations. Three different heatmaps have been constructed to assess specific risks and segments as described below.

Country climate transition risk heat map

The heatmap was used to assess:

i. Liquidity risk: deposits held by non-Cyprus residents (foreign deposit amounts)
ii. Market risk: HQLA Bond portfolio (corresponding Conditional Value at Risk ('CvaR'))

A corresponding risk score from the heat map has been assigned to foreign deposit holders based on the underlying country of residence, and to bonds based on the underlying country of the issuer. As a next step, a distribution analysis of deposit amounts and CVaR across risk scores has been performed.

Country climate physical risk heat map

The heatmap was used to assess:

i. Market risk and Liquidity risk: HQLA Bonds portfolio
ii. Operational risk: Foreign locations of BOC PCL's third party outsourcing/ providers

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

Pillar III - Risk Management (continued)

Assessment of C&E risks as drivers of financial and non-financial risks (continued)

Country climate physical risk heat map (continued)

A corresponding risk score from the heat map has been assigned to bonds based on the country of issuer and to third party providers based on country of location. As a next step, a distribution analysis of HQLA balances (CVaR for Market risk and market value for Liquidity risk) and number of employees (per country of third-party provider location) across risk scores has been performed.

Industry climate transition risk heat map

The heatmap was used to assess:

i. Credit Risk: Secured and unsecured credit exposures

A corresponding risk score from the industry heat map has been assigned to borrowers of secured and unsecured loans based on the economic sector of their activity. As a next step, a distribution analysis of secured and unsecured credit exposures across risk scores has been performed.

In order to conclude on the materiality of climate transition and physical risks based on the distribution analysis described above, the same logic as described in the quantitative geolocation methodology (decision tree) has been applied, leading to a single resulting risk score (consistently, the same 4-level unique risk scale has been applied).

c. Qualitative analysis based on Expert Judgement

Expert judgement has been also employed to assess certain risk drivers including those for Strategic, Reputational and Legal risks. Expert judgement includes additional external sources and publicly available statistical data such as consultation reports, scientific publications and other sources featuring Cyprus-specific data from Eurostat, World Resource Institute, Climate Analytics, Climate Vulnerability Monitor etc.

d. Sectoral Analysis

To support Level-3 risk scores, i.e., at the level of chronic, acute etc. risks sub-types, for all existing financial and non-financial risk categories, BOC PCL considered, among others, the impact of C&E risks at a sectoral level. Such analysis included the sectoral breakdown (per NACE code):

- for each exposure type relevant to the given risk type
- for certain climate physical risks (level 4) such as Flood, Landslide, Sea Level Rise and Storms

In addition, for transition risks, the BOC PCL has used an industry heatmap with GHG emissions intensity as the indicator of the sectors' sensitivity to transition risks (the higher the GHG intensity, the higher exposure to transition risks). As a next step, a distribution of the credit exposures to these emissions categories has been allocated and an overall score for transition related risks was determined.

e. Determination of materiality

Different types of scores have been considered during the MA depending on the type of risks analysed and methods considered. Determination of materiality was concluded at C&E Risks Level 3, i.e., at the level of chronic, acute etc. risks sub-types, utilizing BOC PCL's existing Risk and Control Self-Assessment methodology and thus assessing Impact and Likelihood on a scale from one (1) to five (5), to ensure consistency.

The definitions of each Impact and Likelihood scores have been formulated, taking into account the nature of C&E risks and encompassing different characteristics of the physical and transition risks, as well as the acute and chronic drivers in a harmonised way. Thus, for the purposes of this MA, the definitions of Impact and Likelihood have been tailored to describe the occurrence of severe C&E events or circumstances, since these are typically responsible for the great majority of the potential risk. Following the assessment, score levels "High" and "Critical" have been considered as "material" for the purposes of the MA, whilst "Low' and "Medium" scores as "non-material".

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

Pillar III - Risk Management (continued)

Determination of materiality over different time horizons

BOC PLC's categorisation of short-, medium-, and long-term horizons for C&E risk assessment is driven by several key factors, as follows:

i. **Internal risk management**: Internal risk management processes including stress testing and capital planning are crucial in establishing these timeframes. These efforts are tailored to match the maturity of the portfolios, ensuring a comprehensive and aligned risk assessment.
ii. **Strategic planning**: strategic initiatives, including ("ESG") principles and sustainability targets, such as reaching carbon neutrality by 2030 and net-zero by 2050, play an important role in shaping these time horizons.
iii. **Regulatory alignment**: BOC PCL maintains close alignment with EU sustainability directives, notably the 'Fit for 55' framework, and adheres to ECB/ EBA requirements and recommendations. Incorporating mandates and guidelines from the Corporate.

For more details on the time horizons set refer to 'Pillar II – Strategy' of these TCFD.

Materiality Assessment Results per Risk

The Group has taken several steps to ensure a concrete process by which C&E risks are fully considered and subsequently assessed in order to carry out a robust MA. When assessing the materiality of C&E risks, a proportionate approach was adopted, focusing only on the most negatively impactful risks. At the same time, it is noted that impacts were assessed on a gross/aggregated basis, by not considering any particular approaches to reduce potential risks.

Moreover, the identified material risks are in the process of being incorporated into all relevant processes of the RMD including the ICAAP and ILAAP scenario analysis, thus BOC PCL will recognise various mitigation measures to ensure that such risks are controlled to the extent possible.

Credit Risk

As part of the credit risk analysis, an assessment of secured (collateralized) and unsecured credit exposures has been performed utilizing quantitative and qualitative methods. The analysis indicated that climate-related physical risks, acute hazards are material due to BOC PCL's significant exposure to high Wildfire risk. With respect to climate-related transition risks, the assessment highlighted the need for attention to risk categories, particularly concerning increased energy and raw material costs, as well as transition to lower-emission technologies. Notwithstanding that most of the environmental risk categories have been assessed as not material, it should be noted that risks related to earthquakes and water scarcity have emerged as material over the long term. The overall score for environmental physical risks has been assessed as non-material for the short term.

Market Risk

For each of the identified C&E risks, a tailored combination of quantitative and qualitative methods was applied. Based on this analysis, climate physical risks, acute hazards was identified as material due to the very high exposure of the REMU portfolio to Wildfire risk. Wildfire has a relatively high impact and occurrence probability, and thus can cause significant direct damage or broad devaluation of REMU properties. Other acute and chronic physical risks pose a non-material level of concern for the REMU portfolio.

The Market Risk in connection with the CVaR of the HQLA portfolio has been assessed through a country heatmap of physical risk and was also identified as a non-material. Other than acute physical climate risks, the remaining C&E risk categories are found to be non-material as well.

Nevertheless, attention should be paid to the elevated Earthquake risk in Cyprus, which might also induce severe depreciation of the REMU portfolio upon realisation of a severe event. Due to the very low likelihood of severe earthquakes, the resulting materiality was however also assessed as non-material. Furthermore, all C&E risks within climate-related transition risks were also assessed non-material mainly because of the potential depreciation of aged REMU real estate assets which lag in terms of energy efficiency and other low-emission standards and certifications. Environmental transition risks are assessed as non-material but they need to be closely monitored due to potential stricter requirements in terms of environmental standards in the real estate sector.

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

Pillar III - Risk Management (continued)

Materiality Assessment Results per Risk (continued)

Liquidity Risk
As part of the liquidity analysis, for each of the identified C&E risks, the combined materiality of the deposits and the value of HQLA portfolio was assessed with a tailored combination of quantitative and qualitative methods. The outcome of the assessment indicated that there are no material C&E risks identified with respect to Liquidity Risk. However, within climate-related physical risks, the acute risk driver Wildfire has been identified as the dominant cause of liquidity issues due to possible simultaneous deposit withdrawals upon a widespread wildfire damage in Cyprus. Similar considerations are held for the environmental acute risk Earthquake, whose likelihood is however extremely improbable for high magnitude events. Chronic physical risks are not relevant for liquidity considerations due to their progressive and long-term character. In terms of transition risks, increased deposit withdrawals might be triggered in the event of very high and volatile costs of energy and raw materials, an aspect which is particularly sensitive for Cyprus because of its high import dependency.

Operational Risk
For each of the identified C&E risks, the materiality in connection with the operations of BOC PCL owned and rented properties and third-party providers was assessed. Based on quantitative geolocation analysis and country climate physical heatmap exercise, both physical and transition risks have been assessed accordingly. Although the overall results indicate that C&E risks are non-material for BOC PCL, the need for close monitoring is required to ensure ongoing operational resilience.

Reputational Risk
Reputational Risk may be affected by C&E risks directly or through the realisation of other principal risks, and Strategic, Operational and Legal Risks. BOC PCL’s reputation has been assessed in terms of its business operations and other key risk areas that could potentially impact BOC PCL’s reputation. Overall, all C&E risks regarding physical and transition risks for Reputational risk have been assessed as non-material. This is the case as BOC PCL has a good prevention and recovery plan in place to minimize risks from acute environmental hazards such as earthquakes. Additionally, BOC PCL’s limited exposure in heavy manufacturing sectors reduces its exposure to transition risks. This strategic position aligns BOC PCL with evolving environmental standards and stakeholder expectations, thereby safeguarding its reputation.

Legal and Strategic Risk
The analysis of C&E risks as drivers of Legal and Strategic risk has been performed using qualitative analysis and expert judgment across all C&E risk types. The analysis regarding Legal Risk has been conducted based on various factors including, the regulatory requirements in Cyprus, shifts in consumer behavior and any technological advancements. The assessment also includes considerations of compliance, customer due diligence, and litigation risk. In terms of Strategic Risk, BOC PCL considers its exposure concentration, vulnerabilities and stakeholder engagement to proactively manage and mitigate potential risks to its strategic objectives.

The overarching conclusion indicates that the Legal Risk for BOC PCL is generally low across different C&E risk categories, however, climate-related transition risks are the higher risk from a reputational and legal perspective. It should be noted that BOC PCL has implemented measures such as continuous monitoring, preventive plans, and compliance checks to address potential legal implications arising from C&E factors. Ongoing efforts are directed at minimizing risks and ensuring compliance with evolving standards and regulations. Therefore, BOC PCL does not foresee worsening of the impact of C&E risk drivers over the time and it is expected that this impact will remain low.

With regards to the Strategic risk, BOC PCL acknowledges that its concentration in Cyprus, with significant exposure to Real Estate, Construction, and Accommodation sectors, makes it vulnerable to the impact of climate-related physical risks, acute risks and primarily wildfire. In addition, most of the collaterals are real estate assets. As such, the impact of physical risks could affect BOC PCL and its customers going forward in terms of the value of these assets, insurance costs, and any associated cost to restore resulting damages from acute physical climate-related hazards. The primary concerns are the potential effects on the value of real estate assets and associated costs for restoring damages. It is expected that the impact of climate-related physical risk drivers will remain material in the future as well. In conclusion, BOC PCL is proactively addressing C&E risk drivers, recognizing their potential impact on strategic risk. BOC PCL is implementing measures, engaging with stakeholders, and adapting its strategies to navigate the evolving landscape of climate and environmental challenges. Ongoing monitoring, customer engagement, and strategic adjustments are integral to BOC PCL's approach in managing these risks effectively.

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

Pillar III - Risk Management (continued)

Materiality Assessment Results per Risk (continued)

Table 4 below shows the aggregated results of the MA, across the assessed time horizons, with regards to the C&E risks, along with the approach that was used to assess each type of principal risk.

C&E Risks		Risk	Approach	Materiality Result – Time Horizons		
				Short-term (1-3 years)	*Medium-term (4-7 years)*	*Long-term (8-27 years)*
Climate-related Risk	Physical Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	**Material**	**Material**	**Material**
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	**Material**	**Material**	**Material**
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	**Material**	**Material**	**Material**
	Transition Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material

Table 4: *Overview of the aggregated results of the C&E risk MA*

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

Pillar III - Risk Management (continued)

Materiality Assessment Results per Risk (continued)

C&E Risks		Risk	Approach	Materiality Result		
				Time Horizons		
				Short-term (1-3 years)	*Medium-term (4-7 years)*	*Long-term (8-27 years)*
Environmental -related Risk	Physical Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	**Material**
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
	Transition Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material

***Table 4:** Overview of the aggregated results of the C&E risk MA (continued)*

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes

Climate risk is a growing consideration for financial institutions given the increasing effects of climate change globally, the sharp regulatory focus on addressing the resultant risks as well as increasing stakeholder concern. The Group is committed to integrate C&E risk considerations into all relevant aspects of the decision-making and risk management and is taking steps to achieve this. Drawing from existing regulatory guidance and best practices it has taken several actions to manage and mitigate C&E risks and it will continue to develop such practices going forward. The section below provides an overview of those actions.

a. Business Environment Scan

BOC PLC has established the BES process to monitor C&E developments / updates as already described in 'Pillar II - Strategy' section of these TCFD. The process is mainly used as a risk identification tool, that identifies C&E risks emerging from relevant developments and their association with existing risk categories. As part of this monthly scanning process, BOC PCL will gradually incorporate additional sources to monitor sector-specific developments and updates, and in particular monitor developments for industries that might have significant impact from C&E risks or new regulations that might heighten C&E transition risks. New developments identified within the BES are carefully analysed for their relevance and potential impact on BOC PCL's risk and strategic profile. This integrated approach enhances BOC PCL's ability to manage and control C&E risks effectively, thus, associated risks arising from C&E risks will be closely monitored and analysed on regular basis and feed into the MA.

BOC PCL has performed the first round of the BES and analysed recent regulatory and market updates, relevant to BOC PCL's business. The results of the first run of the BES have been considered and informed the MA with the developments that have been classified as "High" and "Critical" with respect to their potential impact.

b. Risk Appetite Framework

BOC PCL maintains a RAF which sets out the level of risk that the Group is willing to take in pursuit of its strategic objectives, outlying the key principles and rules that govern the risk appetite setting. It includes qualitative statements as well as quantitative measures expressed relative to financial and non-financial risks. Within this context, three Climate-related KRIs were introduced in its latest revision and include:

i. Financed Scope 3 GHG emissions of Mortgage Portfolio (Retail)
ii. Financing purchases of new commercial properties (Corporates / SMEs)
iii. Financing renovation of commercial properties (Corporates / SMEs)

The KRIs cover both the mortgage and the corporate portfolio and relate to the broader category of "buildings" which are energy intensive during both the construction period and their operation.

Financed Scope 3 GHG emissions of Mortgage Portfolio

Considering the Financed Scope 3 GHG emissions of mortgages, the mortgage loan portfolio exposure and the regulatory developments it was assessed that the mortgage portfolio of BOC PCL is exposed to transition risks. Therefore, to manage those risks, BOC PCL decided to set decarbonisation target aligned with IEA B2DS and gradually direct its new lending to more energy efficient buildings whilst offer incentives to retrofit buildings with lower energy efficiency in the future. The KRI on decarbonisation target on Mortgage portfolio indicates increased climate transition risk if the portfolio produces GHG emissions which are not aligned with the IEA B2DS decarbonisation pathway.

Financing purchases of new commercial properties / Financing renovation of commercial properties (Corporates / SMEs)

Emphasising on buildings, two additional KRIs were introduced to ensure that new lending for commercial properties will only be directed to buildings with EPC class greater than C or in case of building renovations, an improvement in energy performance will be achieved. The indicators are applicable to the corporate entities, which includes SMEs and large corporates, and reflects the material portfolios of BOC PCL, namely those under Construction, Accommodation & Food Service and Real Estate.

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

c. Risk Monitoring & Reporting

The Group has introduced reporting around sustainability issues which will be progressively enhanced. Currently, regular reporting primarily consists of:

i. Progress updates on the ESG Working Plan: this takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC.
ii. Climate Risk Report: the report was introduced during 2023 and was submitted to the RC through the SC and EXCO. The report updates the committees on:
    i. The progress made on the ESG Working Plan focusing on risk management related activities.
    ii. The level of several KRIs and KPIs relating to transition and physical risks, Financed scope 3 GHG emissions and environmentally friendly lending.
    iii. The report has been included as part of the above Committees agendas and will be produced on a regular basis.
iii. RAF dashboard reporting: a dedicated RAF report (Risk Profile) is produced on a quarterly basis. The report includes all RAS indicators, including the ones related to climate risk, and is submitted to the EXCO, RC and the BOD. Any interim breaches are assessed with respect to their Tier and breach severity and are reported and / or escalated to the appropriate committee.
iv. Additional monitoring reports have been established in 2023:
    i. Sustainability Performance Report: aims to facilitate the monitoring of decarbonisation targets (Scope 1, Scope 2 and Scope 3), Green/Transition lending targets (Retail, Corporate and SME) and Other wider ESG targets (Renewable energy, paper consumption, Sustainable Bonds Investments etc.).
    ii. BES monthly update report: the report provides update to the BES Working Group on the key updates and developments on C&E area that might impact C&E risks and the Business Strategy.
    iii. BES impact report: the report is produced on a quarterly basis summarizing the impact of key updates and development on the C&E risks and the mapping to the traditional risk categories and the Business Strategy per time horizon. In addition, the updates and developments arising from the BES are further linked to sectors and relevant products. The quarterly impact assessment (preliminary impact assessment) is presented to the SC and EXCO, on a quarterly basis. The annual final impact assessment will be presented and discussed at the SC, EXCO, RC and NCGC.

d. ESG Due Diligence

During 2023, BOC PCL established an ESG Due Diligence process with the objective being to assess customers (existing and new) on their performance against various aspects around ESG and climate risks. The process involves the utilisation of structured questionnaires applied at the individual company level and has been initially deployed to customers within the Corporate Division. The questionnaires focus more on the Environmental/Climate risk pillar and aim to assess various aspects of each customer touching upon matters around Governance, Training, Strategy & Business Planning, Energy metrics and other. The Social and Governance pillars are also assessed through several relevant dimensions such as Corporate and Social Responsibility, Human Rights, Board Composition etc.

The Due Diligence process is applied when granting new and/or reviewing existing credit facilities and is expected to be fully incorporated into the loan origination process by the end of the first quarter of 2024. At that stage, beyond the scoring of the customers, specific recommendations will be made to customers aiming to mitigate ESG risks.

Syndicated Project

Currently BOC PCL is participating in a syndicated project across the Cypriot Banking system aiming to establish a common platform that will allow the assessment of customers' ESG factors. The platform will employ sector-based questionnaires that will be used by all banks, ensuring a harmonized assessment approach and a level-playing field. BOC PCL will re-adjust its internal processes to incorporate the new questionnaires and consider the deployment of questionnaires to other business lines as well.

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

e. Policies

BOC PCL has in place policies aiming to assist in managing its C&E risks. These include:

Environmental and Social Policy
BOC PCL is committed to identifying and managing potential negative impacts that any of its activities might have to the environment, to society and to its customers. Under this commitment, BOC PCL has in place an E&S Policy which guides all BOC PCL departments involved in the credit granting process and applies to:

ii. Granting of new funded / non-funded facilities to physical persons or legal entities, secured by mortgage on immovable property.
iii. Granting of new funded facilities to legal entities.

The policy is applicable at the individual exposure level and requires that BOC PCL verifies acceptable levels of environmental risk through, among other:

i. Screening out customers who are carrying out activities that appear on the "Exclusion and Referral Sectors". The Exclusion and Referral Sectors include a wide range of activities that can be harmful to the environment or society.
ii. Making an initial assessment for the E&S risk based on the customer's business sector and engaging with the customer if assessed as "Medium" or "High" to ensure that any identified risks are mitigated.

Green Lending Policy
BOC PCL has in place a Green Lending Policy which aims to provide the framework and the requirements BOC PCL will implement for the creation of green loans and to support borrowers in financing environmentally sound and sustainable projects. The Policy sets the criteria for a loan to be categorised as "green" which include, among others, clear environmental benefits, environmental sustainability objectives, the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant green project(s) etc. To fully operationalise the policy, BOC PCL is in the process of preparing the relevant guidelines, which will provide further guidance on the specific procedures to be followed.

Concentration Risk Policy
The Concentration Risk Policy captures any single exposure or group of exposures with the potential to produce losses large enough, to threaten the financial institution's health, reputation, or ability to maintain its core operations. This Policy is aligned with the RAF, and applies at Group level by defining limits and the methodology for limit setting for exposures in specific assets, liabilities and off-balance sheet items to ensure that the concentration risk is within BOC PCL's Risk Appetite.

Consequently, BOC PCL has introduced lending restrictions and sector limits on carbon intensive sectors, and these have been reflected in the Concentration Risk Policy as mentioned on 'Pillar II – Strategy' section of these TCFD. A limited amount of new lending, unless for green or transition purposes, will be allowed subject to approval by the RC or BOC PCL's highest credit committee.

The restricted sectors relate to certain activities within:
i. Coal Mining
ii. Oil
iii. Gas
iv. Cement
v. Iron & Steel & Aluminium
vi. Power Generation (excluding renewables)

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

e. Policies (continued)

Pricing Policy
BOC PCL has recognized the importance of promoting sustainability in its lending practices. In line with this, it has developed a comprehensive plan aiming to integrate ESG and Climate factors into its loan pricing framework to ensure long-term sustainable growth. The plan has two main phases, the Transition phase, and the Long-term phase.

Transition Phase
The Transition phase has been based on BOC PCL's strategy to establish a more sustainable lending practice while placing an emphasis on promoting environmental responsibility and not mitigating C&E risks by pricing them.

Long-Term Phase
Moving on from the Transition phase, BOC PCL has developed a longer-term plan for undertaking the necessary activities and analysis that will allow for a structured approach to incorporate ESG and climate factors in pricing components and where needed associate pricing with defined KPIs.

For more details on the Transition and Long-Term Phase please refer to 'Pillar II – Strategy' section of these TCFD report.

f. Climate Risk Sensitivity and Stress Testing

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

To assess the potential impact of transition risks on the Business Model, a sensitivity analysis was carried out on portions of the corporate and mortgage portfolios that were identified as being exposed to transition risks as per the MA of March 2022. The analysis related to the Financial Plan for the period between 2023 – 2026 and reflected the potential impact of a short-term disorderly scenario according to which a set of climate related policies are implemented at the beginning of 2023.

Estimation of impact was done on a top-down basis considering the outcome of regulatory climate stress tests, and specifically the outcome of the Bank of England Climate Biennial Exploratory Scenario. Considering the specific composition of BOC PCL's portfolio, such climate related policies would most likely affect customers in the Construction, Real estate and Accommodation sectors and customers with mortgage loans granted prior to 2009 implying thus a less-energy efficient property. The outcome of the analysis thus provided a magnitude of losses BOC PCL might face if both BOC PCL and its customers do not respond effectively to climate risks.

ii. Transition Risk Framework
BOC PCL developed a Framework to quantify transition risks. The framework addresses all sectors of the BOC PCL's portfolio, but dedicated models were created for those sectors that are more susceptible to transition risks, based on their inherent activities and their exposures. Such sectors include Construction, Hotels, Real Estate and Mortgages whilst the remainder of BOC PCL's portfolio is catered through a generic model.

BOC PCL has executed an internal preliminary Stress-test exercise with Balance Sheet reference Date 30/09/2023 with Corporate Ratings having a reference date of 31/12/2022. The projections, in terms of PD impact of the climate scenarios, were formed until 2050 on a counterparty level, with the outcome being aggregated to sector level to allow for Sectoral analysis. The results of the stress testing do not include Balance Sheet Projection values and impact on the Collaterals.

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

f. Climate Risk Sensitivity and Stress Testing (continued)

ii. Transition Risk Framework (continued)

For the preliminary Stress Test run the following Network for Greening the Financial System ('NGFS') scenarios have been selected:

i. NDCs – Nationally Determined Contributions, which for the case of Cyprus, almost coincides with the "Below 2°C" scenario given the EU Members' aspiration for climate Policies. "Below 2°C" scenario gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
ii. Current – Current Policies scenario assumes that only currently implemented policies are preserved, leading to high physical risks.
iii. Delayed Transition – Delayed Transition scenario is under the Disorderly scenario category. It assumes annual emissions do not decrease until 2030. In addition, it requires strong policies to limit warming to below 2°C and negative emissions are limited.

The PDs under the preliminary Stress Test on transition risks are substantially increased on the "Delayed Transition" scenario between 2031-2040 compared to the "Current" scenario.

iii. Physical Risks

In terms of physical risks, efforts were focussed on estimating the impact on property value from the potential materialisation of such risks. This is considered relevant to BOC PCL, given the concentration of clients in activities relating to immovable properties such as Construction, Accommodation & Food Service, Real Estate, Mortgages as well as the fact that a significant portion of BOC PCL's collaterals are real estate assets.

To that end, granular data were obtained from an external vendor, providing granular, location level information. For the purposes of the analysis which was also used as part of its RIMA process, the NGFS scenarios were employed and used as a reference. In particular, the following scenarios were used and projected up to 2050:

i. Orderly transition: assume that climate policies are introduced early and gradually become more stringent. Physical and transition risks are relatively small.
ii. Disorderly transition: explore higher transition risk due to delayed or divergent policies across countries and sectors.
iii. Hot House World: assume that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to halt significant global warming. These scenarios pose serious physical risks.

The analysis of the data allowed BOC PCL to gain an understanding of the assets vulnerable to the various physical risks, their level of riskiness as well as potential concentrations across the island. Furthermore, following the identification of physical risks, the monetary impact (damage function) for each combination of property, hazard, scenario, and year was estimated. This monetary impact considered not only the geo-localisation features, but also the asset-specific characteristics, i.e., commercial, industrial, residential, other use. At the moment, the damage function measurement, for wildfire hazard, has been incorporated as part of the ICAAP process.

iv. ILAAP Updates

BOC PCL considered the C&E risks financial impact, and in particular transition risks, and how these might affect BOC PCL's counterparties efforts to meet any C&E requirements from the process of adjustment towards a lower carbon economy.

Stress testing analysis was used to assess the effects on BOC PCL's liquidity, focusing on sectors expected to be impacted by transition risks. Higher outflows were assumed for the deposits of economic sectors which are expected to be more vulnerable to C&E risks and more specifically to transition risk.

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

Pillar III - Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

g. C&E Risks-related Data

BOC PCL determined to approach holistically the ESG and Climate Data, by developing an ESG and Climate Data Gap & Strategy. Specifically, BOC PCL:

i. Established an ESG Data Working Group.
ii. Set up weekly catch-up calls for the ESG Data Working Group.
iii. Identified Data Gaps under various workstreams (Disclosures, Risk Management, Commitments, Business Strategy).
iv. Determined the strategy to close the gaps.
v. Set indicative deadlines to close the gaps.
vi. Discussed with several third-party software providers on ESG and Climate Risk Management platform and Disclosure platform.
vii. Determined the follow up actions on the ESG and Climate Data Gap & Strategy.

BOC PCL acknowledges that the ESG and Climate spectrum is extremely fast pacing, therefore the ESG and Climate Data Gap & Strategy is an ongoing process and further actions are expected to be performed in the future to further enhance the existing ESG and Climate Data Gap & Strategy.

The ESG Data Gaps have been identified by focusing to the main ESG risks' workstreams run by BOC PCL as well as strategic priorities:

i. Task Force on Climate related Financial Disclosures requirements (Annual report) - Disclosures
ii. Pillar 3 Disclosures on ESG risks (Six monthly) - Disclosures
iii. Sustainability Performance Report (Monitoring Key Performance Indicators) – Business Objectives
iv. Climate Risk Report (Internal risk reporting) – Risk Management Needs
v. ESG Questionnaires for Due Diligence purposes - Risk Management Needs
vi. Physical Risks & Transition Risks assessment, quantification and management - Risk Management Needs
vii. BOC PCL's Sustainable Finance Framework - Business Objectives
viii. Net Zero by 2050
ix. Financed Scope 3 GHG emissions estimation of loan portfolio – Disclosures/ Risk Management Needs/Business Objectives

BOC PCL initiated implementation of ESG and Climate Data Strategy in 2024.

h. UNEPFI Impact Analysis Tool

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

i. Human needs (the social pillar – people)
ii. Environmental conditions or constraints (the environmental pillar – planet)
iii. Economic development (the economic pillar – prosperity)

The tool allows the selection of the industries that BOC PCL has the biggest exposures to and following that it maps which of them are particularly affected by sustainability trends.

For the Corporate portfolio, the impact analysis focussed on the fifty most important sub-sectors based on NACE codes for a total of ten sectors, analysing €4.5 billion of exposures out of a total of €10 billion gross loan book as of 31 December 2023. In terms of industries, Accommodation, Real Estate, Trade and Construction have the highest share in BOC PCL's portfolio. Sectors that are of less importance in terms of financed exposure but are considered significant due to their impact on the Sustainable Development Goals, e.g., manufacturing, transportation and agriculture, were also analysed. For Consumer banking, the impacts of the most prevailing banking products were examined including credit cards, overdrafts, consumer loans, mortgage loans, student loans and vehicle loans.

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

Pillar III – Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

h. UNEPFI Impact Analysis Tool (continued)

Analysis

a) ***Corporate Portfolio***

As a result of the analysis carried out, the most relevant impact areas of strategic importance were identified:

i. Employment, Wages and Social Protection (SDG 1 and SDG 8) - Social
ii. Health and Safety and Healthcare and Sanitation (SDG 3) - Social
iii. Healthy economies, Housing, Finance and Infrastructure (SDG 8, SDG 9 and SDG 11) - Social
iv. Climate Stability, Biodiversity and Healthy Ecosystems, Resource efficiency and Waste (SDG 6, SDG 12, SDG 13, SDG 14 and SDG 15) – Environmental

According to the analysis the biggest positive impact is in the following areas:

i. Employment, Wages and Social Protection which includes the overall financing in all areas of the economy. According to our Environmental and Social Policy, for all financing to Legal Entities above €100,000 a written confirmation is needed for proper business conduct, relevant licenses and work permits. In cases where the Legal Entity is categorised as medium or high risk (as per EBRD's E&S Risk Categorisation List) additional safeguards are in place, such as due diligence reports by external experts (i.e. professionals on the assessment of E&S risks). This contributes to the promotion of wellbeing and to decent work for everyone.
ii. Health and Safety and Healthcare and Sanitation, including financing in the areas of manufacture of medical products that contribute to health and wellbeing, as well as financing in the healthcare sector that facilitates access to the corresponding care.
iii. Healthy economies, Housing and Infrastructure. This positive impact stems from the fact that BOC PCL typically lends to sector wide small-medium-sized enterprises ('SMEs') which are the cornerstones of a functional economy. SMEs account for the majority of companies in Cyprus and are responsible for a large portion of the private sector employment. In addition, Construction and Real estate financing can also contribute to the development of quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being.

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

i. Circularity,
ii. Biodiversity & healthy ecosystems, and
iii. Climate stability

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

i. Biodiversity,
ii. Resource Intensity,
iii. Waste, and
iv. Climate Stability.

This is mainly due to the fact that these sectors are associated with the use of natural resources, produce waste during the construction/operation phase, affect the climate through the GHG emissions of the properties and in addition, the land/area they are built on may have adverse effects on the local ecosystems. Similarly, the manufacturing and the transportation sectors are mainly associated with the consumption of fossil fuels and production of GHG emissions (through energy usage and mobility). Agriculture is a sector where it takes up a lot of land whereas livestock production causes the emission of fairly large amounts of GHG. The accommodation sector, which is the largest in BOC PCL's portfolio, it is not considered a key sector by the UNEP FI tool. However, it is negatively associated with waste, pollution, and the cause of strain on land and local ecosystems.

b) ***Consumer Banking – Households***

The analysis indicated that all consumer banking products have a significant impact on Finance (SDG 8 and SDG 9), which relate to the provision of affordable credit for to all the consumers as to cover their everyday needs. Mortgage loans are positively associated with Housing (SDG 11) and negatively associated with Climate Stability and Resource Intensity mainly due to the consumption of energy (GHG emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their GHG emissions. Student loans help to promote education across the population and is thus positively associated with the Education (SDG 4).

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

Pillar III – Risk Management (continued)

C&E Risk Management Tools & Processes (continued)

h. UNEPFI Impact Analysis Tool (continued)

c) ***Next Steps***

The Group is constantly monitoring results and working on policies as to target specific industries and sectors that will help it increase its positive impact (e.g., lending to renewable energy projects). For more details refer to section 'Principles for Responsible Banking' in 'Pillar II – Strategy' of these TCFD.

i. Corporate Bond Investment Framework

ESG considerations are an important part of BOC PCL's investment process and framework and are considered in aiming to enhance sustainable investment outcomes. Therefore, BOC PCL aims to specify through this framework, the approach followed for the risk assessment and limit allocation of corporate bond investments.

Controlling the set of portfolio characteristics based on the industry activity, BOC PCL ensures that only acceptable industries are permitted for evaluation and analysis by the Market and Liquidity Risk Unit. The non-permissible industries list used for preliminary industry assessment is the 'Exclusion & Referral Sectors' of the E&S Policy (see section 'e. Policies' of 'Pillar III- Risk Management' of these TCFD).

Acceptable industries are further assessed with regards to their Moody's credit impact score ('CIS') and issuer profile score ('IPS'), where corporates with CIS equal to 4 or 5 and IPS equal to 5 are not acceptable and no limits are allocated. The resulting allocated limit is affected by the ESG score of only-acceptable industries corporate bonds. Therefore, corporate bonds with low IPS score, receive lower score within the Qualitative Assessments which eventually affects the final score and the resulting allocated limit.

j. Other Actions

BOC PCL has put in place several follow-up actions to mitigate existing risks and enhance the work carried out so far. Indicatively, these include:

i. Further integration of C&E risks into BOC PCL's Risk Strategy and Risk Appetite Statement;
ii. Further integration of client's Due Diligence procedures at the origination and during regular monitoring (on an ongoing basis);
iii. Integration of C&E risks in ICAAP/ ILAAP processes;
iv. Enhance monitoring processes for material risks and explore various methodologies for assessing and quantifying potential effects from these risks.

Integrating ESG and C&E risks into BOC PCL's three Lines of Defence Framework

Consistent with the Group's overall risk management approach, ESG and climate risk has been incorporated into the Three Lines of Defence Model for ESG and climate risk management purposes. For more details on roles and responsibilities of Three Lines of Defence refer to 'Pillar I – Governance Section' of these TCFD.

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

Pillar IV – Metrics and Targets

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

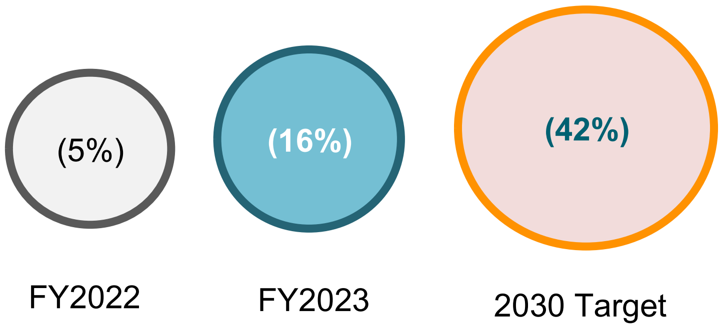
Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050

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

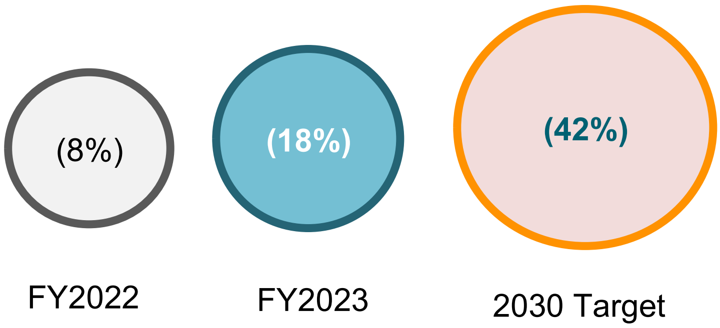
The Group has estimated the Scope 1 and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. For the Group to meet the carbon neutrality target, the Scope 1 and Scope 2 GHG emissions should be reduced by 42% (absolute target) by 2030. The absolute reduction target has been set following the IEA's B2DS. BOC PCL in 2022, designed the plan of actions to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. The Group is designing the decarbonisation strategy for the reduction of Scope 1 and Scope 2 GHG emissions of its subsidiaries.

BOC PCL's efforts in 2022 and 2023 lead to the reduction in Scope 1 and Scope 2 GHG emissions by 2,265 tCO_2e in 2023 compared to 2021 which represents c.18% reduction. BOC PCL should perform additional decarbonisation actions to reduce Scope 1 and Scope 2 GHG emissions by c.24% to achieve the carbon neutrality target by 2030.

Group - Performance on Carbon Neutrality target against baseline of 2021



BOC PCL - Performance on Carbon Neutrality target against baseline of 2021



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

Pillar IV – Metrics and Targets (continued)

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

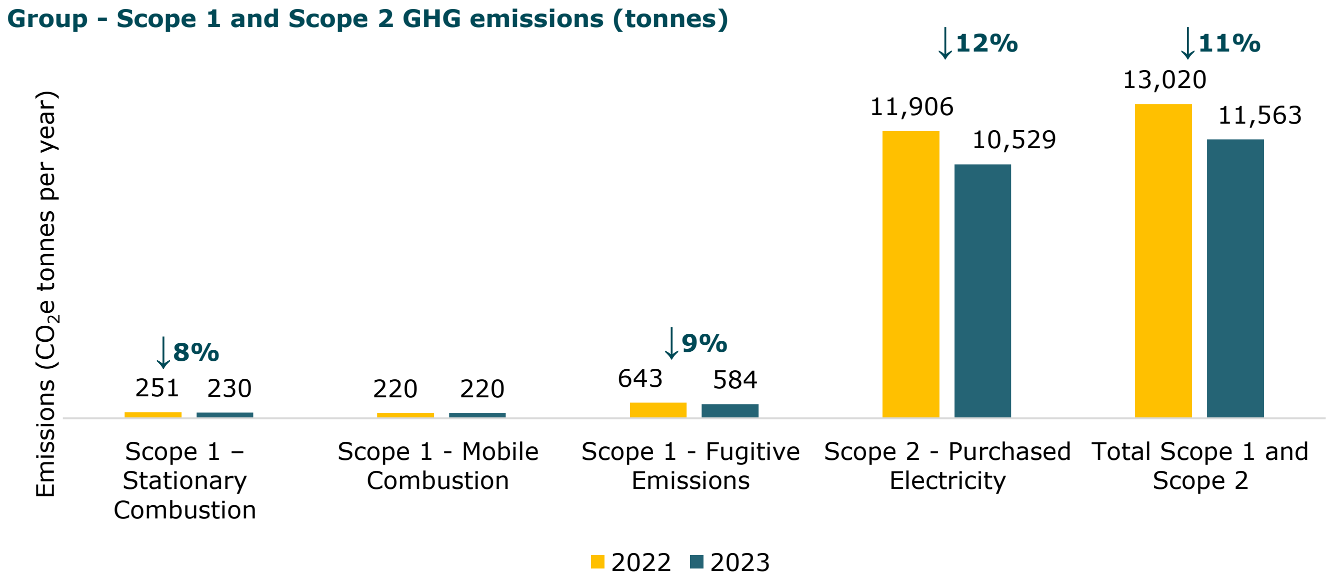
For the purpose of the calculation of the 2021, 2022 and 2023 Carbon footprint, the Group has set its decarbonisation boundaries based on the operational control approach. The 2021, 2022 and 2023 carbon footprint for Scope 1 and Scope 2 GHG emissions was estimated based on the methodologies described in the Greenhouse Gas Protocol ('GHG Protocol') and ISO14064-1:2019 standard. The Group's own carbon footprint will continue to be calculated on an annual basis which will enable comparisons to be made and progress against decarbonisation targets to be monitored.

Following the implementation of energy efficiency actions in 2022 and 2023 the Group achieved c.16% reduction in Scope 1 and Scope 2 GHG emissions, in 2023 compared to 2021. At the end of 2022 and early in 2023, the Group has installed solar panels to four owned buildings leading to reduction in Scope 2 GHG emissions in 2023. BOC PCL has formulated a plan of actions to reduce Scope 1 and Scope 2 GHG emissions and meet carbon neutrality target by 2030 and plans to invest further in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. The Group expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Group is also considering several other actions aiming to a further reduction of c.30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022.

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

i. implementation of Energy Management system;
ii. installation of electric chargers for cars;
iii. improvement of waste measurement;
iv. increase initiatives for waste recycling; and
v. reduction of paper use.

The Group has estimated Scope 1 and Scope 2 GHG emissions for 2023 in order to monitor the progress on carbon neutrality target:



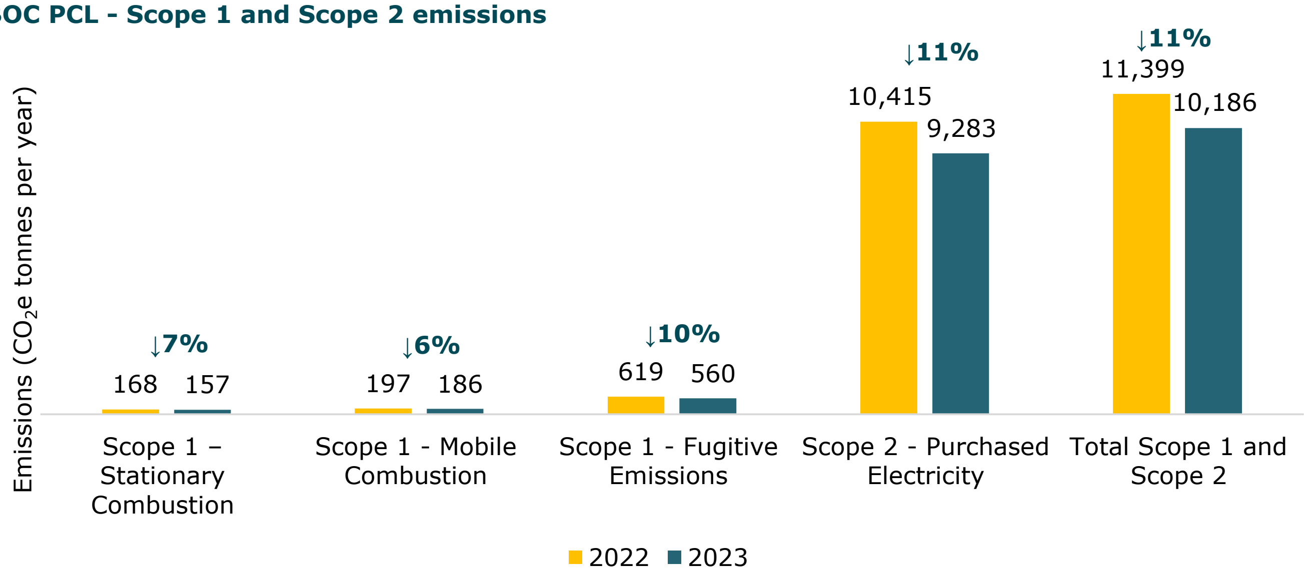
(Note: For the purpose of GHG emissions inventory, the Group includes BOC PCL, EuroLife Ltd ('Eurolife'), Genikes Insurance of Cyprus Ltd ('GI') and Cyprus Investment and Securities Corporation Ltd ('CISCO').)

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

Pillar IV – Metrics and Targets (continued)

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

BOC PCL - Scope 1 and Scope 2 emissions

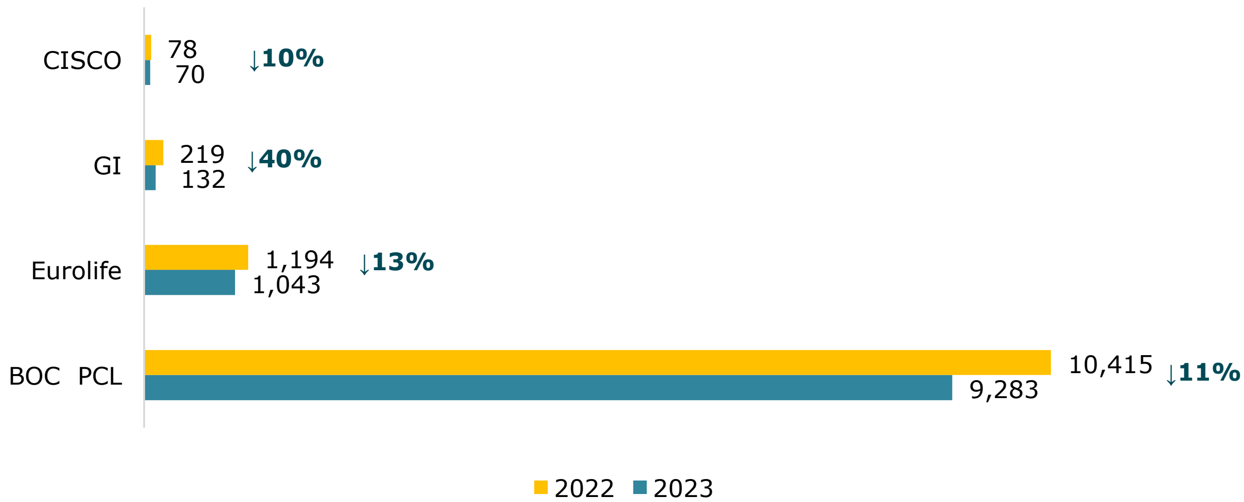


(Note: The 2022 estimated Scope 1 and 2 GHG emissions presented here are slightly different to those reported in the 2022 ESG Disclosures due to the following factors: the overestimation of certain Global Warming Potentials (GWP) for Scope 1 Stationary Combustion, re-estimation of Scope 1 Fugitive GHG emissions to include all properties and reallocation of relevant GHG emissions between companies within the wider Group following revised ownership rights.)

Energy Management

The Group is implementing several actions to become more energy efficient and reduce GHG emissions on its own operation.

Scope 2 - Purchased Electricity (tCO_2e)



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

Pillar IV – Metrics and Targets (continued)

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

Energy Management (continued)

BOC PCL reduced by c.11% Scope 2 – Purchased electricity GHG emissions in 2023 compared to 2022 due to new solar panels connected to energy network in 2022 and early 2023 as well as buildings abandoned as part of the digitalisation journey. GI achieved c.40% reduction in Scope 2 – Purchased electricity GHG emissions in 2023 compared to 2022 following relocation of its headquarters to Eurolife building.

Increase in renewable energy consumption and production supported the reduction of Scope 2 GHG emissions of the Group. The Group aims to increase renewable energy utilisation in its own operations. The Group following connection of solar panels with the energy network on four owned buildings increased the renewable energy production and consumption by 65% in 2023.

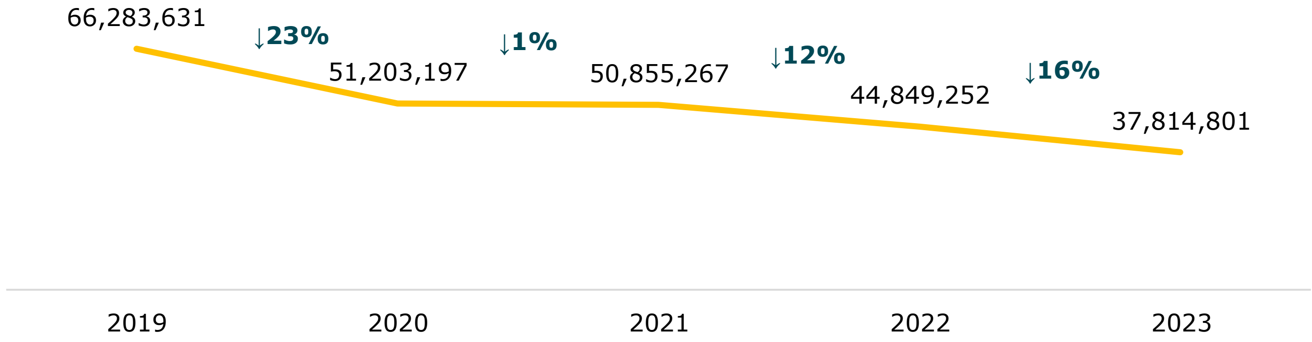
Renewable energy consumption (Kwh)

Resource Management and Recycling

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

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

BOC PCL - Paper Consumption (kgs)



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

Pillar IV – Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050

The Group is estimating GHG emissions on all material Scopes and Categories following the GHG protocol and the available methodologies under PCAF.

Group's GHG Emissions				
Category	**Absolute tCO_2e 2022**	**% to total**	**Absolute tCO_2e 2023**	**% to total**
Scope 1	1,114	0.0%	1,034	0.0%
Scope 2	11,906	0.4%	10,529	0.3%
Scope 3 – Purchased Goods and Services	16,138	0.6%	16,512	0.5%
Scope 3 – Upstream transportation and distribution	2,243	0.1%	2,348	0.1%
Scope 3 – Waste generated in operations	2,883	0.1%	2,821	0.1%
Scope 3 – Business Travel	196	0.0%	277	0.0%
Scope 3 – Employee commuting	2,298	0.1%	2,062	0.1%
Financed Scope 3 – Mortgages – Loan Portfolio	153,023	5.3%	152,251	4.7%
Financed Scope 3 – Commercial Real Estate – Loan Portfolio	63,832	2.2%	59,685	1.8%
Financed Scope 3 – Business Loans – Loan Portfolio	1,738,453	60.0%	1,763,963	54.4%
Financed Scope 3 – Motor Vehicles – Loan Portfolio	37,331	1.3%	61,879	1.9%
Financed Scope 3 – Corporate Bonds – Investment Portfolio	54,271	1.9%	79,819	2.5%
Financed Scope 3 – Sovereign Bonds – Investment Portfolio	800,908	27.7%	1,080,046	33.3%
Insurance associated Scope 3 – Commercial Lines – Insurance Portfolio	7,436	0.3%	7,634	0.2%
Insurance associated Scope 3 – Motor Personal Lines – Insurance Portfolio	3,660	0.1%	3,820	0.1%
Total	**2,895,692**	**100%**	**3,244,680**	**100%**

Note 1: For the purpose of GHG emissions inventory, the Group includes BOC PCL, Eurolife, GI and CISCO.
Note 2: The estimation of Financed Scope 3 GHG emissions associated with loan portfolio has been restated compared to those reported in ESG Disclosures of 2022 following revision of PCAF's database and methodology.

Financed Scope 3 GHG emissions comprise of more than 98% of Group's GHG emissions inventory. Therefore, the Group primarily focus its decarbonisation efforts on Financed Scope 3 GHG emissions associated with loan and investment portfolio.

The Group joined the PCAF in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions and Insurance associated GHG emissions. The Group has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies for 2022 and 2023. The PCAF Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. In addition, PCAF provides a data quality ranking for the estimation of Financed Scope 3 GHG emissions based on data applied in the estimation for each asset class. The scale is between 1-5 with 1 being the highest quality and 5 being the lowest quality.

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

Pillar IV - Metrics and Targets (continued)

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

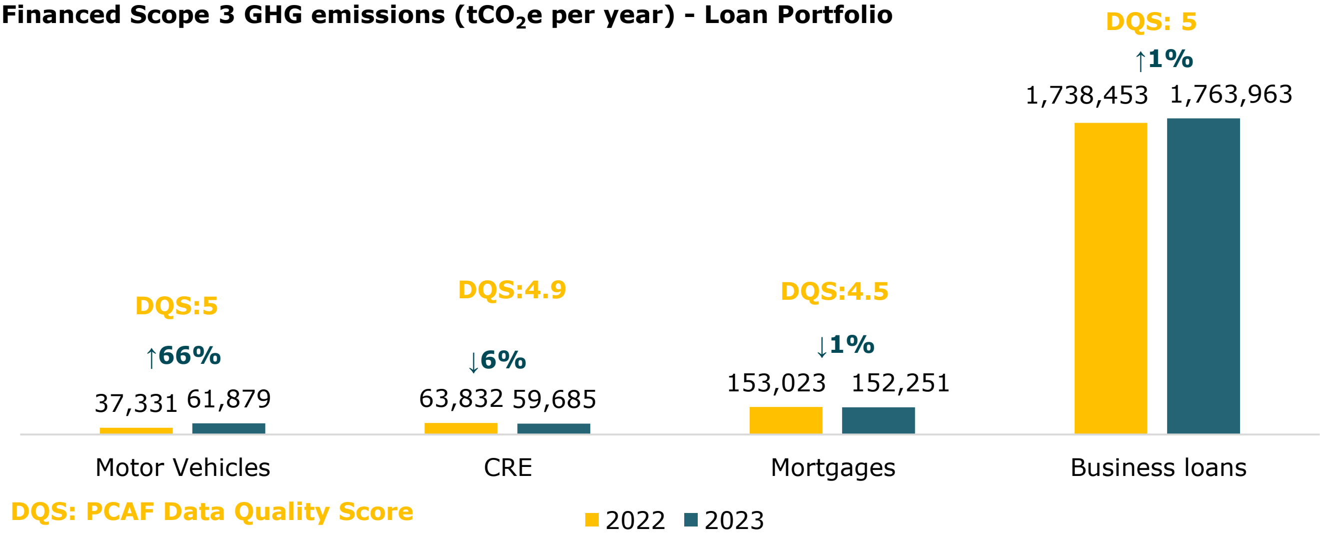
The Group aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire has been launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. BOC PCL has already established a policy in the loan origination process to gather Energy Performance Certificates (ratings and GHG emissions per square meters) for the financed properties and collateral properties. Additional data gathering actions will be performed during 2024 based on the ESG and Climate Data Gap & Strategy.

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

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

The Group estimated the Financed Scope 3 GHG emissions for c.89% of Gross Loans and advances portfolio which fall under the above-mentioned asset classes. GHG emissions associated with loan portfolio are metrics of transition risks that the portfolio is exposed.

Financed Scope 3 GHG emissions (tCO_2e per year) - Loan Portfolio



Note 1: The estimation of Financed Scope 3 GHG emissions associated with loan portfolio has been restated compared to those reported in ESG Disclosures of 2022 following revision of PCAF's database and methodology.

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

Pillar IV - Metrics and Targets (continued)

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

The Group, by taking into account the GHG emissions estimated for loan portfolio, the most significant loan exposures and the MA on C&E risks, it has decided to set a decarbonisation target on Mortgage portfolio. To limit global warming to 1.5°C above pre-industrial levels (Paris Agreement and EU Green Deal), all sectors of society need to decarbonise and collectively reach net-zero emissions by 2050. The transition to low carbon economy triggers transition risks, therefore BOC PCL has set decarbonisation target on Mortgage portfolio in order to be aligned with its Net Zero ambition and manage transition risk by directing its lending to more energy efficient residential buildings.

The Group has estimated the GHG emissions per square meter, as at 31/12/2022, for the properties financed under its Mortgage portfolio using the PCAF methodology and proxies. Then Group utilised the Science Based Target Initiative's tools in order to estimate the decarbonisation pathway that the Mortgage portfolio should follow to be aligned with the IEA B2DS. The Group decided to align the Mortgage portfolio with IEA B2DS due to the following reasons:

i. The scenario is consistent with Global warming projections (IEA and Intergovernmental Panel on Climate Change ('IPCC')) and is considered a widely acceptable scenario.
ii. The scenario is considered more plausible compared to the IEA's Net Zero Scenario given the fact that Cyprus market is pre-mature in the climate field. Therefore, BOC PCL considers reasonable to initiate its efforts based on a less intense scenario and then intensify its efforts when the overall Cyprus market is more mature in the field.
iii. Lack of data, enhances the risk of not having a solid baseline, so BOC PCL considers that is more prudent to initiate its efforts based on a less optimistic scenario until data availability and quality is enhanced.
iv. The scenario is more straightforward to obtain and use as it is aligned with Science Based Target Initiate's available tools.

In order to ensure the feasibility of the interim decarbonisation target and derive the decarbonisation strategy of Mortgage portfolio, the Group has projected the GHG emissions per square meter for the properties financed under its Mortgage portfolio as at 31/12/2030. In order to project the Mortgage portfolio as at 31/12/2030, BOC PCL used various assumptions such as:

i. Projected new lending on Mortgage portfolio between 2024-2030;
ii. Projected square meters of each property financed under projected Mortgage new lending;
iii. Allocation of new lending on Mortgages to EPC classifications;
iv. PCAF proxies on GHG emissions per financed residential property;
v. Cyprus Government targets on the reduction of GHG emissions as well as the utilisation of renewable energy on residential buildings by 2030;
vi. Expiration of Mortgage exposures between 2024-2030.

The Group performed several sensitivities on the assumptions used to project Mortgage portfolio as at 31/12/2030 in order to ensure the feasibility of the target. Under all scenarios (sensitivities) the decarbonisation target on Mortgage on 2030 is achieved. In addition, sensitivities were performed to the baseline of 2022, given the lack of sufficient data, in order to ensure that when data quality of the estimation is improved in the upcoming years the adjusted decarbonisation target will be met. The decarbonisation target on Mortgage is also achieved after the increase / decrease of baseline by 10%, under all scenarios.

At the end of 2023, the Group launched the "Green Housing" product, aligned with GLP of LMA, which drives the decarbonisation strategy of Mortgage portfolio. The new lending strategy of the Group, embedded in the Financial Plan for 2024-2027, includes projections on the new "Green Housing" product which comprise of c.40% of new Housing lending of 2024. In 2024, BOC PCL will continue to build its green product offering under the Mortgage portfolio to strengthen its decarbonisation strategy. The feasibility of the target is also enhanced by taking into account that Cyprus legislation imposes residential properties to have an EPC A so to issue a building permit after 1 July 2020.

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

Pillar IV - Metrics and Targets (continued)

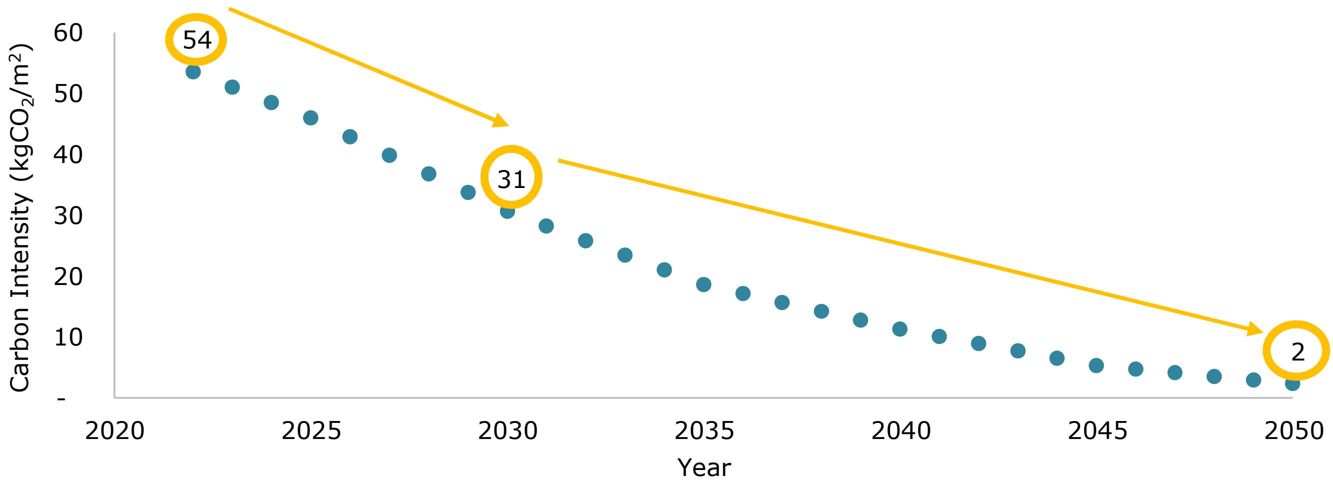
Reduction of all GHG emissions to become Net Zero by 2050 (continued)

The decarbonisation target set on Mortgage portfolio is summarized on the table below:

Metric	Emissions Scope	2022 Base line	Target year	Target	Target reduction	Performance as at 31/12/2023	Figure as at 31/12/2023	Methodology
$kgCO_2/m^2$	S1 & S2	53.50	2030	30.65	(43%)	(5%)	50.73	PCAF/SBTi
$kgCO_2/m^2$	S1 & S2	53.50	2050	2.34	(96%)	(5%)	50.73	PCAF/SBTi

The Group has set decarbonisation target on c.34% of Gross Loans and advances portfolio. The Group aims to reduce by 43% the kilograms of GHG emissions financed per square meter ($kgCO_2e/m^2$) under the Mortgage portfolio, by 2030 compared to 2022 baseline. The Mortgage portfolio as at 31/12/2023 produced 50.73 $kgCO_2e/m^2$ which is 5% lower compared to the baseline due to increased installation of solar panels in residential properties in Cyprus in 2023 leading to the reduction in the average proxy variables.

Carbon Intensity Target – Mortgage Portfolio



The Group's Mortgage portfolio should be aligned with the abovementioned graph in order to be aligned with the climate scenario of IEA B2DS and being exposed to lower transition risks. BOC PCL following the abovementioned analysis determined its new Mortgage lending strategy to meet the decarbonisation target on Mortgage.

The Group monitors the performance against the new lending target in order to take remedial action on time:

i. By the SC, EXCO and NCGC through the Sustainability Performance Report (Quarterly)
ii. By the SC, EXCO and RC through the Climate Risk Report (Quarterly)
iii. By EXCO through the monthly performance pack (Quarterly)
iv. By BDC on a monthly basis.

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

Pillar IV - Metrics and Targets (continued)

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

Given that the majority of Financed Scope 3 GHG emissions of loan portfolio derive from Business Loan asset class, the carbon concentrated sectors under Business Loan asset class have been identified and are considered primary sectors for setting decarbonisation targets. The primary sectors identified under Business Loan asset class are Transportation and storage (42%), Wholesale and retail trade (21%), Manufacturing (15%) and Construction (6%). The GHG emissions of Transportation and storage sector corresponds to c.23% of GHG emissions of the Group.

BOC PCL – Financed Scope 3 GHG emissions – Business loan asset class					
		2022		2023	
NACE	Sector	OS Loan Amount (€million)	Emissions (tCO_2e per year)	OS Loan Amount (€million)	Emissions (tCO_2e per year)
H	TRANSPORTATION AND STORAGE	275	589,598	299	736,988
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	785	397,788	745	377,354
C	MANUFACTURING	360	300,944	331	256,115
F	CONSTRUCTION	325	118,767	306	112,440
D	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	48	106,127	86	85,758
A	AGRICULTURE, FORESTRY AND FISHING	42	80,601	34	65,941
M	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	262	47,600	235	42,638
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	770	30,380	712	28,090
L	REAL ESTATE ACTIVITIES	685	30,167	595	26,198
J	INFORMATION AND COMMUNICATION	33	9,172	43	9,922
Q	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	86	8,932	53	5,479
B	MINING AND QUARRYING	12	6,360	8	4,144
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	24	4,026	22	3,794
K	FINANCIAL AND INSURANCE ACTIVITIES	134	1,407	211	2,263
S	OTHER SERVICE ACTIVITIES	18	2,303	16	2,038
R	ARTS, ENTERTAINMENT AND RECREATION	15	1,810	15	1,816
P	EDUCATION	44	1,671	40	1,501
E	WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	4	800	4	1,484
Total		**3,922**	**1,738,453**	**3,755**	**1,763,963**

BOC PCL is taking into account the annual MA on C&E risks, the BES annual impact assessment and the loan portfolio's annual impact assessment based on UNEP FI tools, so to decide which sectors and asset classes should approach in order to set additional decarbonisation targets. Furthermore, the data availability, the estimation of Financed Scope 3 GHG emissions and decarbonisation target methodology availability are also considerations taken into account to determine which sectors and asset classes to focus for target setting. The Group is examining to set decarbonisation target on CRE asset class as well as Transportation and Storage sector of business loan portfolio within 2024 as those are considered sectors exposed to transition risks following the estimation of GHG emissions.

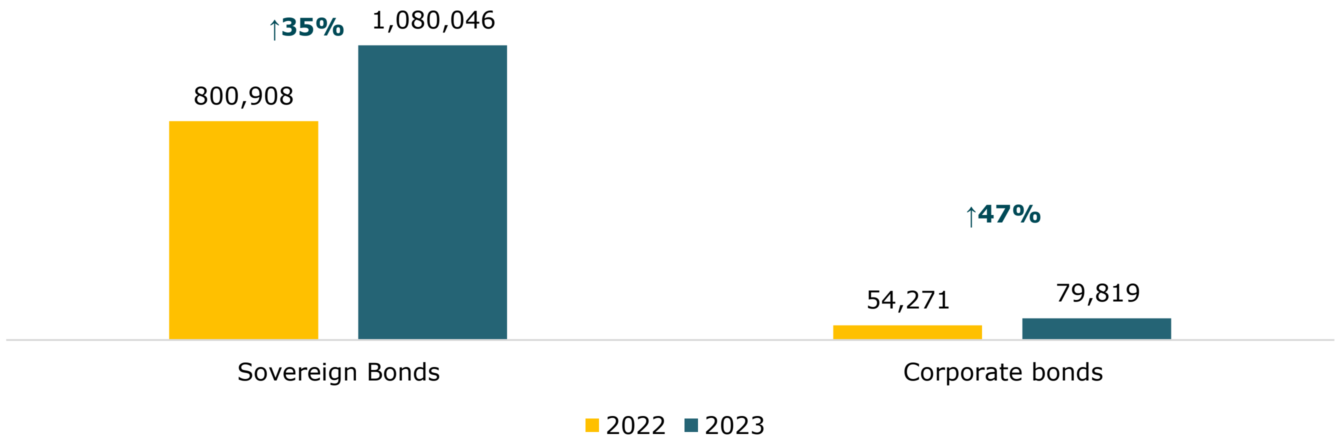
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

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

The Group has estimated the Financed Scope 3 GHG emissions of Investment portfolio for 2022 and 2023 using the PCAF standard and proxies.

Financed Scope 3 GHG emissions (tCO_2e/yr) - Bond portfolio



Note 1: BOC PCL has not estimated Financed Scope 3 GHG emissions of c.12% of Corporate and Sovereign bond portfolio due to lack of available data mainly on Supranational Organisations.

BOC PCL – Financed Scope 3 GHG emissions – Bond portfolio – 31/12/2023				
Investment Class	**Total investment amount (€million)**	**Total GHG Emissions (tCO_2e)**	**Emission intensity (tCO_2e/€million)**	**Weighted data quality score**
Corporate Bonds	1,710	79,819	44	4.7
Sovereign Bonds	1,833	1,080,046	589	5.0
Total	**3,543**	**1,159,865**		

BOC PCL – Financed Scope 3 GHG emissions – Bond portfolio – 31/12/2022				
Investment Class	**Total investment amount (€million)**	**Total GHG Emissions (tCO_2e)**	**Emission intensity (tCO_2e/€million)**	**Weighted data quality score**
Corporate Bonds	1,248	54,271	43	4.6
Sovereign Bonds	1,247	800,908	642	5.0
Total	**2,495**	**855,179**		

The increase in Financed Scope 3 GHG emissions for both Corporate and Sovereign bond portfolio is aligned with the increase in investment exposure at each reporting date. Aligned with the strategy for loan portfolio, BOC PCL has set sector limits on Corporate bond investments for carbon intensive sectors aiming to reduce GHG emissions of Corporate portfolio. GHG emissions associated with Sovereign Bond portfolio comprise of c.33% of Group's GHG emissions inventory.

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

Pillar IV - Metrics and Targets (continued)

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

The Financed Scope 3 GHG emissions of Sovereign bond portfolio are c.58% concentrated to BOC PCL's exposure to Cyprus Government bonds. As soon as, Cyprus intensifies its efforts to lead the country to a low carbon economy the GHG emissions associated with Cyprus Government Bond are expected to be reduced. GHG emissions associated with Cyprus Government Bonds comprise of c.19% of Group's GHG emissions.

The Effort Sharing Regulation establishes for each EU Member State a national target for the reduction of GHG emissions by 2030 in the following sectors: domestic transport (excluding aviation), buildings, agriculture, small industry and waste. In total, the emissions covered by the Effort Sharing Regulation account for almost 60% of total domestic EU emissions. In addition, EU members are committed to Net Zero by 2050. Therefore, any decarbonisation strategy to be determined on Sovereign exposure should take into account the expected progress against the EU targets regarding GHG emissions. Cyprus is committed to reduce GHG emissions in the above-mentioned sectors by 32% by 2030.

In addition, BOC PCL is expected to inform its Sovereign bond investment decisions with the GHG emissions per million euro invested in a country's Government bond as well as any available ESG score assigned to the relevant bond under examination. As at 31/12/2023, countries like Canada, Australia and Saudi Arabia have the highest emission intensity per million of euro invested. Canada and Australia are countries that are committed under the Paris agreement whilst Saudi Arabia is not.

Sovereign Bond Portfolio – 31/12/2023 – Analysis by country			
Country	**Investment amount (€million)**	**Financed Scope 3 GHG emission (tCO_2e)**	**Emission intensity (tCO_2e/€million)**
Cyprus	925	631,139	682
Germany	119	59,175	496
Belgium	79	50,794	644
France	95	35,977	380
Saudi Arabia	40	33,117	831
Iceland	42	32,806	776
Israel	47	30,502	653
Finland	50	29,575	591
Canada	35	29,127	827
Austria	46	24,440	531
Croatia	39	18,889	488
Spain	41	16,726	412
Italy	36	15,664	433
Slovakia	18	13,521	756
Ireland	25	11,627	470
Chile	19	10,014	534
Greece	15	9,905	654
Luxembourg	11	8,330	762
Poland	10	6,701	651
Bulgaria	8	4,973	658
Australia	5	4,224	840
Slovenia	5	2,820	621
Total	**1,710**	**1,080,046**	

The Group is exploring to set decarbonisation targets and design the decarbonisation strategy on Corporate and Government Bond Investment portfolio based on methodology and data availability.

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

Pillar IV - Metrics and Targets (continued)

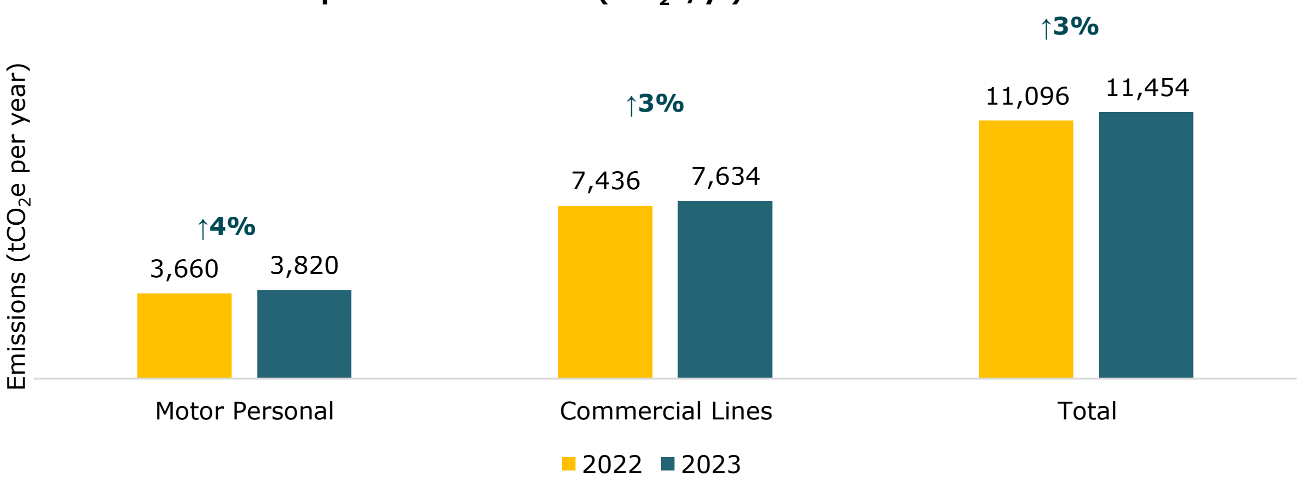
Reduction of all GHG emissions to become Net Zero by 2050 (continued)

The Group has estimated the Insurance associated GHG emissions using the PCAF standard and proxies. Currently PCAF standard covers the estimation of Insurance associated GHG emissions for certain Commercial lines and Motor personal line. The following table summarizes the lines that, at the moment, are out of scope of PCAF standard.

Segment	Line of Business ('LoBs')
Commercial insurance	Structured trade credit
	Surety
	Engineering lines: Construction all-risk, erection all-risk only
	Corporate life and pensions, personal accident
Personal lines	Liability
	Property
	Travel assistance
	Life and Health
Treaty reinsurance	All LoBs
Facultative reinsurance	All LoBs

As soon as the relevant methodology becomes available the Group will estimate Insurance associated GHG emissions for the remaining lines of business.

Insurance associated Scope 3 GHG emissions (tCO_2e/yr)



Note 1: For 70% of Insurance associated GHG emissions estimated for in-scope Commercial lines, the Group utilized Group wide Scope 1, Scope 2 and Scope 3 GHG emission proxies rather than industry specific proxies due to lack of available data on which industry those customers operate. The Group wide proxies are based on the industries of the remaining 30% of in-scope Commercial Lines customers.

The Group has estimated Insurance associated GHG emissions for 64% of in-force portfolio as at 31/12/2023. The PCAF methodology has a fixed point in time approach for the estimation of Insurance associated GHG emissions to avoid double counting and exclude any expiring insurance contracts before the selected fixed point in time. For the purpose of the calculation the fixed point in time is the last day of the fiscal year, 31/12/2023 and 31/12/2022. By measuring insurance-associated emissions and using the intensity metrics the Group aims to identify sectors and businesses in its portfolio that require the most support in their decarbonisation efforts and independently determine how best to support the transition by developing innovative products and services. Insurance associated GHG emissions comprise of c.0.3% of GHG emission inventory of the Group. Even though it is not considered material, the Group is exploring to set decarbonisation targets and design the decarbonisation strategy on Insurance contracts based on methodology and data availability.

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

Pillar IV - Metrics and Targets (continued)

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

The increase of c.4% in Insurance associated GHG emission of Motor personal line is due to increase in Motor insurance contracts (increase in by c.10%). For motor personal line, the calculation considers the Scope 1 and 2 GHG emissions of insured vehicles within the portfolio and multiplies them by an attribution factor. The attribution factor represents the insurance industry's share of the total cost of ownership of a vehicle, which includes other costs such as depreciation, fuel, and maintenance. The carbon emissions of the insured vehicles are multiplied by the industry attribution factor (calculated by PCAF as 6.99 %) to calculate the insurance-associated emissions.

Insurance associated GHG emissions for commercial lines are calculated by multiplying an attribution factor (i.e., for commercial lines this is the insurance premium divided by insured customer's revenue) by the absolute GHG emissions of the re/insured customer or asset. The attribution factor determines what share of the absolute emissions of an insured customer or asset is attributable to GI. The movement in the Insurance associated GHG emissions of Commercial lines is aligned with the increase/decrease in Gross Written Premiums ('GWP'). As soon as customer specific information become available more meaningful comparisons would be made available and the data quality used in the estimation will be enhanced. The property line comprises c.44% of Insurance associated GHG emission of in-scope Commercial lines.

GI – Insurance Associated GHG Emissions – Commercial Lines – 31/12/2023						
Line of Business	**Total GWP (€million)**	**Scope 1 & Scope 2 GHG emission (tCO_2e) absolute**	**Scope 3 emissions (tCO_2e) absolute**	**Total emissions (tCO_2e) absolute**	**Intensity (tCO_2e/€million per GWP)**	**Data quality score**
Motor	4.1	207	857	1,064	260	5
Property	12.7	794	2,561	3,355	263	5
Liability	6.6	362	1,424	1,786	269	5
Other	5.1	305	1,125	1,430	281	5
Total	**28.5**	**1,668**	**5,967**	**7,634**		

GI – Insurance Associated GHG Emissions – Commercial Lines – 31/12/2022						
Line of Business	**Total GWP (€million)**	**Scope 1 & Scope 2 GHG emission (tCO_2e) absolute**	**Scope 3 emissions (tCO_2e) absolute**	**Total emissions (tCO_2e) absolute**	**Intensity (tCO_2e/€million per GWP)**	**Data quality score**
Motor	3.1	160	698	858	278	5
Property	11.5	642	2,435	3,077	268	5
Liability	5.9	300	1,354	1,654	282	5
Other	6.2	348	1,499	1,847	299	5
Total	**26.7**	**1,450**	**5,986**	**7,436**		

Climate physical risks metrics

Following the MA on C&E risks, the analysis indicated that climate-related physical risks, acute hazards are material due to BOC PCL's exposure to high Wildfire risk. Therefore, an internal indicator measuring the exposure to wildfire hazard has been introduced through the Climate Risk Report. The metric indicates the immovable property collaterals, which are potentially exposed to wildfire hazard.

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

Important information in climate disclosures

What is important to our investors and stakeholders evolves over time, and the Group aims to anticipate and respond to these changes. Disclosure expectations in relation to climate change matters are particularly fast moving, and differ from more traditional areas of reporting including in relation to the level of detail and forward-looking nature of the information involved. Our climate disclosures take into account the wider context relevant to these topics, which may include evolving stakeholder views, the development of our climate strategy, longer timeframes for assessing potential risks and impacts, international long-term climate-based and nature-based policy goals and evolving sustainability-related policy frameworks. Our climate disclosures are subject to more uncertainty than disclosures relating to other subjects, given market challenges in relation to data reliability, consistency and timeliness – the use of estimates, judgements and assumptions which are likely to change over time, the application and development of data, models, scenarios and methodologies, the change in regulatory landscape, and variations in reporting standards. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops, and could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any forward-looking statements or metrics included in our climate disclosures. The Group gives no assurance as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained in our climate disclosures and make no commitment to revise or update any such disclosures to reflect events or circumstances occurring or existing after the date of such statements.

Disclaimers in climate disclosures

In preparing the climate content within the Group's Annual Financial Report, the Group have:

i. Made certain key judgements, estimations and assumptions. This is, for example, the case in relation to financed emissions, portfolio alignment, classification of environmental financing, operational emissions, measurement of climate risk and scenario analysis.
ii. Used climate data, models, scenarios and methodologies, the Group considers to be appropriate and suitable for these purposes as at the date on which they were deployed. This includes data, models, scenarios and methodologies made available by third parties (over which the Group has no control) and which may have been prepared using a range of different methodologies, or where the basis of preparation may not be known to us. Climate data, models, scenarios and methodologies are subject to future risks and uncertainties and may change over time. Climate disclosures in this document, including climate-related data, models and methodologies, are not of the same standard as those available in the context of other financial information and use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable financing activities.
iii. Continued (and will continue) to review and develop our approach to data, models, scenarios and methodologies in line with market principles and standards as this subject area matures. The data, models, scenarios and methodologies used (including those made available by third parties) and the judgements, estimates and/or assumptions made in them or by the Group are rapidly evolving, and this may directly or indirectly affect the metrics, data points, targets, convergence points and milestones contained in the climate content within the Annual Financial Report.
iv. Made certain forward-looking statements only as of the date they are made. The Group expressly disclaims any obligation to revise or update these climate forward-looking statements, other than as expressly required by applicable law.

Uncertainties in climate disclosures

i. The evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
ii. Changes in the climate regulatory landscape including changes in government approach and regulatory treatment in relation to climate disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to climate across all sectors and markets;
iii. Climate reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different climate metrics are still emerging;
iv. The Group's climate disclosures are limited by the availability of high-quality data in some areas and its own ability to timely collect and process such data as required.

PART B:

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

The preparation of the EU Taxonomy reporting is based on prudential consolidation of the Group. The consolidation is in accordance with the supervisory reporting of financial institutions as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP). The EU Taxonomy is a classification system of economic activities that make a substantial contribution to environmental sustainability under Taxonomy Regulation (EU) 2020/852. In addition, the preparation of reporting is based on the Delegated Act supplementing Article 8 of the Taxonomy Regulation (Disclosures Delegated Act 2021/2178). Article 3 of the EU Taxonomy Regulation sets out the criteria that an economic activity must meet to qualify as environmentally sustainable. This includes economic activity that is carried out in compliance with the minimum safeguards and contributes substantially to one or more of the environmental objectives.

The EU Taxonomy has six environmental objectives namely:

- climate change mitigation (CCM);
- climate change adaptation (CCA);
- sustainable use and protection of water and marine resources (WTR);
- transition to a circular economy (CE);
- pollution prevention and control (PPC); and
- protection and restoration of biodiversity and ecosystems (BIO).

Minimum Safeguards

As part of the assessment of environmentally sustainable economic activities, it is required that economic activity is carried out in compliance with minimum safeguards as part of Article 18 of the EU Taxonomy Regulation. The purpose of the minimum safeguards is to ensure compliance with minimum human and labour rights standards, preventing activities that breach key social principles by aligning with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. In the Taxonomy reporting, compliance with minimum safeguards is an integral part of the non-financial undertakings' Taxonomy KPIs that the Group applies to exposures.

Substantial contribution to the EU environmental objectives

Through its financing of large undertakings subject to the Non-Financial Reporting Directive ('NFRD') and investments in bonds, the Group supports a variety of economic activities that contribute to the EU environmental objectives. In addition, the Group's sustainable finance products including green housing, green home improvement loans and green motor loans contributes to the EU environmental objective of climate change mitigation. To classify sustainable products as Taxonomy-Aligned there are further criteria that must be adhered in addition to the contribution to EU environmental objectives.

Taxonomy KPIs

For the first time, the Group is reporting on Taxonomy KPIs and green asset ratios (GAR). Reporting includes input on turnover and CapEx from Taxonomy KPIs. The total GAR covers the two climate-related (CCM and CCA) EU environmental objectives.

The Group's total GAR based on turnover amounted to 0% of total covered assets, with the total GAR based on CapEx equivalent to 0.01% of total covered assets as at year end 2023. The Taxonomy-aligned activities amounted to €1 million at year end 2023. Gross carrying amount of total covered assets amounted to €14,497 million as at year end 2023. Total green asset ratio: Taxonomy-aligned activities as a proportion of total covered assets. Total covered assets: Total assets excluding exposures to sovereigns and trading book. Total assets are defined according to the prudential consolidation of the Group per FINREP.

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

Taxonomy KPIs (continued)

Climate Delegated Act The Complementary Climate Delegated Act 2022/1214 including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2023. The Group has no direct exposure through lending to customers that have economic activities related to the production of electricity or heating using nuclear installations or electricity generation facilities that produce electricity from nuclear processes. The Group also has exposure to customers involved in the operation of electricity generation facilities that produce electricity using fossil gaseous fuels. See supplementary information in the section 'Additional Information – EU Taxonomy Disclosure Tables' of Annual Financial Report under Annex XII of the Delegated Act.

Enhancing our EU Taxonomy Disclosures

As companies' transparency in line with the EU Taxonomy increases, it will enable expanded reporting against the Taxonomy. The adoption of CSRD and European Sustainability Reporting Standards ('ESRS') will support the further implementation of the EU Taxonomy Regulation into our business strategy, systems, and investment and lending processes.

Limitations in data when assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial undertakings, actual published information provided by counterparties is required. However, a complete data collection has been limited as published reporting on Taxonomy-alignment KPIs from financial and non-financial undertakings is not yet available at the reporting date.

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

Summary of KPIs

The following table is a summary of KPIs to be disclosed by credit institutions under Article 8 of the EU Taxonomy Regulation. See supplementary information in section 'Additional Information – EU Taxonomy Disclosure Tables' of Annual Financial Report for additional EU Taxonomy tables reported under Annex VI of the Disclosures Delegated Act and taxonomy aligned activities.

		Total environmentally sustainable assets (€million)	KPI turnover[14] %	KPI CapEx[15] %	% coverage (over total assets)[16]	% of assets excluded from the numerator of the GAR	% of assets excluded from denominator of the GAR
Main KPI	**Green asset ratio (GAR) stock**	**1**	**0%**	**0.01%**	**30%**	**26%**	**44%**
Additional KPIs	GAR (flow)	1	0%	0%	46%	29%	25%
	Trading book[17]	n/a	n/a	n/a			
	Financial guarantees	-	0%	0%			
	Assets under management	-	0%	0%			
	Fee and commission income[17]	n/a	n/a	n/a			

Limitations in data Reporting on Taxonomy-aligned activities for FY 2023 has been constrained due to current limitations on the availability of relevant information across key categories:

a. When assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial counterparties, actual information published by counterparties is required:
   i. published reporting on Taxonomy-alignment KPIs from financial undertakings is not available at the reporting date;
   ii. non-financial undertakings have not yet published data for FY2023; consequently, the Taxonomy reporting of eligibility and alignment for non-financial undertakings is based on published data from FY2022;
   iii. furthermore, reporting on Taxonomy-eligibility for the four additional environmental objectives implemented in 2023 is not possible for FY2023 as non-financial undertakings are only reporting on these objectives from FY2023, with financial undertakings reporting on these objectives from FY2025; and
   iv. exposure to non-financial counterparties in the Group's corporate lending portfolio currently considered taxonomy eligible is limited due to the eligibility criteria requiring counterparties to be large companies publicly listed in the EU.
b. When assessing Taxonomy-eligible and Taxonomy-aligned activities for lending to households, other data limitations impact reporting:
   i. Hybrid and Electric Vehicles lending exposures originated since the beginning of FY2023 are considered eligible per taxonomy criteria. However, they are not classified as aligned due to the lack of available information in the industry to assess the vehicles against the Taxonomy DNSH (Do No Significant Harm) criteria.

[14] Based on the Turnover KPI of the counterparty.
[15] Based on the CapEx KPI of the counterparty.
[16] Percentage of assets covered by the KPI over the total assets.
[17] Trading book and Fees and Commissions KPIs only apply starting 2026.

PART C:

Non-financial information statement

The Group plays a key role in driving economic growth of Cyprus with a long presence and a dominant market position. Sustainable development, social progress, environmental integrity, climate stability and a viable economy are all among the Group's key targets for 2023 and beyond.

The Group publishes its Annual Non-Financial Results based on the Global Reporting Initiative ('GRI') and the Sustainability Accounting Standards Board ('SASB') guidelines and standards, which identify and include all the above information. The Corporate Sustainability Report 2023 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports). Going forward, the Group will align its disclosures with the Corporate Sustainability Reporting Directive ('CSRD') and the International Financial Reporting Standards ('IFRS') for Climate (S2) and Sustainability Disclosures (S1).

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

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

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

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

Employee Engagement
As of 31 December 2023, the Group employed 2,830 employees compared to 2,889 persons as at 31 December 2022. Analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2023 is disclosed in Note 14 of the Consolidated Financial Statements. The Group has developed policies to safeguard gender equality, diversity and inclusion. Policies, procedures, training and a series of tools are available to ensure the Group fosters a culture of meritocracy and fairness. Following the agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2022 and 2023 a performance-based pay structure was introduced across the Group to drive greater alignment with Group's strategy and ambition.

In 2023, under the 'Organisational Health' project, the Group executed a full survey to reassess peoples' perspectives, management's commitment and engagement around the Group's business pillars and management practices. The four selected health priorities (Personal Ownership, Knowledge Sharing, Employee Involvement and Career Opportunities) were significantly improved through tailor made initiatives that the Group launched and dedicated workshops and brainstorming sessions for next steps planned with the Senior Management and Culture Ambassadors.

One of the highlights of 2023, was the successful launch of the 1st BOC Intrapreneurship Competition "Think Tank". The vision was to empower creativity, increase engagement, nurture a Culture of Innovation, and identify talent. More than 70 idea submissions were received and 9 Think Tank finalists presented their ideas to the committee in a final pitching event. The 3 winning ideas were around ESG, Digital Transformation and New products.

The Group has continued to upgrade its staff's skill set by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2023, the Group heightened its emphasis on staff wellness by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by approximately, 2,000 employees, through its 'Well-at-Work program'.

Non-financial information statement (continued)

Commitment to Sustainability (continued)

Employees (Continued)
Learning and Development
Under the Group's Learning and Development Policy, in 2023 the training programmes delivered were based on the following training pillars:

i. Reskilling - Provide reskilling opportunities to unlock our people's potentials and help them to better cope with the ongoing changing professional needs and skills. Focus on systems training and data analytics.
ii. Upskilling - Advance leadership and management skills to better manage and engage with people. Invest and emphasize on Customer Service & Selling Skills to improve customer experience and maximise sales effectiveness of Consumer Banking
iii. Business Essentials - Provide ongoing training opportunities to keep our people up to date with regulatory, compliance, information security and knowledge, to perform with integrity and professionalism. Provide training and ensure that our people are adequately trained to promote the new digital banking services.

The training programs offered to members of staff increased by 7% in 2023 in comparison to 2022 and total training hours offered increased by 11% in comparison to 2022. In 2023, 100% of employees received training, with a total of 72,888 training hours being offered. Further to the provision of e-learnings and live webinars, BOC PCL provided 103 physical trainings and programs totalling 31,149 hours during 2023.

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

In 2023 the Group H&S Policy and the internal procedures were revised so as to ensure compliance with the new H&S regulations. Employees were trained on H&S issues and procedures through an e-learning course. In addition, training sessions were conducted for the Presidents of the Safety Committees and key persons of the H&S team, the Compliance Liaisons and the First Aiders. The Group conducts evacuation exercises once a year nationwide for the emergency procedures, including earthquakes and fire. Identified risks through the risk assessments have been properly addressed throughout the year. Our approach is to provide assurance that risks are being properly managed and make our people feel safe. In 2023, the Group continued emphasizing staff wellness offering seminars on Healthy Eating and Mental Health in the workplace, through its 'Well at Work program'.

Society
The Group's CSR Strategy and CSR Programme contribute to the Social Pillar of the ESG Strategy and support the Group's selected UN SDGs. The Group's CSR programme and all relevant initiatives are compatible with its core business and enhance the Group's overall strategy and vision. The CSR Strategy clearly indicates the move from issuing a cheque and requesting logo placement, to examining, contributing, engaging and finally, committing to the cause of support and the Group's engagement with key partners, customers and other stakeholders which aim to create sustainable social impact and material difference to the community.

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

In 2023 the Group continued to undertake sustainable support to the local community with Health Pillar initiatives, and Education Pillar initiatives, based on the relevant policy and strategy. Additionally, the Group continued to develop initiatives that aimed to preserve local culture and history, through the Bank of Cyprus Cultural Foundation and to enhance innovation and start-ups through the IDEA Innovation Centre. The Group successfully continued and expanded the operation of the award winning SupportCY network of companies and Non Governmental Organisations ('NGOs').

Non-financial information statement (continued)

Commitment to Sustainability (continued)

Society (continued)
SupportCY was created in March 2020, in order to support public services performing frontline duties during the COVID-19 pandemic, its actions led by the Group expanded in supporting various societal needs. At the same time, it continued to generate Social Capital which is both sustainable and more effective, by bringing businesses and organisations together to share what each does best, in responding to specific needs. By 31 December 2023, the SupportCY network had more than 180 members, while the SupportCY Crises and Disasters Respond Center, the SupportCY Volunteers Corps and SupportCY House, continue to operate and expand in order to satisfy and cover even more needs of the Cyprus society, and beyond. Since establishment, the SupportCY initiative contribution to society, reached €1 million worth in funds services and products with the Group contributing most of the monetary support.

To support actions for the society, the Group contributed approximately €700,000 for the support and enhancement of more than 100 NGOs, associations, charity organisations, municipalities, schools, sports federations, and sports academies, while offering refurbished computers and other office equipment to schools, associations and NGOs from the Group's stock.

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

Health pillar main actions:

i. More than 50,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by the Group and the Cyprus Government in 1998, while the Group continued offering extensive support, financial and otherwise, towards the Centre. The cumulative contribution of the Group to the Bank of Cyprus Oncology Centre is approximately €70 million.
ii. The Group coordinated for one more year the fundraising campaign with the Cyprus Anticancer Society ('CAS') under the new slogan "Be there". The campaign resulted in fund raising of €416,000 for CAS. In 2023, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners work with, and support several Patient Associations.

Education pillar main actions:

i. The Bank of Cyprus Cultural Foundation ('the Foundation') is a non-profit organisation established in 1984, protecting cultural heritage and supporting youth, curating two museums and five rare collections. The main strategic objectives of the Foundation are the promotion of research, the study of Cypriot culture in the fields of archaeology, history, art and literature, the preservation and dissemination of the cultural and natural heritage of Cyprus, with particular emphasis on the international promotion of the long-standing Greek culture on the island, the shift to research and development of cultural sustainability through European grants and the upgrading and promotion of the educational role of the Foundation. In addition, the Foundation is developing and upgrading the institution's social role for vulnerable/disadvantaged groups, aiming at permanent changes/adaptations in its museums and actions that promote and facilitate the participation of all vulnerable/disadvantaged groups in culture. The Foundation has more than 250 Cyprological editions, has organised and participated in more than 60 exhibitions in Cyprus and abroad, 100 conferences and more than 10,000 children have participated in its educational programmes since establishment.
ii. In 2023 IDEA successfully completed its 8th cycle, introducing its revamped Startup Program. The comprehensive business-creation training Program was redesigned to leverage on current trends to optimise efficiency and empower entrepreneurs. Through its extensive panel of more than 80 high-profile mentors and trainers working mostly pro-bono, participating startups work closely with industry experts to receive feedback, mentoring, consultation and professional services. In 2023 IDEA has brought to life innovative businesses relating to HR, eCommerce, booking & social platforms and real estate sectors, through its current start-ups: Hello Radius, Freyia Labs, Park in Town, Design Inspiration Group and Insavior. During 2023, 7 Start-ups joined IDEA, and 7 New companies were established, totaling 89 start-ups supported by 2023. In 2023, 5 companies successfully completed the IDEA Startup Program, and 55 mentors and 40 trainers took part. Financial support provided in 2023 amounted to €100,000 (€20,000 to 5 companies), with a total number of 210 entrepreneurs being trained since 2015 and more than 100 new jobs being created by 2023.

Non-financial information statement (continued)

Commitment to Sustainability (continued)

Society (continued)

iii. In 2023, the Group repeated the partnerships with various organisations to boost efforts around education, innovation and ingenuity. Additionally, the Group awards excellence and creativity among students, but also recognises students who stand out in international and local competitions, through awards and prizes. The Group also awarded talented youth in sports, through sport associations and academies.

iv. In 2023, the Group announced the 'Mathainoume Allios' (Update your skills) programme promoting economic and digital literacy. The programme is geared at senior citizens, but also any member of the public wishing to learn in simple terms and with images how to carry out their banking transactions easily by making use of the available technology and digital tools, through a series of presentations to municipalities and communities.

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

Environment

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

During 2023, the Group initiated more environmental programmes in partnerships with expert NGOs and other entities, focusing on climate change impacts and the prevention, response to and recovery of forest fires, biodiversity and sea pollution.

Environmental pillar main actions:

i. The ‘Melissa Zoi’ Centre, a bee artificial insemination project for biodiversity, was inaugurated in June 2022, by the Group and the Rotary Clubs of Cyprus. The initiative aims to revitalise the environment and restore economic activity to areas where honey is produced, and which were devastated by wildfires. The 2021 wildfires affected about 75% of beehives so the project aims to revive the destroyed ecosystem, revitalising the affected honey-producing communities. The goal is to provide the necessary support to nature and to the communities that suffer environmentally, financially and professionally. The Centre’s operation will benefit nine communities and 38 small and medium-sized honey-making businesses.

ii. ‘Seammahia’, a joint Sea Venture, is a project funded by the Group and includes the study and installation of two pilot systems for monitoring the quality of sea water; one in the area of the Ayia Napa Marina and one in the Blue Lagoon (Akamas peninsula) in Cyprus. The purpose is to monitor and record important water quality parameters in real time, for the provision of early detection of pollution indices, which in turn will provide warnings for necessary corrective actions to ensure environmental protection.

iii. The Bank of Cyprus SupportCY network of businesses and organisations joined forces and supported the Forest Department and the Cyprus Fire Services in the prevention and protection of Cypriot forests. Prevention measures and actions related to public awareness on the protection of forests, as well as fire protection programmes in the forests of Cyprus, were launched in the summer of 2023. Based on official statistical surveys, prevention is the most important factor in the protection of forests. A series of forest patrols has been programmed by the SupportCY Volunteers Corps and the Crises and Disasters Centre. Concurrently, educational and informative actions have been planned in shopping centres and rural municipalities with the collaboration of the Forest Department.

iv. Members of the SupportCY Volunteers Corps flew to Greece immediately after the deadly floods in the Larissa area to help the locals with the water pumping from buildings and houses. More specifically, with the use of their own pumps, SupportCY volunteers pumped tons of water out of the local elementary school, and in return students and teachers at the school organised an emotional ceremony, one month after the floods, to thank and honour them.

Non-financial information statement (continued)

Political donations
Political donations are required to be disclosed under the Electoral Act 1997 of Ireland (as amended). Based on the Donations, Sponsorships and Partnerships Policy of the Group, the Group does not sponsor political parties, or any associations/organisations related directly, or indirectly, to one. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2023.

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

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

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

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

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

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

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

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

Diversity Report

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

Non-financial information statement (continued)

Business Model

The business model of the Group is described in the 'Business Overview' and 'Strategy and Outlook' sections of the 'Directors' Report' within the Annual Financial Report 2023.

Risk Management

A description of the principal risks, their impact on business activity, and the way they are managed is disclosed in section 'Principal risks and uncertainties - Risk management and mitigation' of the 'Directors' Report' and section 'Pillar III – Risk Management' of Part A - TCFD of these 'ESG Disclosures' and in the 'Risk and Capital Management Report' all forming part of this Annual Financial Report.

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

Key Performance Indicators

An analysis of KPIs relevant to the Group is disclosed in the 'Financial Results' section of the Directors' Report. Climate and Environmental KPIs are disclosed in the 'Pillar IV – Metrics and Targets' section of Part A - TCFD of these 'ESG Disclosures'.

Consolidated Financial Statements for 2023

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	Notes	**2023** **€000**	2022 (restated) €000
Interest income	*7*	**920,608**	429,276
Income similar to interest income	*7*	**65,450**	22,119
Interest expense	*8*	**(146,454)**	(65,276)
Expense similar to interest expense	*8*	**(46,412)**	(14,840)
Net interest income		**793,192**	371,279
Fee and commission income	*9*	**188,343**	202,583
Fee and commission expense	*9*	**(7,320)**	(10,299)
Net foreign exchange gains	*10*	**28,588**	31,291
Net gains/(losses) on financial instruments	*11*	**12,780**	(614)
Net gains on derecognition of financial assets measured at amortised cost		**6,361**	5,235
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	*12*	**960**	784
Net insurance service result	*12*	**73,528**	60,530
Net reinsurance service result	*12*	**(21,000)**	(16,748)
Net gains/(losses) from revaluation and disposal of investment properties		**1,043**	(999)
Net gains on disposal of stock of property	*27*	**8,972**	13,970
Other income	*13*	**18,337**	16,681
Total operating income		**1,103,784**	673,693
Staff costs	*14*	**(192,266)**	(285,154)
Special levy on deposits and other levies/contributions	*15*	**(42,380)**	(38,492)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	*38*	**(28,464)**	(11,880)
Other operating expenses	*15*	**(158,545)**	(158,240)
Operating profit before credit losses and impairment		**682,129**	179,927
Credit losses on financial assets	*16*	**(79,830)**	(59,087)
Impairment net of reversals on non-financial assets	*16*	**(46,852)**	(29,549)
Profit before tax		**555,447**	91,291
Income tax	*17*	**(72,938)**	(30,971)
Profit after tax for the year		**482,509**	60,320
Attributable to:			
Owners of the Company		**480,772**	57,454
Non-controlling interests		**1,737**	2,866
Profit for the year		**482,509**	60,320
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	*18*	**5.01**	0.60

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

	Notes	**2023** **€000**	2022 (restated) €000
Profit for the year		**482,509**	60,320
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods		**2,975**	(13,309)
Fair value reserve (debt instruments)		**3,069**	(11,197)
Net gains/(losses) on investments in debt instruments measured at fair value through OCI (FVOCI)		**3,401**	(9,935)
Transfer to the consolidated income statement on disposal		**(332)**	(1,262)
Foreign currency translation reserve		**(94)**	(2,112)
(Loss)/profit on translation of net investments in foreign subsidiaries		**(81)**	1,967
Losses on hedging of net investments in foreign subsidiaries	*21*	**(13)**	(4,079)
OCI not to be reclassified in the consolidated income statement in subsequent periods		**10,198**	(6,059)
Fair value reserve (equity instruments)		**(712)**	(2,015)
Net losses on investments in equity instruments designated at FVOCI		**(712)**	(2,015)
Property revaluation reserve		**10,290**	244
Net fair value gains before tax	*25*	**13,524**	-
Deferred tax	*17*	**(3,234)**	244
Actuarial gains/(losses) on defined benefit plans		**620**	(4,288)
Remeasurement gains/(losses) on defined benefit plans	*14*	**620**	(4,288)
Other comprehensive income/(loss) for the year net of taxation		**13,173**	(19,368)
Total comprehensive income for the year		**495,682**	40,952
Attributable to:			
Owners of the Company		**493,721**	38,086
Non-controlling interests		**1,961**	2,866
Total comprehensive income for the year		**495,682**	40,952

	Notes	**31 December 2023**	31 December 2022 (restated)	1 January 2022 (restated)
Assets		**€000**	€000	€000
Cash and balances with central banks	19	**9,614,502**	9,567,258	9,230,883
Loans and advances to banks	19	**384,802**	204,811	291,632
Reverse repurchase agreements		**403,199**	-	-
Derivative financial assets	21	**51,055**	48,153	6,653
Investments at FVPL	20	**135,275**	190,209	199,194
Investments at FVOCI	20	**443,420**	467,375	748,695
Investments at amortised cost	20	**3,116,714**	2,046,119	1,191,274
Loans and advances to customers	23	**9,823,127**	9,961,642	9,836,405
Life insurance business assets attributable to policyholders	24	**649,212**	542,321	551,797
Prepayments, accrued income and other assets	28	**584,816**	608,979	583,865
Stock of property	27	**826,115**	1,041,032	1,111,604
Investment properties		**62,105**	85,099	117,745
Deferred tax assets	17	**201,268**	227,934	265,942
Property and equipment	25	**285,568**	253,378	252,130
Intangible assets	26	**48,635**	52,546	54,144
Non-current assets and disposal groups held for sale		**-**	-	358,951
Total assets		**26,629,813**	25,296,856	24,800,914
Liabilities				
Deposits by banks		**471,556**	507,658	457,039
Funding from central banks	29	**2,043,868**	1,976,674	2,969,600
Derivative financial liabilities	21	**17,980**	16,169	32,452
Customer deposits	30	**19,338,880**	18,998,319	17,530,883
Insurance contract liabilities	31	**658,424**	597,981	622,398
Accruals, deferred income, other liabilities and other provisions	33	**466,421**	384,042	358,139
Provisions for pending litigations, claims, regulatory and other matters	38	**131,503**	127,607	104,108
Debt securities in issue	32	**671,632**	297,636	302,555
Subordinated liabilities	32	**308,049**	303,812	342,373
Deferred tax liabilities	17	**32,306**	34,634	39,817
Total liabilities		**24,140,619**	23,244,532	22,759,364
Equity				
Share capital	34	**959,794**	959,794	959,794
Share premium	34	**1,250**	1,250	1,250
Revaluation and other reserves		**111,383**	98,402	121,004
Retained earnings	36	**1,175,506**	750,578	717,068
Equity attributable to the owners of the Company		**2,247,933**	1,810,024	1,799,116
Other equity instruments	34	**220,000**	220,000	220,000
Non-controlling interests		**21,261**	22,300	22,434
Total equity		**2,489,194**	2,052,324	2,041,550
Total liabilities and equity		**26,629,813**	25,296,856	24,800,914

Mr. E.G. Arapoglou
Chairman

Mr. P. Nicolaou
Chief Executive Officer

Mr. C. Iordanou
Director

Mrs. E. Livadiotou
Executive Director Finance

Consolidated Statement of Changes in Equity
for the year ended 31 December 2023

	Attributable to the owners of the Company											
	Share capital (Note 34)	Share premium (Note 34)	Other capital reserves (Note 14)	Retained earnings (Note 36)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 34)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
31 December 2022	959,794	1,250	322	701,381	74,170	7,142	101,301	16,768	**1,862,128**	220,000	22,300	**2,104,428**
Impact of retrospective application of IFRS 17 adoption (Note 2.2.1)	-	-	-	49,197	-	-	(101,301)	-	**(52,104)**	-	-	**(52,104)**
31 December 2022 (restated)/1 January 2023	**959,794**	**1,250**	**322**	**750,578**	**74,170**	**7,142**	**-**	**16,768**	**1,810,024**	**220,000**	**22,300**	**2,052,324**
Profit for the year	-	-	-	480,772	-	-	-	-	**480,772**	-	1,737	**482,509**
Other comprehensive income/(loss) after tax for the year	-	-	-	620	10,066	2,357	-	(94)	**12,949**	-	224	**13,173**
Total comprehensive income/(loss) after tax for the year	-	-	-	481,392	10,066	2,357	-	(94)	**493,721**	-	1,961	**495,682**
Dividends (Note 35)	-	-	-	(22,310)	-	-	-	-	**(22,310)**	-	-	**(22,310)**
Share-based benefits - cost (Note 14)	-	-	595	-	-	-	-	-	**595**	-	-	**595**
Payment of coupon to AT1 holders (Note 34)	-	-	-	(27,339)	-	-	-	-	**(27,339)**	-	-	**(27,339)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	**-**	-	(3,000)	**(3,000)**
Issue of other equity instruments (Note 34)	-	-	-	-	-	-	-	-	**-**	220,000	-	**220,000**
Repurchase of other equity instruments (Note 34)	-	-	-	(6,820)	-	-	-	-	**(6,820)**	(220,000)	-	**(226,820)**
Transfer to the consolidated income statement	-	-	-	-	62	-	-	-	**62**	-	-	**62**
Transfers to retained earnings	-	-	-	5	(59)	54	-	-	**-**	-	-	**-**
31 December 2023	**959,794**	**1,250**	**917**	**1,175,506**	**84,239**	**9,553**	**-**	**16,674**	**2,247,933**	**220,000**	**21,261**	**2,489,194**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2023

	Attributable to the owners of the Company									Other equity instruments (Note 34)	Non-controlling interests	**Total equity**
	Share capital (Note 34)	Share premium (Note 34)	Other capital reserves (Note 14)	Retained earnings (Note 36)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**			
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	959,794	1,250	-	640,980	80,060	23,285	113,651	17,659	**1,836,679**	220,000	22,434	**2,079,113**
Impact of retrospective application of IFRS 17 adoption (Note 2.2.1)	-	-	-	76,088	-	-	(113,651)	-	**(37,563)**	-	-	**(37,563)**
1 January 2022 (restated)	**959,794**	**1,250**	**-**	**717,068**	**80,060**	**23,285**	**-**	**17,659**	**1,799,116**	**220,000**	**22,434**	**2,041,550**
Profit for the year	-	-	-	57,454	-	-	-	-	**57,454**	-	2,866	**60,320**
Other comprehensive (loss)/income after tax for the year	-	-	-	(4,288)	244	(13,212)	-	(2,112)	**(19,368)**	-	-	**(19,368)**
Total comprehensive income/(loss) after tax for the year	-	-	-	53,166	244	(13,212)	-	(2,112)	**38,086**	-	2,866	**40,952**
Share-based benefits - cost (Note 14)	-	-	322	-	-	-	-	-	**322**	-	-	**322**
Payment of coupon to AT1 holders (Note 34)	-	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	**-**	-	(3,000)	**(3,000)**
Transfers to retained earnings	-	-	-	7,844	(6,134)	(2,931)	-	1,221	**-**	-	-	**-**
31 December 2022	**959,794**	**1,250**	**322**	**750,578**	**74,170**	**7,142**	**-**	**16,768**	**1,810,024**	**220,000**	**22,300**	**2,052,324**

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

		Year ended 31 December	
		2023	2022 (restated)
	Note	**€000**	€000
Profit before tax		**555,447**	91,291
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		**34,253**	34,203
Impairment net of reversals on non-financial assets	*16*	**46,852**	29,549
Credit losses on financial assets	*16*	**79,830**	59,087
Net gains on derecognition of financial assets measured at amortised cost		**(6,361)**	(5,235)
Amortisation of discounts/premiums and interest on debt securities		**(64,185)**	(21,344)
Dividend income		**(856)**	(940)
Net loss on disposal of investment in debt securities measured at FVOCI		**438**	2,384
(Gain)/loss from revaluation of financial instruments designated as fair value hedges		**(1,655)**	51,839
Interest on subordinated liabilities and debt securities in issue		**39,409**	28,070
Interest on reverse repurchase agreements		**(3,219)**	-
Negative interest on loans and advances to banks and balances with central banks		**-**	23,184
Interest/(negative interest) on funding from central banks		**67,194**	(18,418)
Share-based benefits cost	*14*	**595**	322
Net gains on disposal of stock of property and investment properties		**(11,400)**	(15,886)
(Profit)/loss on sale and write offs of property and equipment and intangible assets		**(53)**	13
Interest expense on lease liability		**1,453**	114
Premium tax included in net insurance service result as directly attributable expense		**2,222**	1,960
Net losses from revaluation of investment properties		**1,385**	2,915
Net exchange differences		**7,966**	(20,990)
		749,315	242,118
Change in:			
Loans and advances to banks		**(30,478)**	28,996
Deposits by banks		**(36,102)**	50,619
Obligatory balances with central banks		**55,358**	52,450
Customer deposits		**340,561**	1,467,436
Life insurance business assets attributable to policyholders and Insurance contract liabilities		**(46,448)**	(14,941)
Loans and advances to customers		**55,619**	(231,946)
Prepayments, accrued income and other assets		**65,697**	(12,904)
Provisions for pending litigations, claims, regulatory and other matters		**3,129**	4,132
Accruals, deferred income, other liabilities and other provisions		**56,143**	18,646
Derivative financial instruments		**(1,091)**	(57,783)
Investments measured at FVPL		**54,934**	8,985
Stock of property		**132,979**	153,311
		1,399,616	1,709,119
Tax paid		**(20,135)**	(6,375)
Net cash from operating activities		**1,379,481**	1,702,744
Cash flows from investing activities			
Purchases of debt, treasury bills and equity securities		**(1,557,117)**	(1,101,030)
Purchase of reverse repurchase agreements		**(400,000)**	-
Proceeds on disposal/redemption of investments in debt and equity securities		**555,666**	454,145
Interest received from debt securities		**36,334**	30,929
Dividend income from equity securities		**856**	940
Proceeds on disposal of held for sale portfolios		**-**	332,151
Payment for purchase of Velocity 2		**(3,649)**	-
Purchases of property and equipment	*25*	**(7,454)**	(6,752)
Additions to intangible assets	*26*	**(14,949)**	(17,347)
Proceeds on disposals of property and equipment and intangible assets		**77**	517
Proceeds on disposals of investment properties		**9,924**	41,400
Net cash used in investing activities		**(1,380,312)**	(265,047)

		Year ended 31 December	
		2023	2022 (restated)
	Note	**€000**	€000
Cash flow from financing activities			
Payment of AT1 coupon	*34*	**(27,339)**	(27,500)
Issue of other equity instruments	*34*	**220,000**	-
Repurchase of other equity instruments	*34*	**(226,820)**	-
Net (repayments)/proceeds of funding from central banks		**-**	(979,389)
Repayments of subordinated liabilities		**-**	(35,605)
Proceeds from the issue of debt securities in issue (net of costs)		**347,689**	-
Dividend paid on ordinary shares		**(22,310)**	-
Interest on subordinated liabilities		**(19,875)**	(23,334)
Interest on debt securities in issue		**(7,500)**	(7,858)
Negative interest on loans and advances to banks and balances with central banks		**-**	(23,184)
Principal elements of lease payments		**(7,846)**	(6,884)
Dividend paid by subsidiaries to non-controlling interests		**(3,000)**	(3,000)
Net cash from/(used in) financing activities		**252,999**	(1,106,754)
Net increase in cash and cash equivalents		**252,168**	330,943
Cash and cash equivalents 1 January		**9,586,153**	9,255,210
Cash and cash equivalents 31 December	*41*	**9,838,321**	9,586,153

Additional information on the cash flow statement is provided in Note 40.

1. Corporate information

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

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

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

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

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

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

Consolidated Financial Statements
The Consolidated Financial Statements of the Company for the year ended 31 December 2023 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 28 March 2024.

2. Summary of accounting policies

2.1 Basis of preparation

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

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

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

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 43.

Comparative information
Comparative information was restated following the adoption of IFRS 17 'Insurance Contracts' on 1 January 2023 as described further below in Note 2.2.1.

Furthermore, comparative information on 'Turnover' in Note 6 was restated, in order to align the definition of 'Turnover' to the Country-by-Country Reporting (Note 52). The Turnover definition is now aligned with the 'Total operating income' caption as presented in the Consolidated Income Statement and is considered to be the most representative for the Group. The definition of 'Turnover' is disclosed in Note 2.7 and the restatement is indicated in the table below:

2. Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

	Turnover 31 December 2022 (as previously presented)	Restatements to Turnover definition	Turnover 31 December 2022 (restated)
	€000	€000	€000
Interest income and income similar to interest income	451,395	(451,395)	-
Net interest income	n/a	371,279	371,279
Fees and commission income	202,583	(202,583)	-
Net fee and commission income	n/a	192,284	192,284
Net foreign exchange gains	31,291	-	31,291
Net gains/(losses) on financial instruments	n/a	(614)	(614)
Net gains on derecognition of financial assets measured at amortised cost	n/a	5,235	5,235
Gross insurance premiums	210,347	(210,347)	n/a
Net insurance result	n/a	44,566	44,566
Net gains/(losses) from revaluation and disposal of investment properties	(999)	-	(999)
Net gains on disposal of stock of property	13,970	-	13,970
Impairment of stock of property	(20,628)	20,628	n/a
Other income	16,681	-	16,681
Turnover	904,640	(230,947)	673,693

In addition, comparative information was restated following a change in the presentation of segmental analysis as detailed in Note 6. This change let to a respective restatement of Note 14 in relation to the analysis of average number of employees per business line and Notes 44.3 and 44.5.

Further, the presentation of comparative information in relation to the remuneration disclosures relating to the members of the Board of Directors and key management personnel in Note 49 has been restated as to exclude employer's contribution from the tables of fees and emoluments. Such amounts are not considered part of the remuneration of the Board of Directors and key management personnel, but rather an incremental cost to the Group. In addition, the cost for awards granted in 2022 and 2023 to the Executive Directors and key management personnel under the Long-Term Incentive Plan (LTIP) has also been excluded from the tables of fees and emoluments. Amounts of an LTIP cycle award are presented in the remuneration table in the year the performance period of the LTIP cycle awards ends. No LTIP cycles had a performance period ended during the years ended 31 December 2023 and 2022. The cost recognised by the Group in the Consolidated Income Statement for LTIP cycles under which awards have been granted but not yet vested is separately disclosed in Note 49.

Other than the adoption of IFRS 17 'Insurance Contracts', the restatements did not have an impact on the results for the year or equity of the Group.

2.2 Accounting policies and changes in accounting policies and disclosures

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

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

2.2.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 and which are explained below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

IFRS 17: Insurance Contracts
IFRS 17 'Insurance Contracts' (IFRS 17) became effective on 1 January 2023 and as required by the standard, the Group applied the requirements retrospectively with comparative information restated from the transition date, 1 January 2022 as further explained in the 'Transition application' section below. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

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

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

2.2.1.1 Transition application

The standard is applied retrospectively using a fully retrospective approach ('FRA') as if it had always been applied, unless it is impracticable to so, in which case either a modified retrospective approach ('MRA') or a fair value approach ('FVA') could be selected. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement. Following the completion of impracticability assessments, the Group applied the following approaches:

i. The FRA for all non-life groups of insurance contracts and non-individual life groups of insurance contracts, irrespective of issue date.
ii. The MRA for groups of life insurance contracts issued between 2016 and 2021.
iii. The FVA for groups of life insurance contracts issued prior to 2016.

Modified retrospective approach ('MRA')
The Group is permitted to use the MRA only to the extent that is does not have reasonable and supportable information to apply the FRA. MRA is an approach to achieve the outcome closest to the FRA, with the prescribed modifications to address some of the challenges of retrospective application. Under MRA the below simplifications are permitted:

i. assessments at the date of initial recognition of groups of insurance contracts;
ii. contractual service margin for insurance contracts without direct participation features;
iii. contractual service margin for insurance contracts with direct participation features; and
iv. insurance finance income or expenses.

In applying the MRA, the Group used reasonable and supportable information from its existing reporting systems, with the objective to arrive at the outcome closest to the FRA. The Group applied each of the following modifications:

i. Groups of contracts issued between 2016 and 2021 contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.
ii. For groups of contracts issued between 2016 and 2021, the future cash flows on initial recognition were estimated by considering:
    a) the transactions that occurred in the period 2016-2021, plus

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.1 Transition application (continued)

b) the expected future cashflows estimated at 31 December 2021.

iii. For groups of contracts issued between 2016 and 2021, the illiquidity premiums applied to the risk-free yield curves on initial recognition were estimated by determining an average spread between the risk-free yield curves and the discount rates determined retrospectively for the period between 1 January 2016 and 1 January 2022.
iv. For groups of contracts issued between 2016 and 2021, the risk adjustment for non-financial risk at initial recognition was determined by adjusting the relevant amount at 1 January 2022.

v. The amount of the CSM that has been released in the profit or loss before 1 January 2022 was determined by comparing the coverage units provided before 1 January 2022 and the expected coverage units at 1 January 2022.

Determination on transition of the fair value of insurance contract liabilities for which FVA was applied
Under the FVA approach required by IFRS 17, the valuation of insurance liabilities on transition is based on the requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM of the liability for remaining coverage at the transition date is determined as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured as at that date. There is judgement involved in determining an appropriate fair value, as there is a lack of observable data for actual transactions for closed book insurance businesses and a range of possible modelling approaches. In determining the fair value the Group considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the IFRS 13 calculation. The approach for setting these included the following:

i. The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of 'matching' between the life insurance assets and related liabilities.
ii. Solvency II information (i.e. Best Estimate Liabilities and Risk Margin) has been utilised.

The sections below provide a summary of the accounting policies and the significant judgements for insurance activities applied under IFRS 17, information on the quantitative impact of transition to IFRS 17, the restated consolidated balance sheet at 1 January 2022 and at 31 December 2022 and the restatement impact on the consolidated income statement for the year ended 31 December 2022.

2.2.1.2 Summary of accounting policies for insurance activities

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

An insurance contract is a contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event.

When identifying contracts in the scope of IFRS 17, there is a need to assess whether contracts need to be treated as a single contract and whether embedded derivatives, investment components and goods and services components need to be separated and accounted for under another standard. For the Group's insurance and reinsurance contracts held, there were no significant changes arising from the application of these requirements.

Level of aggregation

Individual insurance contracts that are managed together and are subject to similar risks are identified as a group.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.2 Summary of accounting policies for insurance activities (continued)

Contracts that are managed together usually belong to the same product line and have similar characteristics such as being subject to a similar pricing framework or similar product management and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks.

Each group of contracts is then divided into annual cohorts (i.e. by year of issue) and each cohort into three groups, based on expected profitability: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts.

The groups of insurance contracts are established at initial recognition without subsequent reassessment and form the unit of account at which the contracts are measured.

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

i. the beginning of the coverage period;
ii. the date when the first payment from the policyholder is due or actually received, if there is no due date; and
iii. when the Group determines that a group of contracts becomes onerous.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundaries

The measurement of a group of insurance contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. For multiyear (more than one year) non-life contracts, the Group has assessed that they are expected to equal their duration as the Group cannot reprice or terminate the insurance contract during the coverage period.

Measurement

IFRS 17 introduces a standard measurement model, the General Measurement Model (GMM) and allows also for a simplified approach, the Premium Allocation Approach (PAA). IFRS 17 also provides for the Variable Fee Approach (VFA), which is mandatory to apply for insurance contracts with direct participation features upon meeting the eligibility criteria. While the GMM is the default measurement model under IFRS 17, the Group applies the VFA primarily to insurance contracts in the unit-linked life portfolio. The PAA is an optional simplification applicable for measuring the Liability for Remaining Coverage (LRC) for contracts with coverage periods of one year or less, or when doing so approximates the GMM; it is primarily applied by the Group to non-life insurance contracts and to non-individual life insurance contracts as well as to reinsurance contracts of the Group except for the individual life reinsurance agreement, for which the GMM is applied. For the rest of the insurance contracts (individual protection life contracts, the acquired portfolio and health long-term portfolio) and the Liability for Incurred Claims (LIC) of non-life insurance contracts, the Group applies the GMM approach.

Initial measurement

Groups of insurance contracts under the GMM or the VFA are initially measured as the total of:

a. Fulfilment cash flows, which comprise:
    i. an estimate of the present value of future cash flows that are expected to arise as the Group fulfils its service under the insurance contracts; and
    ii. an explicit risk adjustment for non-financial risk (i.e., the risk adjustment held on balance sheet)

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.2 Summary of accounting policies for insurance activities (continued)

b. Contractual Service Margin (CSM) which represents the unearned profit that the Group will recognise as it provides insurance contract services.

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect both the time value of money and financial risks, plus a risk adjustment for non-financial risk. The discount rate applied reflects the time value of money, the characteristics of the cash flows, the liquidity characteristics of the insurance contracts and, where appropriate, is consistent with observable current market prices.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing the uncertainty in relation to the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment is explicit and determined separately from other fulfilment cash flows.

A CSM arises when, for a group of contracts, the sum of the discounted cash flows and the risk adjustment is a net inflow. If the sum of these is a net outflow, then the group of contracts is onerous and a loss equal to the net outflow is recognised in the consolidated income statement.

Under the PAA, the liability for remaining coverage is initially recognised as the premiums received at initial recognition, minus any insurance acquisition cash flows.

Subsequent measurement

GMM

At the end of each reporting period, insurance contracts are measured as the sum of:

i. Liability for remaining coverage (LRC), comprising fulfilment cash flows related to future service and the CSM at the reporting date; and
ii. Liability for incurred claims (LIC), comprising fulfilment cash flows related to past service at the reporting date (claims and expenses not yet paid, including claims incurred but not yet reported).

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

i. Changes related to future service are adjusted against the CSM unless the group of contracts is onerous in which case such changes are recognised in the net insurance service result in the consolidated income statement
ii. Changes related to past or current service are recognised in the net insurance service result in the consolidated income statement
iii. The effects of the time value of money and financial risk are recognised as net insurance finance income or expense in the consolidated income statement

The amount of CSM recognised in income statement for services in a period is determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. These coverage units reflect the quantity of benefits and the coverage duration. Adjustments relating to future service and thus adjust the CSM using locked-in discount rates (i.e. those that reflect the characteristics of the cash flows of initial recognition) except for changes in the risk adjustment for non-financial risk that relate to future service.

VFA

The VFA is applied for contracts with direct participation features (contracts where returns are based on the performance of underlying assets). For insurance contracts under the VFA, changes in the Group’s share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM but are recognised in profit or loss as they arise.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.2 Summary of accounting policies for insurance activities (continued)

PAA
Subsequently to initial measurement, the carrying amount of the LRC is increased with premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period. The LRC is not discounted, since at initial recognition, it is expected that the time between providing each part of the coverage and the due date of the related premium is not more than a year.

Reinsurance contracts
The Group applies the same accounting policies to measure a group of reinsurance contracts under PAA, with the following modifications to reflect features that differ from those of insurance contracts. The Group establishes a loss-recovery component on the carrying amount of the asset for remaining coverage for a group of reinsurance contracts, depicting the recovery of losses, where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

The subsequent measurement of reinsurance contracts follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance. Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts.

The measurement of reinsurance contracts under the individual life reinsurance agreement follows the same principles as those for insurance contracts measured under the GMM. The carrying amount of the reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance.

Contract derecognition

The Group derecognises an insurance contract issued when the obligation specified in the contract expires, is discharged, or is cancelled, or if its terms are modified significantly. When a contract is modified significantly, a new contract based on the modified terms is recognised.

On derecognition of an insurance contract, the Group:
i. Adjusts the fulfilment cash flows to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group of contracts,
ii. Adjusts the CSM of the group of contracts for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
iii. Adjusts the number of coverage units for the expected remaining services, to reflect the number of coverage units derecognised from the group of contracts.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.2 Summary of accounting policies for insurance activities (continued)

Onerous groups of contracts

For portfolios measured under the PAA, the Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts not measured under the PAA, that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

i. Major shifts in economic and regulatory environment;
ii. Combined Loss Ratio (Claims plus expenses divided by premium);
iii. Pricing strategy leading to loss;
iv. Changes in claims handling policy (e.g. time – stamped period) etc.

The Group has based its assessment on the Combined Loss Ratio as one of the key indicators of whether there are facts and circumstances to conclude that a group of contracts is onerous, as it takes into account economic shifts, the Group's decision on the pricing strategy as well as the Group's claims' handling processes.

For the portfolios measured under GMM and VFA models, the Group performs profitability assessment to assess the portfolio of insurance contracts issued into three profitability groups, if applicable, for the purpose of calculating the CSM. The grouping is performed per set of contracts at initial recognition based on assumed profitability (profit testing exercise).

Insurance acquisition cash flows

The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling and starting a group of insurance contracts and that are:

a. costs directly attributable to individual contracts and groups of contracts; and
b. costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Directly attributable expenses

In accordance with IFRS 17, expenses directly attributable to a group of insurance contracts, which include both acquisition and maintenance costs are incorporated in actual and estimated future cash flows and recognised in the net insurance result. Insurance acquisition cash flows are amortised. Expenses that are not directly attributable are excluded from the measurement of insurance contract liabilities and are recognised in profit and loss as incurred.

2.2.1.3 Significant judgments and estimates for insurance and reinsurance contracts assets and liabilities

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of insurance and reinsurance assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available by the reporting date. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.3 Significant judgments and estimates for insurance and reinsurance contracts assets and liabilities (continued)

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders and other costs that are incurred in fulfilling contracts. These comprise both an allocation of fixed and variable overheads.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

The following key assumptions were used when estimating future cash flows in relation to life insurance contracts:
a) Mortality and morbidity rates
b) Expenses and inflation
c) Lapse and surrender rates

Mortality and morbidity rates
Assumptions are based on standard international tables of mortality and morbidity, according to the type of contract. In addition, a study is performed based on the actual experience (actual deaths) of the insurance company for comparison purposes and if sufficient evidence exists which is statistically reliable, the results are incorporated in these tables. An increase in mortality rates will lead to a larger expected number of claims (or claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for shareholders.

The table below sets out the percentage estimated to apply to industry mortality and morbidity tables in estimating fulfilment cash flows:

		Mortality rates*	
		31 December 2023	31 December 2022
Males	Smokers	68% A67/70	68% A67/70
	Non-Smokers	48.25% A67/70	48.25% A67/70
Females	Smokers	68% A67/70 rated down by 4 years	68% A67/70 rated down by 4 years
	Non-Smokers	48.25% A67/70 rated down by 4 years	48.25% A67/70 rated down by 4 years

* The Group uses A67/70 UK standard mortality table in setting the mortality assumption, since the Group's own claim experience is not sufficient to allow the development of its own mortality table. To reflect the Group's specific claims experience more accurately, a percentage is applied on the A67/70 UK standard mortality table.

Expense and inflation
Expense assumptions are based on the actual costs of the insurance activities of the Group incurred within the year. To derive the per-policy expense assumption, every year the Group performs an expense analysis which is based on the Group's insurance subsidiaries actual expenses. For the purpose of the expense analysis, expenses are split into expenses which are attributable and non-attributable. The Group produces various metrics/ratios to allocate the costs to the underlying products. Non-attributable expenses are excluded from the analysis as these are not directly related to a group of insurance contracts.

An assumption is also made for the rate of increase in expenses in relation to the annual inflation rate. An increase in the level of expenses would reduce profitability.

	31 December 2023	31 December 2022
	€000	€000
Inflation rate	**4,00%**	4,00%

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.3 Significant judgments and estimates for insurance and reinsurance contracts assets and liabilities (continued)

Lapse and surrender rates
An analysis of contract termination rates is performed every year, using actual data from the insurance company incorporation until the immediate preceding year. Rates vary according to the type and duration of the plan.

	Unit-Linked (protection)		Unit-Linked (savings)		Non-Linked (term)		Non-Linked (Cap. Builder & Lifestart)	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Year 1	**4%**	4%	**6%**	7%	**4%**	5%	**3%**	3%
Year 2	**5%**	7%	**6%**	6%	**6%**	8%	**7%**	7%
Year 3	**5%**	6%	**6%**	6%	**6%**	9%	**7%**	8%
Year 4	**5%**	6%	**6%**	7%	**7%**	9%	**6%**	6%
Year 5	**5%**	6%	**6%**	6%	**7%**	9%	**6%**	6%
Year 6+	**5%**	6%	**5%**	6%	**8%**	9%	**6%**	6%

Discount rates

Discount rates are applied to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.

IFRS 17 requires that discount rates should:
i. Reflect the time value of money, characteristics of the cash flows and liquidity characteristics of the insurance contract
ii. Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts (e.g., timing, currency and liquidity)
iii. Exclude the effect of factors that influence such observable market prices, but do not affect the future cash flows of the insurance contracts

IFRS 17 does not require a particular estimation technique for determining discount rates but provides two alternative approaches that may be used to derive discount rates. The determination of discount rates may be derived from a yield curve that reflects the current market rates of return of an actual or reference portfolio of assets, adjusted to eliminate any factors that are not relevant to the insurance contracts (top-down approach), or discount rates may be derived based on a liquid risk-free yield curve adjusted for an illiquidity premium (bottom-up approach). The Group has elected to apply a bottom-up approach whereby discount rates are derived based on a liquid risk free yield curve adjusted for an illiquidity premium which is derived from each insurance subsidiary own bond portfolio assets. Under the bottom-up approach, the risk free yield curve should be based on interest rates that are risk-free without including any component of credit risk and should be derived from each insurance subsidiary at which two parties are willing to exchange interest obligations. It is therefore necessary for these to be available for different times reflecting the liabilities of the insurance contracts. It should also be based on information from financial markets. The Group has elected to use the EIOPA risk-free rate curve as the liquid risk-free curve as it covers all the above requirements. It adds to that the illiquidity premium which is calculated by subtracting the credit risk premium and risk-free rate from the Yield to Maturity ('YTM') of the own bond portfolio of assets for each insurance subsidiary. The YTM represents the interest rate that would be required for the portfolio's future cash flows to equal its market price.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.3 Significant judgments and estimates for insurance and reinsurance contracts assets and liabilities (continued)

The rates applied for discounting future cash flows are listed below:

	Year 1		Year 3		Year 5		Year 10		Year 20	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
Life insurance contracts (unit-linked)	**3.5%**	2.4%	**2.5%**	2.8%	**2.4%**	2.9%	**2.5%**	3.0%	**2.5%**	2.7%
Life insurance contracts (non-linked)	**3.5%**	2.4%	**2.6%**	2.8%	**2.5%**	2.9%	**2.5%**	3.0%	**2.5%**	2.7%
Non-life insurance contracts	**4.6%**	4.0%	**3.8%**	4.0%	**3.7%**	4.0%	**3.7%**	3.9%	**3.7%**	3.6%

Investment return

Investment return is the basic risk free yield curve, adjusted to allow for the duration mismatch between the asset portfolio and the insurance liabilities.

Risk adjustment for non-financial risk

IFRS 17 provides limited prescriptive requirements as to the methodology to be used to calculate the risk adjustment for non-financial risk and allows an entity to apply judgement in determining an appropriate estimation technique.

Life insurance business and health insurance business
The Group has applied judgement in estimating the risk adjustment, in the following areas:

i. Risks included within the risk adjustment calculation – the risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from insurance risk and other non-financial risks as the insurance contract is fulfilled. In estimating the risk adjustment, the Group has considered the non-market risks which are also allowed in the calculation of the Solvency II Risk Margin. These include life and health underwriting risks whereas, as specified by the standard, counterparty and operational risks are excluded.
ii. Method of calculation - the Group calculates a margin, above best estimate assumptions, for each non-financial risk to which the Group is exposed through issuing insurance contracts. The margins are set so that (in combination) they would cover potential losses from movements in non-financial risks within a specified confidence level. The total of these margins is the risk adjustment. The Group has applied judgement in setting the confidence level applied in the risk adjustment calculation, based on the Group's appetite for accepting the risk inherent in writing insurance contracts and the compensation required for doing so.

The Group has estimated the risk adjustment using a hybrid of Cost of Capital (CoC) and Value at Risk (VaR) techniques. The Group first uses the CoC technique to calculate Risk Adjustment, which is then scaled up/down using the VAR technique, to reflect the Group's risk appetite and overall strategy.

The CoC methodology assesses the cost of holding capital sufficient to cover the relevant risks over the lifetime of the business. It determines a required compensation amount by discounting the projected cost of the calculated capital and translating that compensation amount to a corresponding confidence level. The Group uses the CoC technique to produce a normal distribution with:

i. the Best Estimate Liabilities (BEL) as the mean of the distribution, and
ii. the Best Estimate Liabilities plus the solvency capital requirement (SCR) as the 99.5% percentile of the distribution.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.3 Significant judgments and estimates for insurance and reinsurance contracts assets and liabilities (continued)

The risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at 6% per annum, representing the return required to compensate for the exposure to non-financial risk. The resulting amount of the calculated risk adjustment under the CoC method corresponds to the confidence level of 60%.

VaR technique is calculated with reference to a particular confidence level, that is considered appropriate by the Group. The confidence level of 60% calculated using the CoC method, is scaled up to 90%. This is the desired confidence level of the Group. The Risk Adjustment is then calculated using the normal distribution produced by the Group and a confidence level of 90% (2022: 90%).

Non-life insurance business other than the health insurance business
For non-life insurance business the risk adjustment forms a key component of the LIC.

The risk adjustment for LRC forms part of the loss component calculation which is used to determine the groupings of contracts that are expected to be onerous.

Risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. It is determined separately for each non-life line of business and allocated to groups of contracts based on the total premiums for each group. It reflects the effects of the diversification benefits between the different lines of business, which are determined using a correlation matrix technique available from EIOPA.

The risk adjustment for non-financial risk is determined using a confidence level technique which stems from a hybrid Cost of Capital and Value at Risk approach. To determine the risk adjustment for non-financial risk for non-life reinsurance contracts, the Group applies this technique to the gross amounts and then by using gross to net ratios it derives the amount of risk being transferred to the reinsurer as the difference between the two results.

The Group estimates the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk at value at risk of the target confidence level. The Group uses a target 75% (2022:75%) percentile for the confidence level.

CSM

The CSM of a group of contracts is recognised in the income statement to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in income statement the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Further details on insurance liabilities are disclosed in Note 31.

2.2.1.4 Accounting policy choices for measurement and presentation of insurance and reinsurance contracts assets and liabilities and related income/expense

The significant accounting policy choices applicable to the Group are in relation to:

i. Disaggregation of insurance finance income or expenses: The Group has elected to recognise total insurance finance income or expenses in the consolidated income statement in the period in which they arise i.e. no disaggregation is applied.
ii. Deferral of acquisition expenses: The Group has elected to defer insurance acquisition cash flows for non-life insurance business other than the health insurance business, in applying the premium allocation approach for which IFRS 17 provides an election to be made.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.4 Accounting policy choices for measurement and presentation of insurance and reinsurance contracts assets and liabilities and related income/expense (continued)

iii. Disaggregation of change in risk adjustment for non-financial risk: The Group has elected to disaggregate the change in risk adjustment for non-financial risk between the net insurance service result and net insurance finance income/(expense).

2.2.1.5 Presentation

The amounts presented in the consolidated income statement in relation to insurance and reinsurance revenue and expense include:

i. Net insurance finance income/(expense) and net reinsurance finance income/(expense), that comprises of:
    a. Net insurance finance income/(expense) which represents the finance related change in the carrying value of a group of insurance contracts comprising interest effects of changes in interest rates and other financial assumptions and the effect of changes in the fair value of underlying items for direct participating contracts
    b. Net finance income/(expense) from reinsurance contracts held is the finance related change in the carrying value of a group of reinsurance contracts comprising interest accreted and effects of changes in interest rates and other financial assumptions.
ii. Net insurance service result, that comprises of:
    a. Insurance revenue that reflects the consideration to which the Group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components) and includes among others CSM released during the period, revenue for insurance contracts under the PAA and changes in risk adjustment related to current service period and experience variance.
    b. Insurance service expenses that comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.
iii. Net reinsurance service result, that comprises of amounts recovered from reinsurers and reinsurance expenses.

2.2.1.6 Transition impact

On transition on 1 January 2022, the Group’s Total Equity and Equity attributable to the owners of the Company were reduced by €37,563 thousand, reflecting the aggregate impact of the present value of in-force life insurance business (PVIF) elimination and remeasurement of insurance assets and liabilities, both net of associated tax impact. Similarly, adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the Group’s Total Equity and Equity attributable to the owners of the Company at 31 December 2022 as reported under IFRS 4 were reduced by €52,104 thousand, as analysed below.

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.6 Transition impact (continued)

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Total Equity	**2,079,113**	**2,104,428**
IFRS 4 Equity attributable to the owners of the Company	**1,836,679**	**1,862,128**
Removal of PVIF asset	(129,890)	(115,776)
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*(37,563)*	*(52,104)*
IFRS 17 Equity attributable to the owners of the Company	**1,799,116**	**1,810,024**
IFRS 17 Total Equity	**2,041,550**	**2,052,324**

The reduction of the Group's equity by €52 million as at 31 December 2022 comprises the elimination of the in-force life insurance business asset (PVIF) and the associated deferred tax liability, resulting in a net decrease of €101 million and the remeasurement of insurance assets and liabilities (including the impact of the contractual service margin) resulting in a net increase in equity by €49 million.

On transition on 1 January 2022, the Group's Tangible Equity attributable to the owners of the Company was increased by €92,327 thousand. Adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the Group's Tangible Equity attributable to the owners of the Company as at 31 December 2022 as restated under IFRS 17 was increased by €63,672 thousand as analysed below.

	At 1 January 2022	At 31 December 2022
	€000	€000
IFRS 4 Group's Tangible Equity attributable to the owners of the Company	1,652,645	1,693,806
Contractual service margin	(43,731)	(41,863)
Removal of IFRS 4 assets and liabilities and recording of IFRS 17 fulfilment cash flows and risk adjustment	129,255	97,028
Tax effect (incl. PVIF tax effect)	7,079	9,601
Other	(276)	(1,094)
Total impact of IFRS 17 restatements	*92,327*	*63,672*
IFRS 17 Group's Tangible Equity attributable to the owners of the Company	**1,744,972**	**1,757,478**

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.6 Transition impact (continued)

Consolidated Income Statement for the year ended 31 December 2022, as restated for IFRS 17 and as previously reported under IFRS 4 is presented below.

	IFRS 17 (restated)	IFRS 4 (as previously presented)
	€000	€000
Interest income	**429,276**	429,276
Income similar to interest income	**22,119**	22,119
Interest expense	**(65,276)**	(65,376)
Expense similar to interest expense	**(14,840)**	(14,840)
Net interest income	**371,279**	371,179
Fee and commission income	**202,583**	202,583
Fee and commission expense	**(10,299)**	(10,299)
Net foreign exchange gains	**31,291**	31,291
Net gains/(losses) on financial instruments	**(614)**	10,052
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**5,235**	5,235
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**784**	-
Net insurance service result	**60,530**	-
Net reinsurance service result	**(16,748)**	-
Income from assets under insurance and reinsurance contracts	**-**	114,681
Expenses from liabilities under insurance and reinsurance contracts	**-**	(43,542)
Net losses from revaluation and disposal of investment properties	**(999)**	(999)
Net gains on disposal of stock of property	**13,970**	13,970
Other income	**16,681**	16,681
Total operating income	**673,693**	710,832
Staff costs	**(285,154)**	(294,361)
Special levy on deposits and other levies/contributions	**(38,492)**	(38,492)
Provisions for pending litigations, regulatory and other provisions (net of reversals)	**(11,880)**	(11,880)
Other operating expenses	**(158,240)**	(166,689)
Operating profit before credit losses and impairment	**179,927**	199,410
Credit losses on financial assets	**(59,087)**	(59,529)
Impairment net of reversals on non-financial assets	**(29,549)**	(29,549)
Profit before tax	**91,291**	110,332
Income tax	**(30,971)**	(35,471)
Profit after tax for the year	**60,320**	74,861
Attributable to:		
Owners of the Company	**57,454**	71,995
Non-controlling interests	**2,866**	2,866
Profit for the year	**60,320**	74,861
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	**0.6**	0.8

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.6 Transition impact (continued)

Consolidated Balance Sheet at transition date and at 31 December 2022 as restated under IFRS 17 and as previously reported under IFRS 4 is presented below.

	IFRS 17 (restated)		IFRS 4 (as previously presented)	
	31 December 2022	**1 January 2022**	31 December 2022	1 January 2022
Assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,567,258**	**9,230,883**	9,567,258	9,230,883
Loans and advances to banks	**204,811**	**291,632**	204,811	291,632
Derivative financial assets	**48,153**	**6,653**	48,153	6,653
Investments at FVPL	**190,209**	**199,194**	190,209	199,194
Investments at FVOCI	**467,375**	**748,695**	467,375	748,695
Investments at amortised cost	**2,046,119**	**1,191,274**	2,046,119	1,191,274
Loans and advances to customers	**9,961,642**	**9,836,405**	9,961,642	9,836,405
Life insurance business assets attributable to policyholders	**542,321**	**551,797**	542,321	551,797
Prepayments, accrued income and other assets	**608,979**	**583,865**	639,690	616,307
Stock of property	**1,041,032**	**1,111,604**	1,041,032	1,111,604
Investment properties	**85,099**	**117,745**	85,099	117,745
Deferred tax assets	**227,934**	**265,942**	227,521	265,481
Property and equipment	**253,378**	**252,130**	253,378	252,130
Intangible assets	**52,546**	**54,144**	168,322	184,034
Non-current assets and disposal groups held for sale	**-**	**358,951**	-	358,951
Total assets	**25,296,856**	**24,800,914**	25,442,930	24,962,785
Liabilities				
Deposits by banks	**507,658**	**457,039**	507,658	457,039
Funding from central banks	**1,976,674**	**2,969,600**	1,976,674	2,969,600
Derivative financial liabilities	**16,169**	**32,452**	16,169	32,452
Customer deposits	**18,998,319**	**17,530,883**	18,998,319	17,530,883
Insurance contract liabilities	**597,981**	**622,398**	679,952	736,201
Accruals, deferred income, other liabilities and other provisions	**384,042**	**358,139**	386,853	362,026
Provisions for pending litigations, claims, regulatory and other matters	**127,607**	**104,108**	127,607	104,108
Debt securities in issue	**297,636**	**302,555**	297,636	302,555
Subordinated liabilities	**303,812**	**342,373**	303,812	342,373
Deferred tax liabilities	**34,634**	**39,817**	43,822	46,435
Total liabilities	**23,244,532**	**22,759,364**	23,338,502	22,883,672
Equity				
Share capital	**959,794**	**959,794**	959,794	959,794
Share premium	**1,250**	**1,250**	1,250	1,250
Revaluation and other reserves	**98,402**	**121,004**	199,703	234,655
Retained earnings	**750,578**	**717,068**	701,381	640,980
Equity attributable to the owners of the Company	**1,810,024**	**1,799,116**	1,862,128	1,836,679
Other equity instruments	**220,000**	**220,000**	220,000	220,000
Non-controlling interests	**22,300**	**22,434**	22,300	22,434
Total equity	**2,052,324**	**2,041,550**	2,104,428	2,079,113
Total liabilities and equity	**25,296,856**	**24,800,914**	25,442,930	24,962,785

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.6 Transition impact (continued)

Transition impact on the Consolidated Balance Sheet at 1 January 2022

The adjustments to the Group's balance sheet at 1 January 2022 arising on the adoption of IFRS 17 are presented below.

	Balance IFRS 4	Removal of PVIF and IFRS 4 assets and liabilities	IFRS 17 fulfilment cash flows incl. Risk adjustment*	IFRS 17 CSM	Tax effect	Other	Balance IFRS 17	*Total movements*
Assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	***€000***
Prepayments, accrued income and other assets	616,307	(70,121)	37,676	-	-	3	583,865	*(32,442)*
Deferred tax assets	265,481	-	-	-	461	-	265,942	*461*
Intangible assets	184,034	(129,890)	-	-	-	-	54,144	*(129,890)*
All other assets	23,896,963	-	-	-	-	-	23,896,963	-
Total assets	24,962,785	(200,011)	37,676	-	461	3	24,800,914	*(161,871)*
Liabilities								
Insurance contract liabilities	736,201	(736,201)	578,667	43,731	-	-	622,398	*(113,803)*
Accruals, deferred income, other liabilities and other provisions	362,026	(4,166)	-	-	-	279	358,139	*(3,887)*
Deferred tax liabilities	46,435	-	-	-	(6,618)	-	39,817	*(6,618)*
All other liabilities	21,739,010	-	-	-	-	-	21,739,010	-
Total liabilities	22,883,672	(740,367)	578,667	43,731	(6,618)	279	22,759,364	*(124,308)*

** includes reinsurance assets and liabilities adjustments*

Transition drivers

Removal of PVIF and IFRS 4 assets and liabilities
The present value of in-force business ('PVIF') which was previously reported under IFRS 4 within 'Intangible assets' and that arose from the upfront recognition of future profits associated with in-force insurance contracts, is no longer recognized under IFRS 17. The estimated future profits are included in the measurement of the insurance contract liability as the contractual service margin ('CSM'), representing the unearned profit, which will be gradually recognized over the duration of a contract. Other IFRS 4 insurance assets and insurance contract liabilities were removed on transition, and replaced with IFRS 17 insurance assets and liabilities.

Recognition of the IFRS 17 fulfilment cash flows and risk adjustment
The measurement of insurance contract liabilities under IFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contractual obligations associated with the insurance contract, such as premiums, expenses, insurance benefits and claims. These are recorded within the fulfilment cash flow component of the insurance contract liability, together with the risk adjustment.

Recognition of the IFRS 17 CSM
In contrast to IFRS 4 accounting, where profits were recognised upfront, under IFRS 17 they are deferred within the CSM which is systematically recognized in revenue, as services are provided over the coverage period of groups of insurance contracts.

Tax effect
The removal of deferred tax liability primarily results from the removal of the associated PVIF intangible, and new deferred tax assets and liabilities are reported, where appropriate, on temporary differences between the new IFRS 17 accounting balances and their associated tax bases.

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

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

2.2.1 **New and amended standards and interpretations** (continued)

2.2.1.6 **Transition impact** (continued)

Transition impact on the Consolidated Income Statement

A summary of the impact of implementing IFRS 17 on the Group's consolidated income statement for the year ended 31 December 2022 is presented below.

	For the year ended 31 December 2022									
	IFRS 4	**Removal of IFRS 4 and reclassifi-cations**	**Net insurance finance income/ expense**	**IFRS 17 CSM**	**IFRS 17 insurance revenue-other than CSM**	**IFRS 17 insurance expense**	**Net expense from reinsurance**	**Attributable expenses (reclassifi-cation to net insurance service result)**	**Tax effect**	**IFRS 17 (restated)**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Interest income	429,276	-	-	-	-	-	-	-	-	**429,276**
Income similar to interest income	22,119	-	-	-	-	-	-	-	-	**22,119**
Interest expense	(65,376)	-	-	-	100	-	-	-	-	**(65,276)**
Expense similar to interest expense	(14,840)	-	-	-	-	-	-	-	-	**(14,840)**
Net interest income	371,179	-	-	-	100	-	-	-	-	**371,279**
Fee and commission income	202,583	-	-	-	-	-	-	-	-	**202,583**
Fee and commission expenses	(10,299)	-	-	-	-	-	-	-	-	**(10,299)**
Net foreign exchange gains	31,291	-	-	-	-	-	-	-	-	**31,291**
Net gains/(losses) on financial instruments	10,052	(10,666)	-	-	-	-	-	-	-	**(614)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5,235	-	-	-	-	-	-	-	-	**5,235**
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	-	-	784	-	-	-	-	-	-	**784**
Net insurance service result	-	-	-	5,031	130,061	(74,562)	-	-	-	**60,530**
Net reinsurance service result	-	-	-	-	-	-	(16,748)	-	-	**(16,748)**
Income from assets under insurance and reinsurance contracts	114,681	(114,681)	-	-	-	-	-	-	-	**-**
Expenses from liabilities under insurance and reinsurance contracts	(43,542)	43,542	-	-	-	-	-	-	-	**-**
Net losses from revaluation and disposal of investment properties	(999)	-	-	-	-	-	-	-	-	**(999)**
Net gains on disposal of stock of property	13,970	-	-	-	-	-	-	-	-	**13,970**
Other income	16,681	-	-	-	-	-	-	-	-	**16,681**
Total operating income	710,832	(81,805)	784	5,031	130,161	(74,562)	(16,748)	-	-	**673,693**
Staff costs	(294,361)	-	-	-	-	-	-	9,207	-	**(285,154)**
Special levy on deposits and other levies/contributions	(38,492)	-	-	-	-	-	-	-	-	**(38,492)**
Provisions for pending litigations, regulatory and other provisions (net of reversals)	(11,880)	-	-	-	-	-	-	-	-	**(11,880)**
Other operating expenses	(166,689)	-	-	-	-	-	-	8,449	-	**(158,240)**
Operating profit before credit losses and impairment	199,410	(81,805)	784	5,031	130,161	(74,562)	(16,748)	17,656	-	**179,927**
Credit losses on financial assets	(59,529)	-	-	-	442	-	-	-	-	**(59,087)**
Impairment net of reversals on non-financial assets	(29,549)	-	-	-	-	-	-	-	-	**(29,549)**
Profit before tax	110,332	(81,805)	784	5,031	130,603	(74,562)	(16,748)	17,656	-	**91,291**
Income tax	(35,471)	-	-	-	-	-	-	77	4,423	**(30,971)**
Profit after tax for the year	74,861	(81,805)	784	5,031	130,603	(74,562)	(16,748)	17,733	4,423	**60,320**

2. Summary of accounting policies (continued)

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

2.2.1 New and amended standards and interpretations (continued)

2.2.1.6 Transition impact (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (amendments)
The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have an impact on the financial position and results of the Group during the year ended 31 December 2023.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendments)
The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments did not have an impact on the financial position and results of the Group during the year ended 31 December 2023.

IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)
The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments did not have a significant impact on the financial position and results of the Group during the year ended 31 December 2023.

IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (amendments)
IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules. An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective. The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. Although the Group is operating in jurisdictions where the Pillar Two legislation has not been enacted or substantively enacted at the balance sheet date, the Group discloses known or reasonably estimable information that helps users of financial statements to understand the estimated Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in Note 17. The Group will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.3 Standards and Interpretations that are issued but not yet effective

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

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

2. Summary of accounting policies (continued)

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

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

IAS 1 Presentation of Financial Statements: classification of Liabilities as Current or Non-current (amendments)
The IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (a) what is meant by a right to defer settlement, (b) that a right to defer must exist at the end of the reporting period and (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument. The amendments are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

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

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (amendments)
In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments)
In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. Rather, it is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

2.4 Basis of consolidation

The Consolidated Financial Statements comprise the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2023. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Specifically, the Group controls an investee only if the Group has:

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

2. Summary of accounting policies (continued)

2.4 Basis of consolidation (continued)

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

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

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

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises and no gain/loss is recognised in the consolidated income statement from such transactions. The foreign exchange differences which relate to the share of non-controlling interests being sold/acquired are reclassified between the foreign currency reserve and non-controlling interests.

2.5 Foreign currency translation

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

2.5.1 Transactions and balances

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

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

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

2.5.2 Subsidiary companies and branches

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

2. Summary of accounting policies (continued)

2.5 Foreign currency translation (continued)

2.5.2 Subsidiary companies and branches (continued)

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

2.6 Segment reporting

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

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

2.7 Turnover

Group turnover is represented by the Total operating income which comprises of net interest income, net fee and commission income, net foreign exchange gains, net gains/(losses) on financial instruments, net gains/(losses) on derecognition of financial assets measured at amortised cost, net insurance result, net gains/(losses) from revaluation and disposal of investment properties, net gains/(losses) on disposal of stock of property and other income as these are presented in the Consolidated Income Statement and is presented in Note 6.

2.8 Revenue from contracts with customers

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

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

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

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

Receivables are recorded where the Group provides services to clients, consideration is due immediately upon satisfaction of a point in time service or at the end of a prespecified period for an over the time service. It is the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The initial recognition and subsequent measurement of such receivables is disclosed in Notes 2.13 to 2.17.

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

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

2. Summary of accounting policies (continued)

2.8 Revenue from contracts with customers (continued)

2.8.1 Fee and commission income

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

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

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

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

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

2.8.2 Dividend income

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

2.8.3 Rental income

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

2.8.4 Gains on disposal of investment property

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

2.8.5 Gains on disposal of stock of property

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

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

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

2. Summary of accounting policies (continued)

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

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

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

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

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

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

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

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

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

2. Summary of accounting policies (continued)

2.10 Employee benefits

2.10.1 Retirement benefits

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

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

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

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

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

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

2.10.2 Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accrual basis over the period during which employees have provided services. Bonuses are recognised to the extent that the Group has a legal or constructive obligation to its employees that can be measured reliably.

2.10.3 Exit cost benefits

Exit cost benefits refer to termination benefits and are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which includes the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer of voluntary redundancy, which is not within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group recognises the expense at the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

2.11 Tax

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

2. Summary of accounting policies (continued)

2.11 Tax (continued)

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

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

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

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

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

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

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

2.12 Financial instruments - initial recognition

2.12.1 Date of recognition

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

2.12.2 Initial recognition and measurement of financial instruments

The classification of financial assets on initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.13.

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

2. Summary of accounting policies (continued)

2.12 Financial instruments - initial recognition (continued)

2.12.2 Initial recognition and measurement of financial instruments (continued)

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in Note 2.12.3 below.

2.12.3 Day 1 profit or loss

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

2.12.4 Measurement categories of financial assets and financial liabilities

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

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

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

2.13 Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

2. Summary of accounting policies (continued)

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

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

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

2.13.1 Derivative financial instruments

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

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

For hybrid contracts where the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are based on the business model and SPPI assessment as described in the classification of financial assets section of Note 2.13 and applied to the entire hybrid instrument.

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

2.13.2 Financial assets measured at amortised cost

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

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

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

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

2. Summary of accounting policies (continued)

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

2.13.3 Debt instruments measured at FVOCI

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

i. The financial asset is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

2.13.4 Financial assets or financial liabilities held for trading

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

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

2.13.5 Financial assets or financial liabilities at FVPL

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

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

(a) the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the assets or liabilities or the recognition of gains or losses on them on a different basis, or
(b) the liabilities are part of a group of financial liabilities or financial assets and financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
(c) the liabilities contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of the instrument or it is clear, with little or no analysis, that the embedded derivative could not be separated.

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

Assets held under unit-linked insurance contracts, certain non-linked insurance contracts and investment contracts issued by insurance subsidiaries are designated at FVPL.

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

2. Summary of accounting policies (continued)

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

2.13.5 Financial assets or financial liabilities at FVPL (continued)

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

2.13.6 Equity instruments measured at FVOCI

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

Fair value gains and losses on these equity instruments are recognised in OCI and are not recycled to profit or loss upon derecognition, but are transferred directly to retained earnings. Dividends on equity investments are recognised in the consolidated income statement and reported within 'Other Income' when the right to receive payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case it is recorded in OCI. Equity instruments measured at FVOCI are not subject to an impairment assessment.

2.13.7 Debt securities in issue and Subordinated liabilities

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

Interest on debt securities in issue and subordinated liabilities is included in 'Interest expense' in the consolidated income statement.

2.13.8 Other financial liabilities

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

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

2.13.9 Determination of fair value - Valuation techniques

The following is a description of the determination of fair value for financial instruments which are recorded at fair value and for financial instruments which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including, foreign exchange spot and forward rates and interest rate curves.

2. Summary of accounting policies (continued)

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

2.13.9 Determination of fair value - Valuation techniques (continued)

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA)
The CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and BOC PCL's own credit quality respectively.

The Group calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying BOC PCL's PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Group and multiplying the result by the loss expected in the event of default.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard Loss Given Default (LGD) assumption in line with industry norm is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Group does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments at FVPL, investments at FVOCI and investments at amortised cost
Investments which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data. The rest of the investments are valued using quoted prices in active markets.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk-free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan.

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of BOC PCL. The fair value of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Reverse repurchase agreements
Fair values of reverse repurchase agreements that are held on a non-trading basis are determined by calculating the present value of future cash flows. The cashflows are discounted using an appropriate risk free rate plus the appropriate credit spread.

Deposits by banks and funding from central banks
Deposits by banks and funding from central banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term funding, the fair value is approximated by the carrying value.

Debt securities in issue and Subordinated liabilities
Debt securities and subordinated liabilities issuances are traded in an active market with quoted prices.

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

2. Summary of accounting policies (continued)

2.14 Reclassification of financial assets and liabilities

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

Financial liabilities are never reclassified.

2.15 Derecognition of financial assets and financial liabilities

2.15.1 Financial assets

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

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

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

A transfer only qualifies for derecognition if either:

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

2.15.2 Financial liabilities

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

2.16 Modification of financial assets

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

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

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

2. Summary of accounting policies (continued)

2.16 Modification of financial assets (continued)

Where the modification does not result in derecognition, the Group recognises a modification gain or loss, based on the difference between the modified cash flows discounted at the original EIR and the existing gross carrying value of the financial asset. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired, as defined in Note 2.17.2, are no longer present. A modified financial asset will transfer out of Stage 2 when it no longer meets the criteria for significant increase in credit risk such as it satisfies relative thresholds, which are based on changes in its lifetime probability of default (PD), days past due are not considered to be forborne, and other considerations. The financial asset continues to be monitored for significant increases in credit risk and credit impairment.

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

2.17 Impairment of financial assets

2.17.1 Overview of ECL principle

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

At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI whereby the ECL is measured on a lifetime basis. In the event of a significant increase in credit risk since initial recognition, impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The Group’s policies for determining if there has been a significant increase in credit risk are set out in Note 2.17.3.

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

Stage 1: Financial assets which did not have 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 ECL is recognised.

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

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

ECL is recognised in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the balance sheet. For financial assets measured at FVOCI the carrying value is not reduced, but the accumulated amount of impairment allowance is recognised in OCI. For off-balance sheet instruments, accumulated provisions for ECL are reported in ‘Accruals, deferred income, other liabilities and other provisions’, except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure, as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL for the period is recognised within the consolidated income statement in 'Credit losses on financial assets' and further analysed in Note 16 in ‘Credit losses to cover credit risk on loans and advances to customers’ for loans and advances to customers and loan commitments and financial guarantees and in ‘Credit losses of other financial instruments’ for all other financial instruments.

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

2.17.2 Credit impaired and definition of default

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

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

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.
(iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.
(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.

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

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

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

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

Material arrears/excesses are defined as follows:

i. Retail exposures: Total arrears/excess amount greater than €100
ii. Exposures other than retail: Total arrears/excess amount greater than €500

and the amount in arrears/excess is at least 1% of the customer's total exposure.

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

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

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

2.17.2 Credit impaired and definition of default (continued)

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

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

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

i. At least three months have passed since the date that the conditions for which the exposure was classified as non-performing cease to be met, and within these three months there are no default triggers, and
ii. During the three month period, the behaviour of the obligor should be taken into account, i.e. there are no arrears/excesses and instalments are being repaid normally, and
iii. During the three month period, the financial situation of the obligor should be taken into account, i.e. the financial situation of the obligor has improved, and
iv. During the three month period an Unlikely-to-Pay criteria assessment is carried out and it is assessed that the obligor can fulfil their obligations without resorting to the liquidation of collateral and there are no other Unlikely-to-Pay criteria, and
v. The obligor does not have any amount past due by more than 90 days.

When an account exits Stage 3, it is transferred to Stage 2 for a probationary period of 6 months. At the end of this period, the significant increase in credit risk (SICR) trigger is activated as described in Note 2.17.3 and the loan is either transferred to Stage 1 or remains in Stage 2. The reversal of previous unrecognised interest on loans and advances to customers that no longer meet Stage 3 criteria is presented in 'Credit losses to cover credit risk on loans and advances to customers' within 'Credit losses on financial assets'.

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

2.17.3 Significant increase in credit risk (SICR)

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

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

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

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

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

The SICR trigger is activated based on the comparison of the ratio of current lifetime PD to the remaining Lifetime PD at origination (PD@O) to the pre-established threshold. If the resulting ratio is higher than the pre-established threshold then deterioration is assumed to have occurred and the exposure is transferred to Stage 2.

The table below summarises the quantitative measure of the SICR trigger which varies depending on the credit quality at origination as follows, applied on 31 December 2023 and 2022:

Segment	Rating at origination	PD Deterioration thresholds applied at 31 December 2023 (median across IFRS 9 segments)	PD Deterioration thresholds applied at 31 December 2022 (median across IFRS 9 segments)
Retail	1-7	3 X PD@O	2 X PD@O
SME	1-7	6 X PD@O	2 X PD@O
Corporate	1-7	2 X PD@O	2 X PD@O

During the year ended 31 December 2023 PDs were calibrated and consequently the PD deterioration thresholds were also updated.

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

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

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

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

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

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

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

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

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

2.17.4 Measurement of ECLs

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

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

The Group calculates ECL using the following three components:
i. exposure at default (EAD),
ii. probability of default (PD), and
iii. loss given default (LGD).

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

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

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

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

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

2.17.4 Measurement of ECLs (continued)

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

BOC PCL's internal rating process is summarised in Note 44.

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

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

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

Individually assessed loans
The individual assessment is performed not only for individually significant performing and non-performing exposures, but also for other exposures meeting specific criteria and thresholds determined by Credit Risk Management. A risk-based approach is used on the selection criteria of the individually assessed population which include, among others, forborne exposures, exposures with significant decrease in the yearly credit turnover and/or in assigned collaterals. Also, significant Stage 1 exposures within sectors assessed by Credit Risk Management to be highly impacted by one or more factors or events (such as a global or local economic/market/regulatory/geopolitical development) are assessed for potential increase in credit risk and significant exposures that have transitioned to Stage 2 from Stage 1 are assessed for potential indications of unlikeness to pay.

The ECL for individually assessed Stage 3 assets is calculated on an individual basis and all relevant considerations of the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work out process).

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

2. Summary of accounting policies (continued)

2.17 Impairment of financial assets (continued)

2.17.4 Measurement of ECLs (continued)

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

2.17.5 Scenarios and scenario weights

The Group uses reasonable and supportable information, including forward-looking information, in the calculation of ECL. ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECL are calculated for three macroeconomic scenarios, baseline, adverse and favourable and the output is the weighted average ECL based on the assigned probability of each scenario (Note 44).

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

Each macroeconomic scenario used in the ECL calculation includes a projection of all relevant macroeconomic variables used in the models for a five-year period, subsequently reverting to projections of long-run growth averages based on estimates of potential growth, and behavioural relationships between the targeted variables.

Regarding the scenario weights, these are determined using probability theory and severity analysis. Historical data for GDP growth (1995-2022) is analysed and a frequency distribution is produced. From that distribution probabilities are derived for all possible outcomes. Deviations of actual outcomes from the mean are calculated in terms of standard deviation ratios, and severity is higher at higher deviation ratios. The baseline scenario is defined over the range of values that correspond to 50% probability of equidistant deviations around the mean of the historical distribution. The favourable scenario is defined over the range of values to the right of the distribution that correspond to 25% probability. The adverse scenario is defined over the range of values to the left of the distribution that correspond to 25% probability. These benchmark probability points (50%, 25% and 25%), are decided using severity analysis which incorporates the average and standard deviation of the distribution.

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

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

2.17.6 ECL measurement period

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

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

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

2.17.6 **ECL measurement period** (continued)

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

2.17.7 Purchased or originated credit impaired financial assets (POCI)

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

2.18 Write-offs

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

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

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

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

Write-offs and partial write-offs represent derecognition/partial derecognition events. If the amount of write-off is greater than the amount of accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Recoveries in part or in full, of amounts previously written-off are credited to the consolidated income statement in 'Credit losses on financial assets' and separately identified in Note 16 within 'Credit losses to cover credit risk on loans and advances to customers'.

2. Summary of accounting policies (continued)

2.19 Financial guarantees, letters of credit and undrawn loan commitments

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

ECL relating to financial guarantees is recorded in 'Credit losses on financial assets' and further identified in Note 16 in 'Credit losses on financial assets' in 'Credit losses to cover credit risk on loans and advances to customers'. The balance of the liability for financial guarantees that remains is recognised in 'Fee and commission income' in the consolidated income statement when the guarantee is fulfilled, cancelled or expired.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment the Group is required to provide a loan with pre-specified terms to the customer. Corresponding ECL are presented within 'Accruals, deferred income, other liabilities and other provisions' on the Group's balance sheet except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL relating to loan commitments and letters of credit is recorded in 'Credit losses on financial assets' and further identified in Note 16 in 'Credit losses on financial assets' in 'Credit losses to cover credit risk on loans and advances to customers'.

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

2.20 Offsetting financial instruments

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

2.21 Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

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

Transactions that are entered into in accordance with the Group's hedging objectives, but do not qualify for hedge accounting, are referred to as economic hedge relationships.

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

2. Summary of accounting policies (continued)

2.21 Hedge accounting (continued)

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

2.21.1 Fair value hedges

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

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

2.21.2 Cash flow hedges

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

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

2.21.3 Hedges of net investments in foreign operations

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

On disposal or liquidation of an overseas branch or subsidiary, the cumulative gains or losses recognised in other comprehensive income are transferred in the consolidated income statement.

2.22 Cash and cash equivalents

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

2.23 Insurance business

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

2. Summary of accounting policies (continued)

2.23 Insurance business (continued)

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

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

A summary of accounting policies, that apply following adoption of IFRS 17 on 1 January 2023, for insurance and reinsurance contracts is presented in Note 2.2.1.

2.24 Repurchase and reverse repurchase agreements

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

Securities purchased under agreements to resell (reverse repos) at a specific future date, are not recognised on the consolidated balance sheet, rather are recorded as 'Reverse Repurchase agreements' on the consolidated balance sheet. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method. Reverse repos outstanding at the reporting date relate to agreements with financial institutions. The investments received as security under reverse repurchase agreements can either be sold or repledged by the Group.

2.25 Leases

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

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

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

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

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

2. Summary of accounting policies (continued)

2.25 Leases (continued)

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

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

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

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

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

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

2.26 Property and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. Investment property is property held by the Group to earn rentals and/or for capital appreciation, as further disclosed in Note 2.27. If a property of the Group includes a portion that is owner-occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

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

Useful life is in the range of 30 to 67 years. Freehold land is not depreciated. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to 'Retained earnings'.

2. Summary of accounting policies (continued)

2.26 Property and equipment (continued)

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

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

RoU assets recognised as property are measured at cost less accumulated depreciation and adjusted for certain re-measurements of lease liabilities. Depreciation of the recognised RoU assets is calculated on a straight line basis over the lease term, as further disclosed in Note 2.25.

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

2.27 Investment properties

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

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, the Group accounts for such property in accordance with the policy described in Note 2.26 'Property and equipment' up to the date of change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

2.28 Stock of property

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

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

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

2. Summary of accounting policies (continued)

2.29 Intangible assets

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

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

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

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

Amortisation is calculated on a straight line basis over the estimated useful life of the assets which is 3 to 8 years for computer software, including computer software development costs.

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

2.30 Share capital

Ordinary shares are classified as equity.

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

2. Summary of accounting policies (continued)

2.31 Share-based compensation plans

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

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

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

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

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

2.32 Other equity instruments

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

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

2.33 Treasury shares

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

2.34 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company. Dividends for the year that are approved after the reporting date, are disclosed as an event after the reporting date.

2. Summary of accounting policies (continued)

2.35 Provisions for pending litigations, claims, regulatory and other matters

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

2.36 Business combinations

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

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

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

2.37 Investments in associates and joint ventures

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

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

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

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

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

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

2. Summary of accounting policies (continued)

2.37 Investments in associates and joint ventures (continued)

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

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

3. Going concern

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

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

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, liquidity and funding position, taking also into consideration, the Group's Financial Plan approved by the Board in February 2024 (the 'Plan') and the operating environment. The Group has sensitised its projection to cater for a downside scenario and has used reasonable economic inputs to develop its medium-term strategy. The Group is working towards materialising its Strategy.

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

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 31 December 2023 that can be easily and readily monetised in a period of stress.

4. Economic and geopolitical environment

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors which are beyond the control of the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links, can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, a higher interest rate environment for longer, and higher competition in the financial services industry, could negatively affect the Group's business environment, results, and operations.

The Group is closely monitoring the geopolitical situation developing. War and geopolitics can be very disruptive to the economy and society and the extent to which the international system is intertwined, is often underestimated. Meantime wars continue to rage in Ukraine and in the Middle East, adding to uncertainty and instability. The attacks on merchant shipping in the Red Sea from the Houthis in Yemen, is a reflection of the uncertainty. The attacks are forcing many carriers to change route adding days and costs to shipping which eventually will add to inflationary pressures, with implications for monetary policy.

In Cyprus, the financial sector exposure to foreign markets has been reduced since the 2013 banking crisis. Although, there have been distinct improvements in Cyprus' risk profile after the banking crisis, substantial risks remain. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, influenced by external developments with substantial potential impact on the domestic economy. Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results, and market position.

4. Economic and geopolitical environment (continued)

Interest rates in the US and the eurozone peaked in the third quarter as headline inflation continues to decline while core inflation proves stickier. Amidst a high interest rate environment, financial stability risks will remain elevated.

Cyprus demonstrates relative strength and resilience in this environment with a growth outlook that outweighs average growth in EU and with inflation dropping at a faster pace in comparison. Economic momentum is expected to continue in 2024 driven by an easing in monetary policy in the second half of the year, and positive momentum in growth sectors mainly in information and communications, financial services, and international business services.

Cyprus' risk profile has improved significantly, but substantial risks remain in the domestic environment and in the external environment on which it depends. The most important factor weighing on Cyprus' sovereign risk is the high level of public debt. Banks have weathered the pandemic crisis well, with their liquidity and capital buffers intact. Non-performing loans continued their downward trend, mainly due to the sale packages of the two largest banks. However, in an uncertain environment, asset quality remains a focus for bank management and supervisors.

The Group believes it is reasonably well positioned to withstand volatility that may arise from a deterioration in the geopolitical and global economic environment.

Group’s Direct exposure to Russia
Overall, the Group’s direct exposure to Russia and Belarus remains limited. In summary, the Group has direct lending exposure to Russia and Belarus of a gross book value of approximately €96 million (2022: approximately €86 million) across its business divisions as at 31 December 2023, of which €89 million (2022: €76 million) are classified as performing and secured mainly with residential collateral located in Cyprus. The basis of the exposure is expanded compared to the country risk exposure as included in Note 44.2 of the Consolidated Financial Statements which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries.

Customer deposit balances of customers with country of residence of the UBO in these countries amounts to approximately 1% of total deposits as at 31 December 2023 as disclosed in Note 30 of the Consolidated Financial Statements.

With respect to the Group's Russian subsidiary, the net exposure is being run down and as a result the net assets included on the Group's balance sheet as at 31 December 2023 are less than €1 million (2022: less than €1 million).

5. Significant and other judgements, estimates and assumptions

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

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

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

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

5.1 Classification of financial assets

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

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

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

5.2 Calculation of expected credit losses

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

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

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

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

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

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

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

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

5.2 Calculation of expected credit losses (continued)

Following two years of robust growth in 2021 and 2022 with GDP growing respectively by 9.9% and 5.1%, economic activity averaged 2.5% in 2023, amid continued global economic uncertainty and rising interest rates. The economy is expected to pick up again in 2024-2025 growing by an annual average of 2.8% according to the European Commission's Winter European Forecasts. Inflation measured by the Harmonised Index of Consumer Prices decreased to an average of 3.9% and is expected to continue to decelerate to around 3.0% in 2024 after a peak of 8.1% in 2022. A sustained drop in energy prices and tighter monetary conditions underpin the disinflation that is being observed. In the labour market the unemployment rate decreased to 6.1% in December 2023, seasonally adjusted and expected to remain at 6.1% in 2024. The government balance is expected to turn to a surplus of 2.3% of GDP in 2023 and 2.1% in 2024. Gross Public debt will thus drop to 71.5% of GDP in 2024 and to 66% in 2025.

The credit profile of Cyprus has improved significantly in the more recent period, reflecting solid medium-term growth outlook, good institutional strength and effective policy making. There have been significant improvements in the banking sector and in public finances. Cyprus is a small open economy and therefore more vulnerable to exogenous shocks, but features relatively high levels of wealth, an agile private sector, and an outward orientation. The sovereign risk ratings of the Cypriot government have improved significantly in recent years, now above investment grade by one notch by the three major rating agencies.

Cyprus received €157 million from the recovery and resilience facility in pre-financing in September 2021 following the approval of the national recovery plan the previous July. This was pre-financing for 13% of total disbursements over the period 2021-2026. Cyprus received its first disbursement of €85 million in December 2022 following the passage of conditional legislation in parliament, and after approval from the European Commission. The release of the funds is conditional on the strict implementation of reforms agreed in the national recovery plan. Funds will be used to increase investment in the digital and green transition, to increase the efficiency of public and local administrations, and to improve the efficiency of the judicial system among others.

Banks managed to weather the pandemic crisis well, with their liquidity and capital buffers intact. Non-performing exposures continued their declining trend, mostly due to sales packages by the two largest banks. Total NPEs at the end of November 2023 were €2.0 billion or 8.3% of gross loans. About 44.8% of total non-performing exposures are restructured facilities and the coverage ratio was 56.7%. Private debt, as measured by loans to residents on bank balance sheets, excluding the government, dropped to €20.3 billion at the end of December 2023, or about 68% of GDP.

However, substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. In the banking sector non-performing exposures need to drop further. While the current account deficit will be narrowing as exports services recover in the medium term, it will remain sizable. The monetary policy of the European Central Bank can remain tight for longer if inflation pressures persist. The extent of crises in Ukraine and the Middle East can lead to elevated tensions for a considerable period of time.

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

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

5.2 Calculation of expected credit losses (continued)

For the ECL calculations, the Group uses an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, as described in Note 2.17.5. The approach employed, involves scenario generation, where the scenarios applied by the Group are anchored to the baseline scenario. All scenarios are updated on a quarterly basis for the purposes of the ECL calculation in tandem with the baseline. The updated macroeconomic inputs (incorporating any uncertainties and downside risks) are therefore reflected in the scenario parameters, starting from the baseline and updated in turn for the adverse and the favourable scenarios accordingly. If the baseline becomes more pessimistic, then both the favourable and downside scenarios would move accordingly, reflecting the fact that the economic variables used in the scenarios are not constant but are conditional on the economy's position in the business cycle. A dynamic scenario approach is followed as explained above where the scenario parameters derived reflect the Group's view of the economic conditions. The approach employed involves scenario generation for a defined probability weighting. The probability weights attached to the scenarios are a function of their relative position on the distribution, with a lower probability weight attached to the scenarios that were assessed to be more distant from the center of the distribution. The baseline scenario is defined over the range of values corresponding to 50% probability of equidistant deviations around the mean of the historical distribution. The favourable and adverse scenarios are defined over the range of values to the right and left of the distribution respectively, each corresponding to 25% probability.

The uncertainties and the macro-conditions are indicated in the tables below, where the most significant macroeconomic variables for each of the scenarios used by the Group as at 31 December 2023 and 2022 are presented. The Group uses three different economic scenarios in the calculation of default probabilities and provisions. The scenarios factor-in updated macroeconomic assumptions and other monetary and fiscal developments based on events as at the reporting date. The Group has used the 30-50-20 probability structure for the adverse, baseline and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.17.5 and above. This reflects management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks.

31 December 2023

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2024	Adverse	30.0	-1.6	6.3	0.9	-3.1
	Baseline	50.0	2.7	5.8	2.5	3.0
	Favourable	20.0	3.5	5.6	3.1	3.7
2025	Adverse	30.0	-0.7	6.9	1.2	0.6
	Baseline	50.0	2.6	5.4	2.5	2.3
	Favourable	20.0	3.1	5.2	2.6	2.5
2026	Adverse	30.0	2.2	7.0	1.2	1.9
	Baseline	50.0	2.6	5.1	2.1	2.2
	Favourable	20.0	2.7	4.9	2.0	2.3
2027	Adverse	30.0	3.6	6.7	2.3	2.4
	Baseline	50.0	2.4	4.9	2.3	2.2
	Favourable	20.0	2.6	4.6	2.2	2.3
2028	Adverse	30.0	3.5	6.4	2.2	2.4
	Baseline	50.0	2.3	4.6	2.2	2.3
	Favourable	20.0	2.5	4.2	2.3	2.4

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

5.2 Calculation of expected credit losses (continued)

31 December 2022

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2023	Adverse	30.0	-2.0	7.0	3.7	-2.2
	Baseline	50.0	2.8	6.3	4.7	2.8
	Favourable	20.0	3.6	5.9	5.1	3.3
2024	Adverse	30.0	-0.7	6.8	3.0	-0.8
	Baseline	50.0	2.4	6.0	3.2	2.5
	Favourable	20.0	2.8	5.8	3.3	2.8
2025	Adverse	30.0	1.4	6.7	2.4	1.1
	Baseline	50.0	2.5	5.7	2.3	2.5
	Favourable	20.0	2.6	5.6	2.4	2.6
2026	Adverse	30.0	2.8	6.7	2.4	2.7
	Baseline	50.0	2.8	5.5	2.4	2.5
	Favourable	20.0	3.1	5.3	2.4	2.6
2027	Adverse	30.0	3.5	6.5	2.5	3.5
	Baseline	50.0	2.6	5.2	2.5	2.5
	Favourable	20.0	2.6	4.9	2.4	2.6

The adverse scenarios may outpace the base and favourable scenarios after the initial shock has been adjusted to and the economy starts to expand from a lower base. Thus, in the adverse scenario GDP will follow a growth trajectory that will ultimately equal and surpass the baseline before converging. Property prices are determined by multiple factors with GDP growth featuring prominently. However, the relationship between GDP growth and property prices entails a lag.

The baseline scenario was updated for the 31 December 2023 reporting, considering available information and relevant developments until then, and is described next. Economic activity started to slow in 2023, following strong recoveries in 2021-2022. Tourism continued to recover in 2023 with arrivals reaching levels near their pre-covid levels in 2019, while revenues exceeded those pre-covid. Private consumption remained strong despite aggressive monetary tightening by the ECB. Real GDP increased by 2.5% on average in 2023. Under the baseline scenario the economy is expected to advance by 2.7% in 2024. Consumer price inflation averaged 8.1% in 2022 and decelerated to 3.8% in 2023. The unemployment rate will continue to drop steadily in the medium term. Property prices continued to rise modestly in 2023 as domestic demand remained relatively strong.

The adverse scenario is consistent with assumptions for a global economic slowdown driven by the wars in Ukraine and Middle East, elevated inflation and continued tight monetary conditions. The Cypriot economy relies on services, particularly on tourism, international business, and information and communication services with an outward orientation. This makes the Cypriot economy more exposed than other economies to the international environment and terms of trade shocks. Weaker external demand and more restricted domestic demand as a result of higher interest rates will lead to a slowdown of economic activity. The adverse scenario assumes a deeper impact of these conditions on the real economy than under the baseline scenario. Under the adverse scenario, real GDP is expected to contract by 1.6% in 2024 as a whole and by 0.7% in 2025. In the labour market the unemployment rate will rise only modestly, and inflation will be lower than under the baseline scenario. House prices will also slow in line with the contraction in real GDP.

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

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

5.2 Calculation of expected credit losses (continued)

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division, endorsed by the Group Provisions Committee and approved by the joint Risk and Audit Committee. Qualitative adjustments or overlays are described in the below sections as applicable.

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

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

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties, supplemented by management judgement where necessary, given the difficulty in differentiating between short-term impacts and long-term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices and qualitative adjustments or overlays were applied to the projected future property value increases to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

At 31 December 2023, the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers is approximately 32.5% under the baseline scenario (2022: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (2022: average of seven years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

The above assumptions are also influenced by the ongoing regulatory dialogue the Group maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

Any changes in these assumptions or variances between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Expected lifetime of revolving facilities
The expected lifetime of revolving facilities is based on a behavioural maturity model for revolving facilities based on BOC PCL's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned. The behavioural model was updated in the third quarter of 2023 to reflect updates in customers' profile whilst maintaining the same model components.

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

5.2 Calculation of expected credit losses (continued)

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

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

Overlays in the context of current economic conditions
The two overlays introduced in 2022 in response to uncertainties from the consequences of the Ukrainian crisis, in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, continued to be in effect during the year ended 31 December 2023. These were introduced to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €3.4 million ECL release for the year ended 31 December 2023 (following an update of the assessment of the sectors classified as High Risk and/or Early Warning) and a net transfer of €19 million loans from Stage 1 to Stage 2 as at 31 December 2023.

Specifically, the first overlay relates to private individuals that are expected to be affected by the increased cost of living in order to reflect the future vulnerabilities to inflation, where a scenario with higher percentage increase is applied for the cost of living. A one-notch downgrade is applied to the identified portfolio, reflecting the expected impact of inflation to their credit quality. The second overlay relates to sectors that have been classified as High Risk or Early Warning to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis-a-vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as High Risk, whereas if only one of the two has deteriorated, then the sector is classified as Early Warning. A one-notch downgrade is applied to Early Warning sectors whereas for High Risk sectors a more severe downgrade is applied accordingly.

In addition, the overlay on the probability of default (PD), introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy, continued to be in effect during the year ended 31 December 2023. With this overlay the PDs were floored to the maximum of 2018/2019 level, on the basis that these years are considered as closer to a business-as-usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €7.2 million charge for the year ended 31 December 2023, as a result of multiple components including updated ratings, PD and thresholds calibrations and stage migrations.

In addition, during the year ended 31 December 2023, an overlay for the LGD parameter has been integrated through reduced curability period for Stage 2 and Stage 3 exposures (i.e., the maximum period that a customer is considered to cure has been reduced). The impact on the ECL was €7 million charge for the year ended 31 December 2023.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 December 2023. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments are timely captured.

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

5.2 Calculation of expected credit losses (continued)

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. Following the wars in Ukraine and Middle East, the selection criteria were further enhanced to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries and significant exposures with repayment deriving from Israel.

Further details on impairment allowances and related credit information are set out in Note 44.

5.3 Stock of property - estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, taking into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

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

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

The accounting policy for provisions for pending litigations, claims, regulatory and other matters is described in Note 2.35. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Group will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Group determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the possible loss for such matters can be estimated. Actual results may prove to be significantly higher or lower than the estimated possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigations, claims, regulatory and other matters refer to Note 38.

5.5 Tax

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

Deferred tax assets
In the absence of a specific accounting standard dedicated to the accounting of the asset that arose pursuant to amendments in the Income Tax Law effected in March 2019 which provides for the recoverability of tax assets arising from transfer of tax losses following resolution of a credit institution, within the framework of 'The Resolution of Credit and Other Institutions', to be guaranteed (Note 17), BOC PCL had exercised judgement in applying the guidance of IAS 12 in accounting for this asset item as the most relevant available standard. On the basis of this guidance, BOC PCL had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

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

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

5.6 Fair value of investments and derivatives

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

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

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

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

Further details on the fair value of assets and liabilities are disclosed in Notes 2.13.9 and 22.

5.7 Retirement benefits

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

Further details on retirement benefits are disclosed in Note 14.

5.8 Non-life insurance business

The Group is engaged in the provision of non-life insurance services. Risks under these policies usually cover a period of 12 months.

A summary of the significant judgements and estimates made in the measurement of insurance and reinsurance contract assets and liabilities is included in Note 2.2.1.3.

Further information on non-life insurance business is disclosed in Note 12.

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

5.9 Life insurance business

The Group is engaged in the provision of life insurance services. Whole life insurance plans (life plans) are unit-linked contracts associated with assets where the amount payable in the case of death is the greater of the sum insured and the value of investment units. Simple insurance or temporary term plans (term plans) relate to fixed term duration plans for protection against death. In case of death within the coverage period, the insured sum will be paid. Endowment insurance (such as investment plans/horizon plans/Capital builder and Lifestart) refer to specific duration plans linked to investments, to create capital through systematic investment in association with death insurance coverage whereby the higher of the sum insured and the value of investment units is payable on death within the contract term.

A summary of the significant judgements and estimates made in the measurement of insurance and reinsurance contract assets and liabilities is included in Note 2.2.1.3.

Further information on life insurance business is disclosed in Note 12.

5.10 Exercise of significant influence

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

5.11 Classification of properties

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

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

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

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

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

Further information on inputs used is disclosed in Note 22.

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

5.13 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.25, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Group's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by BOC PCL showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

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

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

Further details on the leases are disclosed in Note 42.

6. Segmental analysis

The Group's activities are mainly concentrated in Cyprus. Cyprus operations are organised into operating segments based on the line of business. The results of the overseas activities of the Group, namely Greece, Romania and Russia, are presented within segment 'Other', given the size of these operations which are in a run-down mode and relate to legacy operations of the Group. Further, the results of certain small subsidiaries of the Group are allocated to the segments based on their key activities.

The results of the subsidiary company JCC Payment Systems Ltd (JCC), previously reported under the segment 'Other', are now presented separately under segment 'Payment services'. The business segments 'International Corporate' and 'IBU' have been combined and the results of these business segments, previously reported separately, are now presented combined under segment 'IBU & International Corporate' business segment. Comparative information in 'Analysis by business line', 'Analysis of total revenue' and 'Analysis of assets and liabilities' was restated to account for these changes. Comparative information in 'Analysis by business line', 'Analysis of total revenue' and 'Analysis of assets and liabilities' was also restated to account for the retrospective application of IFRS 17 as described in Note 2.2.1.

The operating segments are analysed below:

i. The Corporate and Large Corporate, Small and Medium-sized Enterprises (SME) and Retail business lines are managing loans and advances to customers. Categorisation of loans per customer group is detailed below.
ii. IBU & International Corporate comprises of:
    1. IBU, which specialises in the offering of banking services to the international corporate customers based in Cyprus, particularly international business companies whose ownership and business activities lie outside Cyprus, and non resident individual customers of BOC PCL.
    2. International Corporate, which comprises of International Corporate Banking, Project Finance & Loan Syndication and Shipping Center. International Corporate Banking provides financing from Cyprus in respect of projects based overseas with main focus being Greece and the United Kingdom. Project Finance & Loan Syndication acts as arranger or participant in large international loan syndication transactions. Shipping Center provides shipping financing primarily for ocean going cargo vessels.

6. **Segmental analysis** (continued)

iii. Restructuring and Recoveries is the specialised unit which was set up to tackle the Group's loan portfolio quality and manages exposures to borrowers in distress situation through innovative solutions.
iv. Wealth Management comprises the provision of private banking and wealth management, market execution and custody services along with asset management and investment banking. This segment also includes subsidiary companies of the Group, whose activities relate to investment banking, brokerage, discretionary asset management and investment advice services.
v. The Real Estate Management Unit (REMU) manages properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 and executes exit strategies in order to monetise these assets. REMU also includes other subsidiary property companies of the Group.
vi. Treasury is responsible for managing assets and liabilities within the Risk Appetite Framework set by the Board of Directors. Treasury manages the Group's liquid assets, investing in fixed income securities and interbank market. This business line manages the interest rate and foreign exchange risks to which the Group is exposed to and is also responsible for liquidity management and for ensuring compliance with internal and regulatory liquidity guidelines. It is also responsible for raising funding through the issuance of debt in the wholesale markets.
vii. The Insurance business line is involved in both life and non-life insurance business.
viii. Payment Services comprise the subsidiary company JCC, which is involved in the development of inter-banking systems, acquiring and processing of debit and credit card transactions and other payment services.
ix. The segment 'Other' includes central functions of BOC PCL such as finance, risk management, compliance, legal, information technology, corporate affairs and human resources. These functions provide services to the operating segments. Segments 'Other' also includes other small subsidiary companies in Cyprus (excluding the insurance subsidiaries, property companies under REMU, payment services subsidiary of the Group (JCC) and subsidiary companies under Wealth), as well as the overseas legacy activities of the Group.

BOC PCL broadly categorises its loans per customer group, in the following customer sectors:
i. Retail – all individuals, regardless of the facility amount, and legal entities with facilities from BOC PCL of up to €500 thousand, excluding business property loans, and/or annual credit turnover up to €1 million.
ii. Small and medium-sized enterprises (SME) – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with facilities from BOC PCL in the range of €500 thousand to €4 million and/or annual credit turnover in the range of €1 million to €10 million.
iii. Corporate – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with available credit lines with BOC PCL of over €4 million and/or having a minimum annual credit turnover of over €10 million. These companies are either local larger corporations or international companies or companies in the shipping sector. Lending includes direct lending or through syndications.

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

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

Income and expenses associated with each business line are included within the business line results for determining its performance. Fund transfer pricing methodologies are applied between the business lines as to reflect the performance of each business line. Income and expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect income and expenses are re-allocated from the central functions to the business lines. For the purposes of the Cyprus analysis by business line, notional tax at the 12.5% Cyprus tax rate is charged/credited to the profit or loss before tax of each business line.

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

6. Segmental analysis (continued)

Analysis by business line

2023	Corporate and Large corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	Wealth management	REMU	Insurance	Treasury	Payment services	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	165,640	155,678	56,351	381,172	17,702	17,449	(34,263)	(2)	35,022	-	(1,557)	**793,192**
Net fee and commission income/(expense)	19,798	51,679	10,452	63,144	2,844	5,369	(212)	(8,350)	2,369	29,537	4,393	**181,023**
Net foreign exchange gains/(losses)	2,010	5,212	700	2,315	(171)	116	(14)	-	18,846	(287)	(139)	**28,588**
Net gains/(losses) on financial instruments	2,401	-	-	-	-	139	7	5,648	3,583	1,007	(5)	**12,780**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	4,400	(246)	(2,299)	(428)	6,770	(33)	-	-	(1,783)	-	(20)	**6,361**
Net insurance result	-	-	-	-	-	-	-	53,350	-	-	138	**53,488**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	-	1,548	(331)	-	-	(174)	**1,043**
Net gains on disposal of stock of property	-	-	-	-	-	-	8,476	-	-	-	496	**8,972**
Other income	24	5	16	209	67	283	7,551	5,594	12	3,775	801	**18,337**
Total operating income	194,273	212,328	65,220	446,412	27,212	23,323	(16,907)	55,909	58,049	34,032	3,933	**1,103,784**
Staff costs	(7,559)	(13,156)	(5,908)	(51,147)	(8,929)	(5,010)	(3,917)	(3,791)	(2,349)	(7,307)	(83,193)	**(192,266)**
Special levy on deposits and other levies/contributions	(4,340)	(8,765)	(2,176)	(25,734)	(109)	(1,256)	-	-	-	-	-	**(42,380)**
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	-	-	-	-	-	-	-	-	-	(380)	(28,084)	**(28,464)**
Other operating expenses	(36,392)	(18,959)	(14,597)	(85,794)	(11,506)	(1,880)	(15,341)	(4,591)	(7,987)	(12,342)	50,844	**(158,545)**
Operating profit/(loss) before credit losses and impairment	145,982	171,448	42,539	283,737	6,668	15,177	(36,165)	47,527	47,713	14,003	(56,500)	**682,129**
Credit losses on financial assets	(36,553)	(2,130)	625	(4,370)	(30,419)	65	(5,737)	(229)	548	-	(1,630)	**(79,830)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	-	(46,307)	-	-	-	(545)	**(46,852)**
Profit/(loss) before tax	109,429	169,318	43,164	279,367	(23,751)	15,242	(88,209)	47,298	48,261	14,003	(58,675)	**555,447**
Income tax	(13,679)	(21,165)	(5,395)	(34,921)	2,969	(1,938)	16,296	(4,201)	(6,033)	(2,070)	(2,801)	**(72,938)**
Profit/(loss) after tax for the year	95,750	148,153	37,769	244,446	(20,782)	13,304	(71,913)	43,097	42,228	11,933	(61,476)	**482,509**
Non-controlling interests-(profit)/loss	-	-	-	-	-	(5)	1,252	-	-	(2,984)	-	**(1,737)**
Profit/(loss) after tax attributable to the owners of the Company	**95,750**	**148,153**	**37,769**	**244,446**	**(20,782)**	**13,299**	**(70,661)**	**43,097**	**42,228**	**8,949**	**(61,476)**	**480,772**

6. **Segmental analysis** (continued)

Analysis by business line (continued)

2022 (restated)	Corporate and Large corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	Wealth management	REMU	Insurance	Treasury	Payment services	Other	**Total**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	114,135	68,394	34,860	137,178	31,083	4,680	(34,649)	-	14,860	(157)	895	**371,279**
Net fee and commission income/(expense)	22,369	57,289	11,753	61,764	7,819	5,099	(175)	(7,749)	1,602	26,672	5,841	**192,284**
Net foreign exchange gains/(losses)	992	6,070	591	2,424	80	126	-	-	21,008	(589)	589	**31,291**
Net (losses)/gains on financial instruments	(508)	-	-	-	4,557	(114)	(7)	(12,691)	4,911	3,249	(11)	**(614)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	614	128	(456)	454	6,220	(302)	-	-	(1,193)	-	(230)	**5,235**
Net insurance result	-	-	-	-	-	-	-	44,496	-	-	70	**44,566**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	-	181	(406)	-	-	(774)	**(999)**
Net gains on disposal of stock of property	-	-	-	-	-	-	13,325	-	-	-	645	**13,970**
Other income	(71)	(2)	16	131	201	215	9,349	65	1	4,688	2,088	**16,681**
Total operating income	137,531	131,879	46,764	201,951	49,960	9,704	(11,976)	23,715	41,189	33,863	9,113	**673,693**
Staff costs	(6,629)	(13,450)	(5,294)	(53,372)	(10,759)	(4,044)	(4,062)	(2,648)	(2,140)	(6,366)	(72,065)	**(180,829)**
Staff costs–voluntary exit plans and other termination benefits	(1,167)	(5,465)	(2,060)	(46,536)	(9,125)	(1,311)	(571)	(2,475)	(426)	(3,130)	(32,059)	**(104,325)**
Special levy on deposits and other levies/contributions	(3,752)	(8,158)	(1,938)	(23,509)	(91)	(1,044)	-	-	-	-	-	**(38,492)**
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	-	-	-	-	-	-	-	-	-	-	(11,880)	**(11,880)**
Other operating expenses	(34,579)	(16,556)	(15,684)	(77,242)	(24,415)	(2,280)	(18,836)	(3,275)	(10,132)	(10,840)	55,599	**(158,240)**
Operating profit before credit losses and impairment	91,404	88,250	21,788	1,292	5,570	1,025	(35,445)	15,317	28,491	13,527	(51,292)	**179,927**
Credit losses on financial assets	(7,572)	355	(1,024)	230	(48,393)	(1,535)	(3,422)	15	(823)	-	3,082	**(59,087)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	-	(23,921)	-	-	-	(5,628)	**(29,549)**
Profit/(loss) before tax	83,832	88,605	20,764	1,522	(42,823)	(510)	(62,788)	15,332	27,668	13,527	(53,838)	**91,291**
Income tax	(10,479)	(11,076)	(2,596)	(190)	5,353	(107)	7,151	(2,306)	(3,458)	(1,641)	(11,622)	**(30,971)**
Profit/(loss) after tax for the year	73,353	77,529	18,168	1,332	(37,470)	(617)	(55,637)	13,026	24,210	11,886	(65,460)	**60,320**
Non-controlling interests-(profit)/loss	-	-	-	-	-	-	-	-	-	(2,971)	105	**(2,866)**
Profit/(loss) after tax attributable to the owners of the Company	**73,353**	**77,529**	**18,168**	**1,332**	**(37,470)**	**(617)**	**(55,637)**	**13,026**	**24,210**	**8,915**	**(65,355)**	**57,454**

6. **Segmental analysis** (continued)

Analysis of total revenue

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

	Corporate and Large corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	Wealth management	REMU	Insurance	Treasury	Payment Services	Other	**Total**
2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	219,193	124,579	56,574	247,043	27,719	7,484	17,778	64,101	305,558	28,889	4,866	**1,103,784**
Inter-segment (expense)/revenue	(24,920)	87,749	8,646	199,369	(507)	15,839	(34,685)	(8,192)	(247,509)	5,143	(933)	**-**
Total revenue	**194,273**	**212,328**	**65,220**	**446,412**	**27,212**	**23,323**	**(16,907)**	**55,909**	**58,049**	**34,032**	**3,933**	**1,103,784**
2022 (restated)												
Revenue from third parties	154,621	131,752	50,413	213,309	54,216	10,517	(8,848)	31,226	(5,710)	29,193	13,004	**673,693**
Inter-segment (expense)/revenue	(17,090)	127	(3,649)	(11,358)	(4,256)	(813)	(3,128)	(7,511)	46,899	4,670	(3,891)	**-**
Total revenue	**137,531**	**131,879**	**46,764**	**201,951**	**49,960**	**9,704**	**(11,976)**	**23,715**	**41,189**	**33,863**	**9,113**	**673,693**

Analysis of assets and liabilities

	Corporate and Large corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	Wealth management	REMU	Insurance	Treasury	Payment Services	Other	**Total**
2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	3,469,090	880,219	942,490	4,309,492	213,477	71,776	895,374	919,427	13,971,313	93,536	1,027,274	**26,793,468**
Inter-segment assets	(35,367)	-	-	-	-	(9,707)	(39,843)	(19,443)	-	(33,058)	(26,237)	**(163,655)**
Total assets	**3,433,723**	**880,219**	**942,490**	**4,309,492**	**213,477**	**62,069**	**855,531**	**899,984**	**13,971,313**	**60,478**	**1,001,037**	**26,629,813**
2022 (restated)												
Assets												
Assets	3,556,475	822,095	1,020,727	4,193,741	313,657	72,438	1,115,788	852,892	12,291,132	80,730	1,066,453	**25,386,128**
Inter-segment assets	-	-	-	-	-	(9,313)	(35,214)	(18,807)	-	(21,347)	(4,591)	**(89,272)**
Total assets	**3,556,475**	**822,095**	**1,020,727**	**4,193,741**	**313,657**	**63,125**	**1,080,574**	**834,085**	**12,291,132**	**59,383**	**1,061,862**	**25,296,856**

6. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

	Corporate and Large corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	Wealth management	REMU	Insurance	Treasury	Payment Services	Other	**Total**
2023	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Liabilities												
Liabilities	2,197,945	3,901,025	1,019,245	11,781,972	29,045	543,123	24,695	803,319	3,503,842	40,635	459,427	**24,304,273**
Inter-segment liabilities	(109,227)	-	-	-	-	(3,485)	(11,667)	(16,404)	-	-	(22,871)	**(163,654)**
Total liabilities	**2,088,718**	**3,901,025**	**1,019,245**	**11,781,972**	**29,045**	**539,638**	**13,028**	**786,915**	**3,503,842**	**40,635**	**436,556**	**24,140,619**
							-					
2022 (restated)												
Liabilities												
Liabilities	1,915,300	4,096,948	1,007,555	11,333,783	33,806	628,578	10,049	690,757	3,183,550	28,658	404,820	**23,333,804**
Inter-segment liabilities	-	-	-	-	-	-	-	-	(89,272)	-	-	**(89,272)**
Total liabilities	**1,915,300**	**4,096,948**	**1,007,555**	**11,333,783**	**33,806**	**628,578**	**10,049**	**690,757**	**3,094,278**	**28,658**	**404,820**	**23,244,532**

Segmental analysis of customer deposits and loans and advances to customers is presented in Note 30 and Notes 44.2 and 44.5 respectively.

6. Segmental analysis (continued)

Analysis of turnover

	2023	2022 (restated)
	€000	€000
Net interest income	**793,192**	371,279
Net fee and commission income	**181,023**	192,284
Net foreign exchange gains	**28,588**	31,291
Net gains/(losses) on financial instruments	**12,780**	(614)
Net gains on derecognition of financial assets measured at amortised cost	**6,361**	5,235
Net insurance result (Note 12)	**53,488**	44,566
Net gains/(losses) from revaluation and disposal of investment properties	**1,043**	(999)
Net gains on disposal of stock of property	**8,972**	13,970
Other income	**18,337**	16,681
	1,103,784	673,693

Analysis of turnover for the Company

	2023	2022 (restated)
	€000	€000
Net interest income	**799,171**	407,521
Net fee and commission income	**157,978**	171,748
Net foreign exchange gains	**28,888**	27,280
Net gains/(losses) on financial instruments	**4,632**	(52,575)
Net gains on derecognition of financial assets measured at amortised cost	**6,361**	5,235
Dividend income from subsidiaries	**85,118**	21,459
Net gains from revaluation and disposal of investment properties	**303**	520
Net gains on disposal of stock of property	**10,004**	10,561
Other income	**7,147**	6,164
	1,099,602	597,913

7. Interest income and income similar to interest income

Interest income

	2023	2022
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**511,602**	336,080
- Loans and advances to banks and central banks	**321,828**	42,545
- Reverse repurchase agreements	**3,219**	-
- Debt securities	**55,752**	12,113
- Other financial assets (Note 28)	**19,774**	10,889
Debt securities at FVOCI	**8,433**	9,231
Negative interest on funding from central banks	**-**	18,418
	920,608	429,276

Income similar to interest income

	2023	2022
	€000	€000
Loans and advances to customers measured at FVPL	**11,489**	10,963
Derivative financial instruments	**53,961**	11,156
	65,450	22,119

8. Interest expense and expense similar to interest expense

Interest expense

	2023	2022 (restated)
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**32,358**	6,857
- Funding from central banks and deposits by banks	**74,393**	7,151
- Debt securities in issue	**19,534**	7,857
- Subordinated liabilities	**19,875**	20,213
Negative interest on loans and advances to banks and balances with central banks	**-**	23,184
Interest expense on lease liabilities	**294**	14
	146,454	65,276

Expense similar to interest expense

	2023	2022
	€000	€000
Derivative financial instruments	**46,412**	14,840

9. Fee and commission income and expense

Fee and commission income

	2023	2022
	€000	€000
Credit-related fees and commissions	**54,020**	47,050
Other banking commissions	**92,086**	112,562
Fees on servicing loans disposed of under Project Helix 3	**646**	5,564
Mutual funds and asset management fees	**4,079**	3,652
Brokerage commissions	**1,146**	858
Other commissions	**36,366**	32,897
	188,343	202,583

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit-related fees and commissions include commissions from credit card arrangements amounting to €32,522 thousand (2022: €26,257 thousand). Other banking commissions include commissions from payment orders amounting to €26,676 thousand (2022: €27,439 thousand) and account maintenance fees of €29,420 thousand (2022: €29,266 thousand). During the year ended 31 December 2022 liquidity fee (abolished in December 2022) of €15,663 thousand was also included within other banking commissions.

Fee and commission income is further divided into:

Fees earned from services that are provided over time:

	2023	2022
	€000	€000
Credit-related fees and commissions	**26,879**	20,119
Other banking commissions	**44,150**	54,618
Fees on servicing loans disposed of under Project Helix 3	**646**	5,564
Mutual funds and asset management fees	**2,878**	1,772
Other commissions	**-**	241
	74,553	82,314

Fees earned from point in time services:

	2023	2022
	€000	€000
Credit-related fees and commissions	**27,141**	26,931
Other banking commissions	**47,936**	57,944
Mutual funds and asset management fees	**1,201**	1,880
Brokerage commissions	**1,146**	858
Other commissions	**36,366**	32,656
	113,790	120,269

Fee and commission expense

	2023	2022
	€000	€000
Banking commissions	**6,784**	9,984
Mutual funds and asset management fees	**343**	284
Brokerage commissions	**193**	31
	7,320	10,299

10. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

11. Net gains/(losses) on financial instruments

	2023	2022 (restated)
	€000	€000
Trading portfolio:		
- derivative financial instruments	**26**	280
Other investments at FVPL:		
- non-equity securities	**1,268**	7,326
- mutual funds	**5,787**	(12,805)
- equity securities	**1,618**	55
Net losses on disposal of FVOCI debt securities	**(438)**	(2,384)
Net gains on loans and advances to customers at FVPL (Note 22)	**2,401**	4,050
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 21)	**(2,211)**	65,427
- hedged items (Note 21)	**4,329**	(62,563)
	12,780	(614)

12. Net insurance result

	2023			2022		
	Life insurance	**Non-life insurance**	**Total**	Life insurance	Non-life insurance	Total
	€000	**€000**	**€000**	€000	€000	€000
Insurance finance income/(expense)	**(43,820)**	**(1,269)**	**(45,089)**	40,978	604	41,582
Reinsurance finance income/(expense)	**2,114**	**449**	**2,563**	(3,291)	(153)	(3,444)
Return on assets backing insurance liabilities	**43,486**	**-**	**43,486**	(37,354)	-	(37,354)
Net insurance finance income/(expense) and net reinsurance finance income/(expense)	**1,780**	**(820)**	**960**	333	451	784
Insurance revenue	**57,081**	**88,694**	**145,775**	52,537	82,958	135,495
Insurance service expenses	**(25,259)**	**(46,273)**	**(71,532)**	(30,594)	(43,968)	(74,562)
Other insurance related income/(expense)	**(715)**	**-**	**(715)**	(403)	-	(403)
Net insurance service result	**31,107**	**42,421**	**73,528**	21,540	38,990	60,530
Allocation of reinsurance premiums	**(14,824)**	**(34,498)**	**(49,322)**	(11,191)	(30,008)	(41,199)
Amounts recoverable from reinsurers for incurred claims	**11,853**	**16,469**	**28,322**	11,216	13,235	24,451
Net reinsurance service result	**(2,971)**	**(18,029)**	**(21,000)**	25	(16,773)	(16,748)
Net insurance result	**29,916**	**23,572**	**53,488**	21,898	22,668	44,566

12. Net insurance result (continued)

The analysis of the insurance revenue recognised during the year is presented below:

	2023	2022
	€000	€000
Life insurance contracts		
Amounts relating to the changes in the liability for remaining coverage		
Expected incurred claims and insurance service expenses incurred in the year	**37,129**	36,375
Change in the risk adjustment for non-financial risk	**1,306**	1,523
Amount of CSM recognised in profit or loss	**7,792**	5,032
Other amounts, including experience adjustments for premium receipts	**1,160**	1,289
Amounts relating to recovery of insurance acquisition cash flows		
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	**228**	81
Insurance revenue from contracts measured under GMM and VFA	**47,615**	44,300
Insurance revenue from contracts measured under PAA	**9,466**	8,237
Insurance revenue - life	**57,081**	52,537
Non-life insurance contracts		
Insurance revenue from contracts measured under PAA	**88,694**	82,958
Insurance revenue - non-life	**88,694**	82,958
Insurance revenue	**145,775**	135,495

The analysis of the insurance service expenses recognised during the year is presented below:

	2023			2022		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
	€000	€000	€000	€000	€000	€000
Incurred claims and directly attributable expenses	**(24,446)**	**(32,964)**	**(57,410)**	(25,814)	(27,091)	(52,905)
Amortisation of insurance acquisition cash flows	**(227)**	**(5,541)**	**(5,768)**	(80)	(5,013)	(5,093)
Insurance acquisition cash flows expensed as incurred	**(2,581)**	**(5,907)**	**(8,488)**	(2,429)	(5,419)	(7,848)
Reversals of losses/(losses) on onerous contracts	**1,145**	**(108)**	**1,037**	(4,743)	-	(4,743)
Changes to liabilities for incurred claims (LIC)	**850**	**(1,753)**	**(903)**	2,472	(6,445)	(3,973)
Insurance service expenses	**(25,259)**	**(46,273)**	**(71,532)**	(30,594)	(43,968)	(74,562)

12. Net insurance result (continued)

The analysis of the net reinsurance service result from reinsurance contracts held recognised during the year is presented below:

	2023	2022
Reinsurance contracts - life contracts	**€000**	€000
Amounts relating to the changes in the assets for remaining coverage		
Expected recovery for insurance service expenses incurred in the year	**(10,087)**	(8,314)
Change in the risk adjustment for non-financial risk	**41**	(58)
Net cost/gain recognised in profit or loss	**(1,559)**	(277)
Allocation of reinsurance premiums from contracts measured under GMM	**(11,605)**	(8,649)
Allocation of reinsurance premiums from contracts measured under PAA	**(3,219)**	(2,542)
Allocation of reinsurance premiums	**(14,824)**	(11,191)
Amounts recoverable for claims and other expenses incurred in the year	**12,247**	12,187
Changes in amounts recoverable arising from changes in liability for incurred claims	**(394)**	(971)
Amounts recoverable from reinsurers for incurred claims	**11,853**	11,216
Net reinsurance service result - life	**(2,971)**	25
Reinsurance contracts - non-life contracts		
Allocation of reinsurance premiums from contracts measured under PAA	**(34,498)**	(30,008)
Allocation of reinsurance premiums	**(34,498)**	(30,008)
Amounts recoverable for claims and other expenses incurred in the year	**13,346**	9,256
Changes in amounts recoverable arising from changes in liability for incurred claims	**3,072**	3,979
Changes in fulfilment cash flows which relate to onerous underlying contracts	**51**	-
Amounts recoverable from reinsurers for incurred claims	**16,469**	13,235
Net reinsurance service result - non-life	**(18,029)**	(16,773)
Net reinsurance service result	**(21,000)**	(16,748)

12. Net insurance result (continued)

The analysis of insurance finance income/(expense) and reinsurance finance income/(expense) recognised during the year is presented below:

	2023			2022		
	Life insurance	**Non-life insurance**	**Total**	Life insurance	Non-life insurance	Total
	€000	**€000**	**€000**	€000	€000	€000
Changes in value of underlying assets of direct participating contracts	**(42,949)**	**-**	**(42,949)**	36,759	-	36,759
Interest accreted to insurance contracts using current financial assumptions	**(307)**	**(1,297)**	**(1,604)**	78	-	78
Interest accreted to insurance contracts using locked-in rates	**13**	**-**	**13**	81	(395)	(314)
Changes in interest rates and other financial assumptions	**(577)**	**28**	**(549)**	4,060	999	5,059
Insurance finance income/(expense)	**(43,820)**	**(1,269)**	**(45,089)**	40,978	604	41,582
Interest accreted to reinsurance contracts using current financial assumptions	**-**	**465**	**465**	-	-	-
Interest accreted to reinsurance contracts using locked-in rates	**(85)**	**-**	**(85)**	(4)	138	134
Changes in interest rates and other financial assumptions	**2,199**	**(19)**	**2,180**	(3,287)	(291)	(3,578)
Changes in non-performance risk of reinsurer	**-**	**3**	**3**	-	-	-
Reinsurance finance income/(expense)	**2,114**	**449**	**2,563**	(3,291)	(153)	(3,444)

13. Other income

	2023	2022
	€000	€000
Dividend income	**856**	940
Profit/(loss) on sale and write-off of property and equipment and intangible assets	**53**	(13)
Rental income from investment properties	**3,239**	4,263
Rental income from stock of property	**346**	257
Income from hotel, golf and other leisure activities	**3,463**	3,559
Income from insurance compensation	**5,093**	-
Other income	**5,287**	7,675
	18,337	16,681

The income from hotel, golf and other leisure activities primarily relates to activities of subsidiaries acquired in debt satisfaction as part of loan restructuring activity.

14. Staff costs

Staff costs

	2023	2022 (restated)
	€000	€000
Salaries	**137,390**	142,779
Employer's contributions to state social insurance	**24,834**	25,962
Variable compensation:		
Accrual for short-term incentive award (Note 14.3)	**9,955**	-
Share-based benefits expense (Note 14.2)	**595**	322
Retirement benefit plan costs	**12,072**	11,766
Exit cost and other termination benefits (2022:Voluntary Exit Plan)	**7,420**	104,325
	192,266	285,154

The number of persons employed by the Group as at 31 December 2023 was 2,830 (2022: 2,889).

In 2023 and 2022, staff costs are presented in the Consolidated Income Statement net of software capitalisation costs and costs included in the insurance contract fulfilment cash flow liabilities under IFRS 17. An analysis of expenses by nature incurred by the Group is included in Note 15.1.

The following table shows the analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2023 and 2022.

	2023	2022 (restated)
Corporate and Large corporate	**53**	60
IBU & International corporate		
- IBU	**211**	218
- International corporate	**14**	30
Small and medium-sized enterprises	**82**	95
Retail	**881**	1,019
Restructuring and recoveries	**132**	180
Wealth management	**31**	36
REMU	**41**	45
Insurance	**200**	201
Treasury	**30**	26
Payment services	**113**	108
Other (primarily head office functions)	**1,088**	1,191
Total Cyprus	**2,876**	3,209
Other countries	**7**	11
	2,883	3,220

14. Staff costs (continued)

During 2023, the Group provided termination benefits to 50 of the Group's full time employees at a total cost of €7,420 thousand. During 2022, the Group completed VEPs through which 574 of the Group's full time employees were approved to leave at a total cost of €104,325 thousand.

14.1 Retirement benefits

Retirement benefits

In addition to the employer's contributions to state social insurance, the Group operates plans for the provision of additional retirement benefits as described below:

	2023 €000	2022 €000
Defined benefit plans	**512**	652
Defined contribution plans	**12,226**	11,364
	12,738	12,016

During the year ended 31 December 2023 retirement benefit costs of €666 thousand are included within net insurance service result as directly attributable expenses for the fulfilment of insurance contracts within the scope of IFRS 17 (2022: €250 thousand) (Note 15.1).

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (85% of total Group employees) is a defined contribution plan. This plan provided for employer contributions of 9% for 2023 and 8% for 2022 and employee contributions of 3%-10% of the employees' gross salaries for both 2023 and 2022. This plan is managed by an Administrative Committee appointed by the members.

In previous years a small number of employees who did not participate in the main retirement plan, were members of a pension scheme that was closed to new entrants and could have received part or all of their retirement benefit entitlement by way of a pension for life. This plan was managed by an Administrative Committee composed of representatives of the employer. As the last member exited the plan during the year ended 31 December 2022, there was no retirement benefit obligation as at 31 December 2023 and 2022 in relation to this plan.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded with assets backing the obligations held in separate legal vehicles.

Greece
Following IFRIC's decision in May 2021 about the periods of service to which an entity attributes benefit for a particular defined benefit plan, the Group as at 31 December 2023 and 2022 does not have any retirement benefits obligation for its employees in Greece, and as a result the accumulated actuarial gains/losses attributable to these plans were derecognised since 31 December 2021.

United Kingdom
The Group has assumed in prior years the obligation of the defined benefit plan of employees of the former subsidiary of the Group in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members. As at 31 December 2023 and 2022 the Group's remaining retirement benefit obligation related to the UK pension plan.

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the consolidated balance sheet	2023 €000	2022 €000
Liabilities (Note 33)	**565**	3,694
Assets (Note 28)	**(669)**	(816)
	(104)	2,878

One of the plans has a total funded status at a surplus of €7,141 thousand (2022: two plans with total funded status at a surplus of €10,739 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

14. Staff costs (continued)

14.1 Retirement benefits (continued)

The amounts recognised in the consolidated balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2023 and 2022 are presented below:

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2023	54,743	(62,605)	**(7,862)**	10,740	**2,878**
Current service cost	395	-	**395**	-	**395**
Net interest expense/(income)	2,624	(2,507)	**117**	-	**117**
Total amount recognised in the consolidated income statement	3,019	(2,507)	**512**	-	**512**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	394	**394**	-	**394**
Actuarial loss from changes in financial assumptions	1,623	-	**1,623**	-	**1,623**
Demographic assumptions	(605)	-	**(605)**	-	**(605)**
Experience adjustments	621	-	**621**	-	**621**
Asset adjustment	-	1,600	**1,600**	-	**1,600**
Change in asset ceiling	-	-	**-**	(4,253)	**(4,253)**
Total amount recognised in the consolidated OCI	1,639	1,994	**3,633**	(4,253)	**(620)**
Exchange differences	889	(1,465)	**(576)**	654	**78**
Contributions:					
Employer	-	(2,952)	**(2,952)**	-	**(2,952)**
Plan participants	177	(177)	**-**	-	**-**
Benefits paid from the plans	(2,449)	2,449	**-**	-	**-**
31 December 2023	**58,018**	**(65,263)**	**(7,245)**	**7,141**	**(104)**

14. **Staff costs** (continued)

14.1 **Retirement benefits** (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2022	95,038	(98,827)	(3,789)	5,462	**1,673**
Current service cost	479	-	479	-	**479**
Gain on curtailment and settlement	219	-	219	-	**219**
Net interest expense/(income)	1,523	(1,569)	(46)	-	**(46)**
Total amount recognised in the consolidated income statement	2,221	(1,569)	652	-	**652**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	30,400	30,400	-	**30,400**
Actuarial loss from changes in financial assumptions	(34,016)	-	(34,016)	-	**(34,016)**
Demographic assumptions	(721)	-	(721)	-	**(721)**
Experience adjustments	3,008	-	3,008	-	**3,008**
Change in asset ceiling	-	-	-	5,617	**5,617**
Total amount recognised in the consolidated OCI	(31,729)	30,400	(1,329)	5,617	**4,288**
Exchange differences	(4,077)	4,296	219	(339)	**(120)**
Contributions:					
Employer	-	(3,615)	(3,615)	-	**(3,615)**
Plan participants	183	(183)	-	-	**-**
Benefits paid from the plans	(6,893)	6,893	-	-	**-**
31 December 2022	54,743	(62,605)	(7,862)	10,740	**2,878**

14. Staff costs (continued)

14.1 Retirement benefits (continued)

The actual return on plan assets for year 2023 was a gain of €2,113 thousand (2022: loss of €28,831 thousand) mainly due to the increases in bond and equity prices during the year.

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used to better match the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2023	2022
Equity securities	**10%**	13%
Debt securities	**66%**	57%
Loans and advances to banks	**21%**	13%
Funds	**3%**	17%
	100%	100%

The assets held by the funded plans include equity securities issued by the Company, the fair value of which as at 31 December 2023 is €186 thousand (2022: €95 thousand).

The Group expects to make additional contributions to defined benefit plans of €1,164 thousand during 2024.

At the end of the reporting period, the average duration of the defined benefit obligations was 14 years (2022: 14 years).

14. **Staff costs** (continued)

14.1 **Retirement benefits** (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Group during 2023 and 2022 are set out below:

2023	**Cyprus**	**UK**
Discount rate	**3.27%**	**4.75%**
Inflation rate	**2.25%**	**3.00%**
Future salary increases	**2.25%**	**n/a**
Rate of pension increase	**n/a**	**2.80%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**23.0 years M 24.7 years F**
2022		
Discount rate	3.85%	5.00%
Inflation rate	2.50%	3.10%
Future salary increases	2.50%	n/a
Rate of pension increase	n/a	2.90%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a
Life expectancy for pensioners at age 65	n/a	23.0 years M 24.7 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date of high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone which comprise 19% of the defined benefit obligations, the Group adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 81% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2023 and 2022 is presented below:

	2023		2022	
Variable	**Change +0.5%**	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-6.4%**	**6.8%**	-6.5%	6.9%
Inflation growth rate	**4.2%**	**-4.1%**	3.8%	-4.2%
Salary growth rate	**1.1%**	**-1.0%**	1.1%	-1.1%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**3.8%**	**-3.8%**	3.6%	-3.6%

14. Staff costs (continued)

14.1 Retirement benefits (continued)

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

14.2 Share-based compensation plan

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

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

The maximum number of shares that may be issued pursuant to the LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of BOCH, as at the date of the resolution (being 22,309,996 ordinary shares of €0.10 each), as adjusted for any issuance or cancellation of shares subsequently to the date of the resolution (excluding any issuances of shares pursuant to the LTIP).

Under the LTIP the following share awards were granted as of 31 December 2023:

On 3 October 2023 (grant date) 479,160 share awards were granted by BOCH to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three year performance period 2023-2025 (with all performance conditions being non-market performance conditions).

On 22 December 2022 (grant date) 819,860 share awards were granted by BOCH to 22 eligible employees comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three year performance period 2022-2024 (with all performance conditions being non-market performance conditions).

Each of the share awards granted thereon vest in six tranches, with the first tranche vesting in the year following the year the performance period ends and the last tranche vesting on the fifth anniversary of the first vesting date. Vesting is also subject to service conditions. Awards are subject to potential forfeiture under certain leaver scenarios.

The following table presents movements in outstanding share-based awards during 2023 and 2022.

14. **Staff costs** (continued)

14.2 **Share-based compensation plan** (continued)

	2023		2022	
	Number of shares	**Weighted average grant date fair value**	Number of shares	Weighted average grant date fair value
		€		€
As at 1 January	**819,860**	**1.69**	-	
Granted during the year	**479,160**	**2.95**	819,860	1.69
Vested during the year	**-**	**-**	-	-
Forfeited during the year	**(89,984)**	**n/a**	-	n/a
31 December	**1,209,036**		819,860	

As at 31 December 2023 the weighted average share price for forfeitures is €1.85.

Assumptions

The fair value calculations as of the granting date for each of the share awards are calculated using Black-Scholes model. As the award is a share award (and does not contain any market based performance conditions) the fair value is based on the share price at the date of the grant.

14.3 **Short-term incentive plan**

Short-term Incentive Plan
Short-term incentive award refers to a Short-term Incentive Plan established by BOCH in 2023. This involves variable remuneration in the form of cash to selected employees, and is driven by both delivery of BOCH's Group Strategy, as well as individual performance, in the relevant year. Executive Management are also eligible to be considered for the short-term incentive award. The short-term incentive award is generally paid in cash and is non-deferred, however, in cases where the amount exceeds a specified threshold as per regulatory guidelines, 50% of the award is awarded in shares and 50% in cash. In cases the award for an individual comprises both a cash and a share component then the award vests, similarly to LTIP vesting, i.e., 40% vests in the year following the performance year to which the incentive award relates to, and the remaining 60% vests in tranches (12%) over five years.

Shares vesting as part of the short-term incentive award are subject to one-year retention period and 100% of the award is subject to clawback provisions.

For the short-term incentive award for the performance year 2023 only an amount of €250 thousand is to be granted in the form of shares and the rest amount is awarded in cash. Further information on the amounts awarded under the short-term incentive award for the performance year 2023 to Executive Directors and other key management personnel is disclosed in Note 49.

15. Other operating expenses

	2023	2022 (restated)
	€000	€000
Repairs and maintenance expenses	**33,837**	33,622
Property-related costs	**11,714**	13,429
Consultancy, legal and other professional services fees	**17,448**	18,477
Insurance	**5,739**	6,585
Advertising and marketing	**9,000**	9,328
Incentives to performing customers	**2,500**	-
Depreciation of property and equipment (Note 25)	**13,760**	13,858
Amortisation of intangible assets (Note 26)	**15,740**	15,953
Communication expenses	**6,119**	6,393
Printing and stationery	**1,641**	1,618
Cash transfer expenses	**3,193**	2,953
Other operating expenses	**35,601**	21,888
	156,292	144,104
Advisory and other transformation costs	**2,253**	14,136
	158,545	158,240

Advisory and other transformation costs comprise mainly fees to external advisors in relation to the transformation program and other strategic projects of the Group.

During the year ended 31 December 2023, the Group recognised €57 thousand relating to rent expense for short-term leases, included within 'Property-related costs' (2022: €164 thousand as restated) and €5,490 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2022: €5,558 thousand as restated).

Incentives to performing customers of €2,500 thousand during the year ended 31 December 2023 (2022: nil) relate to the Reward Programme launched in June 2023 to reward performing borrowers through the Antamivi reward scheme.

Within total other operating expenses, an amount of €777 thousand (2022: €820 thousand) relates to investment property that generated rental income.

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	2023	2022
	€000	€000
Special levy on deposits of credit institutions in Cyprus	**23,300**	21,499
Single Resolution Fund contribution	**5,477**	5,779
Guarantee fee on annual deferred tax credit (Note 17)	**5,364**	4,795
Contribution to Deposit Guarantee Fund	**8,239**	6,419
	42,380	38,492

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the charge of the Special Levy up to the level of the total annual Special Levy charge.

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

15. Other operating expenses (continued)

Fees to the independent auditors of the Group for audit and other professional services provided are presented in the table below:

	PwC Cyprus		PwC Network firms	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Audit of the individual and the Group financial statements	**1,585**	1,523	**314**	304
Other assurance services	**402**	337	**140**	86
Tax advisory services	**149**	218	**18**	18
Other non-assurance services	**199**	136	**127**	31
	750	691	**285**	135
	2,335	2,214	**599**	439

15.1. Expenses by nature

An analysis by nature of staff costs and other operating expenses incurred by the Group is presented in the table below:

	2023				
	Directly attributable expenses (Note 12)	**Capitalised as internally developed computer software** (Note 26)	**Staff costs** (Note 14)	**Other operating expenses** (Note 15)	**Total**
	€000	**€000**	**€000**	**€000**	**€000**
Salaries and employer's contributions	**9,898**	**2,202**	**162,224**	**-**	**174,324**
Variable compensation:					
Accrual for short-term incentive award	**-**	**-**	**9,955**	**-**	**9,955**
Share-based benefits expense	**-**	**-**	**595**	**-**	**595**
Retirement benefit costs (Note 14.1)	**666**	**-**	**12,072**	**-**	**12,738**
Exit cost and other termination benefits	**-**	**-**	**7,420**	**-**	**7,420**
Depreciation	**387**	**-**	**-**	**8,270**	**8,657**
Depreciation of RoU assets	**1,246**	**-**	**-**	**5,490**	**6,736**
Amortisation of intangible assets	**3,120**	**-**	**-**	**15,740**	**18,860**
Other operating expenses	**4,088**	**-**	**-**	**129,045**	**133,133**
Total	**19,405**	**2,202**	**192,266**	**158,545**	**372,418**

15. Other operating expenses (continued)

15.1. Expenses by nature (continued)

	2022				
	Directly attributable expenses (Note 12)	Capitalised as internally developed computer software (Note 26)	Staff costs (Note 14)	Other operating expenses (Note 15)	Total
	€000	€000	€000	€000	€000
Salaries and employer's contributions	8,957	1,719	168,741	-	179,417
Variable compensation:					
Share-based benefits expense	-	-	322	-	322
Retirement benefit costs (Note 14.1)	250	-	11,766	-	12,016
Exit cost and other termination benefits	-	-	104,325	-	104,325
Depreciation	583	-	-	8,300	8,883
Depreciation of RoU assets	1,209	-	-	5,558	6,767
Amortisation of intangible assets	2,600	-	-	15,953	18,553
Other operating expenses	4,057	-	-	128,429	132,486
Total	**17,656**	**1,719**	**285,154**	**158,240**	**462,769**

Directly attributable expenses are expenses incurred by the insurance subsidiaries of the Group that relate directly to the fulfilment of insurance and re-insurance contracts within the scope of IFRS 17.

16. Credit losses on financial assets and impairment net of reversals of non-financial assets

	2023	2022 (restated)
Credit losses on financial assets	**€000**	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers (Note 44.5)	**81,764**	64,997
Recoveries of loans and advances to customers previously written off	**(15,057)**	(11,919)
Changes in expected cash flows	**4,824**	7,948
Financial guarantees and commitments (Notes 44.6.1 and 44.6.2)	**1,763**	(4,516)
	73,294	56,510
Credit losses of other financial instruments		
Amortised cost debt securities (Note 20)	**(531)**	701
FVOCI debt securities (Note 20)	**(380)**	(23)
Loans and advances to banks (Note 19)	**1**	(52)
Balances with central banks (Note 19)	**330**	193
Reverse repurchase agreements	**20**	-
Other financial assets (Note 28)	**7,096**	1,758
	6,536	2,577
	79,830	59,087

	2023	2022
Impairment net of reversals on non-financial assets	**€000**	€000
Stock of property (Note 27)	**46,026**	20,628
Other non-financial assets	**826**	8,921
	46,852	29,549

17. Income tax

	2023	2022 (restated)
	€000	€000
Current tax:		
- Cyprus	**46,319**	29,508
Cyprus special defence contribution	**47**	67
Deferred tax charge/(credit)	**26,001**	(513)
Prior years' tax adjustments	**(52)**	1,713
Other tax charges	**623**	196
	72,938	30,971

The reconciliation between the income tax expense and the profit before tax as estimated using the current income tax rates is set out below:

	2023	2022 (restated)
	€000	€000
Profit before tax	**555,447**	91,291
Income tax at the normal tax rates in Cyprus	**69,431**	11,411
Income tax effect of:		
- expenses not deductible for income tax purposes	**12,862**	30,613
- income not subject to income tax	**(6,556)**	(13,029)
- other allowable deductions	**(3,417)**	-
	72,320	28,995
Cyprus special defence contribution	**47**	67
Prior years' tax adjustments	**(52)**	1,713
Other tax charges	**623**	196
	72,938	30,971

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2022: 12.5%).

For life insurance business there is a minimum income tax charge of 1.5% on gross premiums (this is included within 'Net insurance service result'). Special defence contribution is payable on rental income at a rate of 3% (2022: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2022: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2023 were: Greece 22% (2022: 22%), Romania 16% (2022: 16%) and Russia 20% (2022 20%).

The Group is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Group's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open income tax returns with various income tax authorities and liabilities relating to these judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

17. Income tax (continued)

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date, however it is expected to be enacted within 2024. The Group expects to be in scope of the draft legislation and has performed an initial assessment of the potential impact of Pillar Two income taxes and is currently estimated to be in the range of up to 2% of profit before tax. However, the actual impact will depend on the Group's consolidated income statement variables at the time of implementation. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be implemented, the impact of this reform is still being examined and the Group will further refine the quantification in view of the first accounting recognition of the additional tax charge in the Group's consolidated accounts in 2024.

Deferred tax

The net deferred tax assets arise from:

	2023	2022 (restated)
	€000	€000
Difference between capital allowances and depreciation	**(10,329)**	(10,528)
Own property revaluation	**(16,546)**	(13,338)
Stock of property and investment properties	**7,542**	(2,847)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**189,546**	227,455
Other temporary differences (net)	**(1,251)**	(7,442)
Net deferred tax assets	**168,962**	193,300

The net deferred tax assets comprise:

	2023	2022 (restated)
	€000	€000
Deferred tax assets	**201,268**	227,934
Deferred tax liabilities	**(32,306)**	(34,634)
Net deferred tax assets	**168,962**	193,300

The deferred tax assets (DTA) relate to Cyprus operations.

17. **Income tax** (continued)

The movement of the net deferred tax assets is set out below:

	2023	2022 (restated)
	€000	€000
1 January (restated)	**193,300**	226,125
Deferred tax recognised in the consolidated income statement - tax (charge)/credit	**(26,001)**	4,840
Deferred tax recognised in the consolidated statement of comprehensive income - tax (charge)/credit	**(3,234)**	244
Transfer to current tax payables following the adoption of IFRS 17	**4,871**	-
Transfer to current tax receivables following conversion into tax credit	**-**	(37,909)
Other transfers	**26**	-
31 December	**168,962**	193,300

The Group offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

The analysis of the net deferred tax charge/(credit) recognised in the consolidated income statement is set out below:

	2023	2022 (restated)
	€000	€000
Difference between capital allowances and depreciation	**(199)**	(462)
Temporary differences on valuation of investment properties and stock of property	**(10,389)**	-
Utilisation of annual instalment of acquired tax losses	**37,909**	-
Other temporary differences	**(1,320)**	(51)
	26,001	(513)

The analysis of the net deferred tax (charge)/credit recognised in other comprehensive income in the consolidated statement of comprehensive income is set out below:

	2023	2022
	€000	€000
Temporary differences on own property revaluation - (charge)/credit	**(3,234)**	244

Income Tax Law Amendment 28 (I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

The main provisions of the legislation are set out below:

i. The amendments allow for the conversion of specific tax losses into tax credits.
ii. The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.
iii. The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition.
iv. Acquired tax losses are converted into 15 equal annual instalments or into 11 equal annual instalments for acquired losses from credit institutions which were in resolution pre 31 December 2017.
v. Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
vi. Any amount of the annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.

17. Income tax (continued)

vii. In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
viii. In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
ix. A guarantee fee on annual tax credit is payable annually by the credit institution to the Government.

In response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government has proceeded with the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already provided for in the Law, to maintain the conversion of such DTAs into tax credits. The relevant amendments were voted by the Cyprus Parliament in May 2022 and have become effective since. As prescribed by the amendments in the Law, the annual fee is to be determined by the Cyprus Government on an annual basis, providing however, for such fee charge to be set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e. in 2022).

BOC PCL has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 relating to income tax losses transferred to BOC PCL as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million (corresponding to €3.3 billion tax losses) for which BOC PCL paid a consideration as part of the respective acquisition. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e., by end of 2028.

As a result of the above Law, the Group has DTA amounting to €189,546 thousand as at 31 December 2023 (2022: €227,455 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is either converted to annual tax credit and is reclassified from the DTA to current tax receivables or it is used in the determination of the taxable income of the relevant year, as the annual instalment can be claimed as a deductible expense in which case the annual instalment is reflected as a charge in the Consolidated Income Statement.

The DTA subject to the Law is accounted for on the same basis as described in Note 2.11.

The Group in prior years, in anticipation of modifications in the Law, acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Group estimates that such fees could range up to €5,300 thousand per year (for each tax year in scope i.e., since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. An amount of €5,364 thousand that relates to the tax credit of year 2023 (2022: €4,795 thousand) was recorded during the year ended 31 December 2023. In the third quarter of 2022, BOC PCL has been levied an amount for years 2018-2021 within the provisions level maintained.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

	Total income tax losses	Income tax losses for which a deferred tax asset was recognised	Income tax losses for which no deferred tax asset was recognised
2023	**€000**	**€000**	**€000**
Expiring within 5 years	**45,851**	**-**	**45,851**
Utilisation in annual instalments up to 2028	**1,516,364**	**1,516,364**	**-**
	1,562,215	**1,516,364**	**45,851**
2022			
Expiring within 5 years	44,960	-	44,960
Utilisation in annual instalments up to 2028	1,819,636	1,819,636	-
	1,864,596	1,819,636	44,960

18. Earnings per share

Basic and diluted profit per share attributable to the owners of the Company	**2023**	2022 (restated)
Profit for the year attributable to the owners of the Company (€ thousand)	**480,772**	57,454
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**9,597,945**	9,597,945
Basic and diluted profit per share (€ cent)	**5.01**	0.60

19. Cash, balances with central banks and loans and advances to banks

	2023	2022
	€000	€000
Cash	**92,541**	91,717
Balances with central banks	**9,522,484**	9,475,734
Allowance for expected credit losses (Note 16)	**(523)**	(193)
	9,614,502	9,567,258

	2023	2022
	€000	€000
Loans and advances to banks	**384,824**	204,832
Allowance for expected credit losses (Note 16)	**(22)**	(21)
	384,802	204,811

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2023	2022
Gross carrying amount	**€000**	€000
1 January	**9,475,734**	9,087,968
Net increase	**46,750**	387,766
31 December	**9,522,484**	9,475,734

Balances with central banks are classified as Stage 1.

The ECL charge (Note 16) on balances with central banks for the year ended 31 December 2023 amounted to €330 thousand (2022: €193 thousand).

An analysis of the movement of the gross carrying amount before ECL and ECL of loans and advances to banks is presented in the table below:

	2023		2022	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**204,832**	**(21)**	291,705	(73)
Net increase/(decrease)	**180,043**	**-**	(85,970)	-
Changes to models and inputs used for ECL calculation (Note 16)	**-**	**(1)**	-	52
Foreign exchange adjustments	**(51)**	**-**	(903)	-
31 December	**384,824**	**(22)**	204,832	(21)

All loans and advances to banks are classified as Stage 1.

19. Cash, balances with central banks and loans and advances to banks (continued)

Balances with central banks include obligatory deposits for liquidity purposes which amount to €59,179 thousand as at 31 December 2023 (2022: €114,537 thousand) (Note 41). The average balance of obligatory deposits that should be maintained with central banks was set at €186,794 thousand for the period of December 2023 to January 2024 (2022: €187,280 thousand for the period December 2022 to February 2023).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 44.11.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

The analysis of the Group's investments is presented in the table below:

	2023	2022
	€000	€000
Investments at FVPL	**135,275**	190,209
Investments at FVOCI	**443,420**	467,375
Investments at amortised cost	**3,116,714**	2,046,119
	3,695,409	2,703,703

Out of these, the amounts pledged as collateral are shown below:

	2023	2022
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**25,458**	60,974
Investments at amortised cost	**234,553**	223,369
	260,011	284,343

Investments pledged as collateral as at 31 December 2023 and 2022 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) (Note 29). Encumbered assets are disclosed in Note 46.

The maximum exposure to credit risk for debt securities is disclosed in Note 44.1 and the debt securities price risk sensitivity analysis is disclosed in Note 45.

The increase in the investment portfolio as at 31 December 2023 is consistent with the strategy of the Group to prudently grow the fixed income portfolio.

The credit rating analysis of investments is disclosed in Note 44.11.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2023	2022
	€000	€000
Other non-equity securities	**3,611**	8,968
Equity securities	**903**	6,961
Mutual funds	**130,761**	174,280
	135,275	190,209

20. Investments (continued)

Investments at FVOCI

	2023	2022
	€000	€000
Debt securities	431,068	453,775
Equity securities	12,352	13,600
	443,420	467,375

Investments at amortised cost

	2023	2022
	€000	€000
Debt securities	3,116,714	2,046,119

Further analysis of the Group's investments is provided in the tables below.

Equity securities

	FVPL	FVOCI	Total
2023	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	728	728
Listed on other stock exchanges	903	58	961
Unlisted	-	11,566	11,566
	903	12,352	13,255

	FVPL	FVOCI	Total
2022	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	1,335	1,335
Listed on other stock exchanges	6,961	68	7,029
Unlisted	-	12,197	12,197
	6,961	13,600	20,561

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €12,352 thousand at 31 December 2023 and is equal to their fair value (2022: €13,600 thousand).

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

Dividend income amounting to €856 thousand has been received and recognised for 2023 in other income (2022: €940 thousand) (Note 13).

During the year ended 31 December 2023 holdings of an equity investment measured at FVOCI with a carrying value of €702 thousand have been disposed of (2022: no material equity investments measured at FVOCI have been disposed of). During the year ended 31 December 2022, there were transfers from OCI to retained earnings of €2,931 thousand relating to investments disposed of in prior years.

20. Investments (continued)

Mutual funds

	FVPL
2023	**€000**
Listed on other stock exchanges	35,192
Unlisted	95,569
	130,761

	FVPL
2022	€000
Listed on other stock exchanges	77,782
Unlisted	96,498
	174,280

The majority of the unlisted mutual funds relate to investments whose underlying assets are listed on stock exchanges and are therefore presented in Level 2 hierarchy in Note 22.

Debt securities and other non-equity securities

Analysis by issuer type	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
2023	€000	€000	€000	**€000**
Cyprus government	-	315,640	610,781	**926,421**
Other governments	-	10,316	751,247	**761,563**
Financial institutions	-	81,727	1,046,184	**1,127,911**
Other financial corporations	3,611	-	47,477	**51,088**
Supranational organisations	-	18,438	550,394	**568,832**
Other non-financial corporations	-	4,947	110,631	**115,578**
	3,611	**431,068**	**3,116,714**	**3,551,393**

	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	€000
Cyprus government	-	310,791	521,322	832,113
Other governments	-	22,616	402,844	425,460
Financial institutions	-	115,497	722,522	838,019
Other financial corporations	8,968	-	36,547	45,515
Supranational organisations	-	-	293,834	293,834
Other non-financial corporations	-	4,871	69,050	73,921
	8,968	453,775	2,046,119	2,508,862

20. Investments (continued)

Geographic dispersion by country of issuer	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
2023	€000	€000	€000	**€000**
Cyprus	-	315,640	621,162	**936,802**
Greece	-	18,726	60,297	**79,023**
Germany	-	-	210,507	**210,507**
France	-	31,659	283,235	**314,894**
Other European Union countries	-	20,342	741,157	**761,499**
United Kingdom	-	-	18,089	**18,089**
USA and Canada	3,611	4,077	273,447	**281,135**
Other countries	-	22,186	358,426	**380,612**
Supranational organisations	-	18,438	550,394	**568,832**
	3,611	**431,068**	**3,116,714**	**3,551,393**

	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	€000
Cyprus	-	310,791	531,611	842,402
Greece	-	14,987	43,276	58,263
Germany	-	-	121,132	121,132
France	-	58,134	162,405	220,539
Other European Union countries	-	33,298	370,728	404,026
United Kingdom	-	-	23,128	23,128
USA and Canada	8,968	8,974	238,802	256,744
Other countries	-	27,591	261,203	288,794
Supranational organisations	-	-	293,834	293,834
	8,968	453,775	2,046,119	2,508,862

'Other countries' include exposures in Israel amounting to €46,715 thousand as at 31 December 2023 (2022: €58,642 thousand).

Listing analysis	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
2023	€000	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	-	4,566	**4,566**
Listed on other stock exchanges	-	431,068	3,112,148	**3,543,216**
Unlisted	3,611	-	-	**3,611**
	3,611	**431,068**	**3,116,714**	**3,551,393**

	FVPL	**FVOCI**	**Amortised cost**	**Total**
2022	€000	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	-	29,849	29,849
Listed on other stock exchanges	-	453,775	2,016,270	2,470,045
Unlisted	8,968	-	-	8,968
	8,968	453,775	2,046,119	2,508,862

The Group uses fair value hedging to manage the interest rate risk in relation to its FVOCI bonds (Note 21).

An analysis of the movement of the gross debt securities at FVOCI before ECL and ECL of debt securities is presented in the table below:

20. Investments (continued)

	2023		2022	
	Gross debt securities	**ECL**	Gross debt securities	ECL
	€000	**€000**	€000	€000
1 January	**454,438**	**(663)**	733,766	(686)
New assets acquired in the year	**84,700**	**-**	27,972	-
Assets derecognised and redeemed in the year (Note 16)	**(128,929)**	**39**	(244,486)	35
Interest accrued and amortisation	**(1,728)**	**-**	(6,119)	-
Foreign exchange adjustments	**(640)**	**-**	11,190	-
Changes to models and inputs used for ECL calculations (Note 16)	**-**	**341**	-	(12)
Changes in fair value	**23,510**	**-**	(67,885)	-
31 December	**431,351**	**(283)**	454,438	(663)

All debt securities measured at FVOCI are classified as Stage 1.

An analysis of the movement in the gross carrying amount before ECL of the debt securities at amortised cost by staging is presented in the table below:

	2023			2022		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**2,047,638**	**-**	**2,047,638**	1,143,533	48,559	1,192,092
New assets acquired in the year	**1,472,417**	**-**	**1,472,417**	1,073,058	-	1,073,058
Assets derecognised and/or redeemed in the year	**(428,958)**	**-**	**(428,958)**	(164,874)	(47,100)	(211,974)
Fair value due to hedging relationship	**2,674**	**-**	**2,674**	(10,527)	(197)	(10,724)
Interest accrued and amortisation	**31,326**	**-**	**31,326**	(179)	(1,262)	(1,441)
Foreign exchange adjustments	**(7,395)**	**-**	**(7,395)**	6,627	-	6,627
31 December	**3,117,702**	**-**	**3,117,702**	2,047,638	-	2,047,638

An analysis of changes on the respective ECL is presented in the table below:

	2023			2022		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(1,519)**	**-**	**(1,519)**	(722)	(96)	(818)
Assets derecognised and/or redeemed (Note 16)	**102**	**-**	**102**	11	96	107
Changes to models and inputs used for ECL calculation (Note 16)	**429**	**-**	**429**	(808)	-	(808)
31 December	**(988)**	**-**	**(988)**	(1,519)	-	(1,519)

There were no reclassifications of investments during the year ended 31 December 2023 and 2022.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €7,149 thousand at 31 December 2023 (2022: €8,694 thousand). The fair value loss that would have been recognised in the consolidated income statement during the year ended 31 December 2023 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €140 thousand (2022: loss of €1,432 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2022: 1.6%-5.0%) per annum and the respective interest income during the year ended 31 December 2023 amounts to €227 thousand (2022: €252 thousand).

21. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2023			2022		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**23,960**	**205**	**184**	13,239	103	123
Currency swaps	**986,259**	**136**	**13,278**	1,248,522	283	10,316
Interest rate swaps	**13,460**	**189**	**181**	14,806	437	420
Currency options	**44**	**2**	**42**	352	287	65
Interest rate caps/floors	**166,075**	**1,843**	**1,844**	171,864	3,094	3,094
	1,189,798	**2,375**	**15,529**	1,448,783	4,204	14,018
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**1,401,531**	**48,679**	**2,451**	803,513	43,939	2,151
Net investments - forward exchange rate contracts and currency swaps	**1,200**	**1**	**-**	3,059	10	-
	1,402,731	**48,680**	**2,451**	806,572	43,949	2,151
Total	**2,592,529**	**51,055**	**17,980**	2,255,355	48,153	16,169

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates and foreign currency exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Group sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 45. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Group converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Group converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 45. In order to manage the risk, the Group hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

21. Derivative financial instruments (continued)

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign currency exchange rates in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The Group applies hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates, foreign currency exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI as well as on debt securities in issue and subordinated liabilities.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the hedged item in relation to the risk being hedged are recognised in the consolidated income statement.

Hedges of net investments
The Group's consolidated balance sheet is impacted by foreign currency exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and other foreign operations and by forward exchange rate contracts.

As at 31 December 2023, forward exchange rate contracts amounting to €1,200 thousand (2022: forward exchange rate contracts amounting to €3,059 thousand) have been designated as hedging instruments and have given rise to a loss of €13 thousand (2022: loss of €4,079 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and other foreign operations.

	Gains/(losses) attributable to hedged risk		**Hedge in-effectiveness**
2023	**Hedged items**	**Hedging instruments**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	4,329	(2,211)	2,118
Net investments			
-forward exchange rate contracts and currency swaps	13	(13)	-
Total	**4,342**	**(2,224)**	**2,118**

21. Derivative financial instruments (continued)

2022	Gains/(losses) attributable to hedged risk		Hedge in-effectiveness
	Hedged items	Hedging instruments	
Derivatives qualifying for hedge accounting	€000	€000	€000
Fair value hedges			
-interest rate swaps	(62,563)	65,427	(2,864)
Net investments			
-forward exchange rate contracts and currency swaps	4,079	(4,079)	-
Total	**(58,484)**	**61,348**	**(2,864)**

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

2023	**Carrying amount of hedged items**		**Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities - investments	439,043	-	(43,441)	-
-debt securities in issue	-	671,632	-	(9,421)
-subordinated liabilities	-	306,787	-	(4,237)
Net investments - forward exchange rate contracts and currency swaps				
Net assets	1,200	-	1	-
Total	**440,243**	**978,419**	**(43,440)**	**(13,658)**

2022	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	€000	€000	€000	€000
Fair value hedges - interest rate swaps				
-debt securities - investments	468,396	-	(66,555)	-
-debt securities in issue	-	297,636	-	4,853
Net investments - forward exchange rate contracts and currency swaps				
Net assets	3,059	-	10	-
Total	471,455	297,636	(66,545)	4,853

For assets hedged using fair value hedges the fixed rate is 2.05% and the floating rate is 3.98% as at 31 December 2023 (2022: 1.84% and 1.20% respectively). For liabilities hedged using fair value hedges, the average fixed rate is 5.44% and the average floating rate is 5.96% as at 31 December 2023 (2022: 0.62% and 0.25% respectively).

21. Derivative financial instruments (continued)

The maturity of the Group's contract amount of the derivatives is presented in the table below:

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total contract amount €000
Trading derivatives						
Forward exchange rate contracts	9,734	9,657	4,569	-	-	**23,960**
Currency swaps	852,963	132,603	693	-	-	**986,259**
Interest rate swaps	-	4,372	9,088	-	-	**13,460**
Currency options	44	-	-	-	-	**44**
Interest rate caps/floors	-	-	-	166,075	-	**166,075**
	862,741	**146,632**	**14,350**	**166,075**	**-**	**1,189,798**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	15,000	56,031	1,166,000	164,500	**1,401,531**
Net investments - forward exchange rate contracts and currency swaps	1,200	-	-	-	-	**1,200**
	1,200	**15,000**	**56,031**	**1,166,000**	**164,500**	**1,402,731**
Total	**863,941**	**161,632**	**70,381**	**1,332,075**	**164,500**	**2,592,529**

21. Derivative financial instruments (continued)

2022	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	1,649	9,138	2,452	-	-	13,239
Currency swaps	1,109,302	139,220	-	-	-	1,248,522
Interest rate swaps	-	-	-	14,806	-	14,806
Currency options	352	-	-	-	-	352
Interest rate caps/floors	-	-	-	154,173	17,691	171,864
	1,111,303	148,358	2,452	168,979	17,691	1,448,783
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	23,416	17,000	42,200	486,397	234,500	803,513
Net investments - forward exchange rate contracts and currency swaps	3,059	-	-	-	-	3,059
	26,475	17,000	42,200	486,397	234,500	806,572
Total	1,137,778	165,358	44,652	655,376	252,191	2,255,355

22. Fair value measurement

The following table presents the carrying value and fair value of the Group's financial assets and liabilities.

	2023		2022 (restated)	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,614,502**	**9,614,502**	9,567,258	9,567,258
Loans and advances to banks	**384,802**	**370,853**	204,811	193,349
Reverse repurchase agreements	**403,199**	**411,654**	-	-
Derivative financial assets	**51,055**	**51,055**	48,153	48,153
Investments at FVPL	**135,275**	**135,275**	190,209	190,209
Investments at FVOCI	**443,420**	**443,420**	467,375	467,375
Investments at amortised cost	**3,116,714**	**3,119,618**	2,046,119	1,953,336
Reverse repurchase agreements	**-**	**-**	-	-
Loans and advances to customers	**9,823,127**	**9,973,588**	9,961,642	10,020,131
Life insurance business assets attributable to policyholders	**637,562**	**637,562**	531,061	531,061
Other financial assets	**388,244**	**406,602**	402,462	456,402
	24,997,900	**25,164,129**	23,419,090	23,427,274
Financial liabilities				
Funding from central banks and deposits by banks	**2,515,424**	**2,472,718**	2,484,332	2,399,266
Derivative financial liabilities	**17,980**	**17,980**	16,169	16,169
Customer deposits	**19,338,880**	**19,302,832**	18,998,319	18,963,934
Debt securities in issue	**671,632**	**655,428**	297,636	254,179
Subordinated liabilities	**308,049**	**300,098**	303,812	265,472
Other financial liabilities and lease liabilities	**359,624**	**359,624**	303,382	303,382
	23,211,589	**23,108,680**	22,403,650	22,202,402

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Group uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant impact on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant impact on fair value are not based on market observable data.

Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

22. Fair value measurement (continued)

The following table presents the fair value measurement hierarchy of the Group's financial assets and financial liabilities recorded at fair value and financial assets and financial liabilities for which fair value is disclosed, by level of the fair value hierarchy:

2023	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	5,933	**5,933**
Offices and other commercial properties	-	-	34,369	**34,369**
Manufacturing and industrial properties	-	-	19,513	**19,513**
Land (fields and plots)	-	-	2,290	**2,290**
	-	-	62,105	**62,105**
Freehold property				
Offices and other commercial properties	-	-	232,235	**232,235**
Loans and advances to customers measured at FVPL	-	-	138,727	**138,727**
Trading derivatives				
Forward exchange rate contracts	-	205	-	**205**
Currency swaps	-	136	-	**136**
Interest rate swaps	-	189	-	**189**
Currency options	-	2	-	**2**
Interest rate caps/floors	-	1,843	-	**1,843**
	-	2,375	-	**2,375**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	48,679	-	**48,679**
Net investments-forward exchange rate contracts and currency swaps	-	1	-	**1**
	-	48,680	-	**48,680**
Investments at FVPL	36,095	95,569	3,611	**135,275**
Investments at FVOCI	431,854	-	11,566	**443,420**
	467,949	**146,624**	**448,244**	**1,062,817**
Other financial assets not measured at fair value				
Loans and advances to banks	-	370,853	-	**370,853**
Investments at amortised cost	2,958,793	160,825	-	**3,119,618**
Reverse repurchase agreements	-	411,654	-	**411,654**
Loans and advances to customers	-	-	9,834,861	**9,834,861**
	2,958,793	**943,332**	**9,834,861**	**13,736,986**

The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2023 is 7.56% (2022: 2.66%-4.86%). The increase in the discount rate reflects the rising interest rate environment. The discount rate at the low-end range used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2022 relates to loans and advances to customers with a carrying value of €67,937 thousand as at 31 December 2022, which have been derecognized in the year ended 31 December 2023.

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €2,714 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €622 thousand in their fair value.

22. Fair value measurement (continued)

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €3,611 thousand as at 31 December 2023, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €361 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 45.

The fair value measurement hierarchy for life insurance business assets attributable to policy holders is disclosed in Note 24.

2023	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	184	-	**184**
Currency swaps	-	13,278	-	**13,278**
Interest rate swaps	-	181	-	**181**
Currency options	-	42	-	**42**
Interest rate caps/floors	-	1,844	-	**1,844**
	-	15,529	-	**15,529**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,451	-	**2,451**
	-	**17,980**	**-**	**17,980**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,043,868	-	**2,043,868**
Deposits by banks	-	428,850	-	**428,850**
Customer deposits	-	-	19,302,832	**19,302,832**
Debt securities in issue	655,428	-	-	**655,428**
Subordinated liabilities	-	300,098	-	**300,098**
	655,428	**2,772,816**	**19,302,832**	**22,731,076**

22. Fair value measurement (continued)

2022	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets measured at fair value				
Investment properties				
Residential	-	-	9,045	9,045
Offices and other commercial properties	-	-	47,837	47,837
Manufacturing and industrial properties	-	-	25,607	25,607
Land (fields and plots)	-	-	2,610	2,610
	-	-	85,099	85,099
Freehold property				
Offices and other commercial properties	-	-	203,658	203,658
Loans and advances to customers measured at FVPL	-	-	214,359	214,359
Trading derivatives				
Forward exchange rate contracts	-	103	-	103
Currency swaps	-	283	-	283
Interest rate swaps	-	437	-	437
Currency options	-	287	-	287
Interest rate caps/floors	-	3,094	-	3,094
	-	4,204	-	4,204
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43,939	-	43,939
Net investments-forward exchange rate contracts and currency swaps	-	10	-	10
	-	43,949	-	43,949
Investments at FVPL	84,743	96,498	8,968	190,209
Investments at FVOCI	455,110	-	12,265	467,375
	539,853	144,651	524,349	1,208,853
Other financial assets not measured at fair value				
Loans and advances to banks	-	193,349	-	193,349
Investments at amortised cost	1,871,757	69,300	12,279	1,953,336
Loans and advances to customers	-	-	9,805,772	9,805,772
	1,871,757	262,649	9,818,051	11,952,457

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,538 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,145 thousand in their fair value.

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €8,968 thousand as at 31 December 2022, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €897 thousand.

22. Fair value measurement (continued)

2022	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	123	-	123
Currency swaps	-	10,316	-	10,316
Interest rate swaps	-	420	-	420
Currency options	-	65	-	65
Interest rate caps/floors	-	3,094	-	3,094
	-	14,018	-	14,018
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,151	-	2,151
	-	16,169	-	16,169
Other financial liabilities not measured at fair value				
Funding from central banks	-	1,944,145	-	1,944,145
Deposits by banks	-	455,121	-	455,121
Customer deposits	-	-	18,963,934	18,963,934
Debt securities in issue	254,179	-	-	254,179
Subordinated liabilities	-	265,472	-	265,472
	254,179	2,664,738	18,963,934	21,882,851

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets, other than the deferred purchase payment consideration (Note 28), and other financial liabilities is a close approximation of their fair value and they are categorised as Level 3.

During the years ended 31 December 2023 and 2022 there were no significant transfers between Level 1 and Level 2.

22. **Fair value measurement** (continued)

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid and consequently, the Group requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 financial assets which are measured at fair value is presented below:

	2023				2022					
	Investment properties	**Own use properties**	**Loans and advances to customers**	**Financial instruments**	Investment properties	Investment properties held for sale	Own use properties	Own use properties held for sale	Loans and advances to customers	Financial instruments
	€000	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000	€000
1 January	**85,099**	**203,658**	**214,359**	**21,233**	117,745	5,321	195,666	10,408	281,868	19,897
Additions	**1,390**	**836**	**-**	**-**	9,166	-	3,173	-	-	10,054
Disposals	**(23,797)**	**-**	**-**	**-**	(39,484)	(5,321)	-	-	-	(500)
Transfers from own use properties to investment properties (Note 25)	**798**	**(798)**	**-**	**-**	-	-	-	-	-	-
Net transfers from stock of property	**-**	**17,827**	**-**	**-**	-	-	-	-	-	-
Transfers from own use properties held for sale to own use properties	**-**	**-**	**-**	**-**	-	-	10,408	(10,408)	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	**(6,521)**	-	-	-	-	-	(4,102)
Depreciation charge for the year	**-**	**(2,047)**	**-**	**-**	-	-	(2,046)	-	-	-
Impairment (Note 25)	**-**	**(765)**	**-**	**-**	-	-	(3,543)	-	-	-
Fair value (losses)/gains	**(1,385)**	**13,524**	**-**	**569**	(2,915)	-	-	-	-	(4,133)
Net gains on loans and advances to customers measured at FVPL (Note 11)	**-**	**-**	**2,401**	**-**	-	-	-	-	4,050	-
Repayments/derecognition of loans	**-**	**-**	**(89,522)**	**-**	-	-	-	-	(82,522)	-
Interest on loans (Note 7)	**-**	**-**	**11,489**	**-**	-	-	-	-	10,963	-
Foreign exchange adjustments	**-**	**-**	**-**	**(104)**	587	-	-	-	-	17
31 December	**62,105**	**232,235**	**138,727**	**15,177**	85,099	-	203,658	-	214,359	21,233

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties, investment properties held for sale and own use properties

The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties and own use properties are presented in the tables below:

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2023	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	2,024	€41-€98	€1,090-€1,673	4.5%-5.5%	€380-€2,338	€130-€380	607-725	89-594	10-58
Greece	3,909	€6-€113	€164-€2,961	2%-9.4%	€46-€1,878	€16-€1,910	24-5,147	51-825	16-51
	5,933								
Offices and other commercial properties									
Cyprus	31,297	€36-€289	€470	3.9%-6.7%	€578-€5,781	€150-€3,900	348-11,301	0-4,605	11-68
Greece	3,072	€9-€219	€193-€1,404	4.9%-8.8%	€72-€3,648	€261-€289	100-8,582	6-4,692	19-65
	34,369								
Manufacturing and industrial									
Cyprus	12,583	€23-€67	€205-€709	4.5%-7.0%	€266-€1,225	€165-€500	2,202-14,590	743-8,007	20-37
Greece	6,930	€1-€99	€172-€684	4.4%-10.4%	€12-€439	€10-€191	57-34,495	349-5,858	14-85
	19,513								
Land (fields and plots)									
Cyprus	2,290	n/a	n/a	n/a	n/a	€989	2,316	n/a	n/a
	2,290								
Total	**62,105**								

Analysis of own use properties

Type and country	2023	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	232,235	€30-€315	€1,063-€3,162	6%-6.5%	€65-€5,254	€65-€2,756	390-51,947	210-24,035	16-100
Total	**232,235**								

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2022	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	4,911	€37-€93	€185-€1,673	5%-7%	€427-€2,338	€130-€650	134-1,203	89-1,420	10-104
Greece	4,134	€6-€115	€164-€2,115	2%-7.1%	€45-€1,892	€7-€4,017	24-5,147	51-825	11-50
	9,045								
Offices and other commercial properties									
Cyprus	44,837	€36-€250	€470	3.4%-10%	€520-€5,781	€150-€5,000	348-35,413	16-5,850	9-67
Greece	3,000	€19-€381	€193-€3,548	5.4%-10.5%	€72-€3,638	€142-€265	100-8,582	6-4,692	18-64
	47,837								
Manufacturing and industrial									
Cyprus	18,439	€14-€62	€360	4.5%-9%	€283-€1,272	€550	2,202-15,965	743-8,007	10-38
Greece	7,168	€7-€58	€133-€461	3.5%-11%	€8-€439	€5-€395	57-34,495	349-5,858	13-84
	25,607								
Land (fields and plots)									
Cyprus	2,610	n/a	n/a	n/a	n/a	€1,127	2,316	n/a	n/a
Total	85,099								

Analysis of own use properties

Type and country	2022	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	203,658	€76-€277	€750-€1,855	5.6%-5.8%	€70-€6,164	€70-€2,274	390-51,947	122-11,109	15-79
Total	203,658								

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Sensitivity analysis
The Group's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2023	2022
	€000	€000
Gross loans and advances to customers at amortised cost	**9,862,514**	9,917,335
Allowance for ECL for impairment of loans and advances to customers (Note 44.5)	**(179,453)**	(178,442)
	9,683,061	9,738,893
Gross loans and advances to group companies at amortised cost	**1,339**	8,390
Loans and advances to customers measured at FVPL	**138,727**	214,359
	9,823,127	9,961,642

Gross loans and advances to group companies represent loans and advances to parent company classified as Stage 1 as at December 2023 and 2022.

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by geographical analysis (based on the country in which the loans are managed).

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2023	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,334,929	1,168,745	328,177	100,197	**9,932,048**
Residual fair value adjustment on initial recognition	(59,340)	(7,474)	(1,294)	(1,426)	**(69,534)**
Gross loans at amortised cost	**8,275,589**	**1,161,271**	**326,883**	**98,771**	**9,862,514**
Cyprus	8,275,416	1,161,271	326,363	98,771	**9,861,821**
Other Countries	173	-	520	-	**693**
	8,275,589	**1,161,271**	**326,883**	**98,771**	**9,862,514**

2022					
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,931,511	1,586,488	372,821	115,544	10,006,364
Residual fair value adjustment on initial recognition	(64,255)	(20,885)	(1,803)	(2,086)	(89,029)
Gross loans at amortised cost	7,867,256	1,565,603	371,018	113,458	9,917,335
Cyprus	7,867,037	1,565,603	368,922	113,458	9,915,020
Other countries	219	-	2,096	-	2,315
	7,867,256	1,565,603	371,018	113,458	9,917,335

Residual fair value adjustment
The residual fair value adjustment on initial recognition mainly relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balances of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balances of loans and advances, as shown in the tables above.

Loans and advances to customers measured at FVPL are managed in Cyprus.

23. Loans and advances to customers (continued)

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by business line concentration.

2023 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate and Large Corporate	2,709,523	519,134	96,289	32,799	**3,357,745**
IBU & International corporate					
- IBU	99,009	21,409	320	140	**120,878**
- International corporate	744,955	17,220	38	15	**762,228**
SMEs	824,503	109,865	5,583	9,042	**948,993**
Retail					
- housing	3,015,838	343,277	23,508	9,897	**3,392,520**
- consumer, credit cards and other	821,665	101,168	9,813	13,527	**946,173**
Restructuring					
- corporate	3,770	21,747	13,461	10,073	**49,051**
- SMEs	9,831	8,089	13,715	2,431	**34,066**
- retail housing	6,450	12,429	39,696	1,912	**60,487**
- retail other	2,471	2,533	13,474	733	**19,211**
Recoveries					
- corporate	-	-	6,378	967	**7,345**
- SMEs	-	-	15,812	1,587	**17,399**
- retail housing	-	-	65,070	10,255	**75,325**
- retail other	59	-	23,725	5,081	**28,865**
Wealth management	37,515	4,400	1	312	**42,228**
	8,275,589	**1,161,271**	**326,883**	**98,771**	**9,862,514**

2022 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate and Large Corporate	2,502,630	807,282	54,259	34,616	3,398,787
IBU & International corporate					
- IBU	104,539	31,934	1,254	147	137,874
- International corporate	685,099	150	35	24	685,308
SMEs	825,123	189,825	3,299	10,364	1,028,611
Retail					
- housing	2,982,436	305,714	30,071	12,413	3,330,634
- consumer, credit cards and other	704,959	152,815	14,376	15,746	887,896
Restructuring					
- corporate	2,842	34,246	20,689	10,175	67,952
- SMEs	12,643	10,603	23,374	2,381	49,001
- retail housing	5,168	22,018	42,155	3,292	72,633
- retail other	1,713	5,364	16,237	1,029	24,343
Recoveries					
- corporate	-	-	18,403	1,316	19,719
- SMEs	-	-	29,339	2,366	31,705
- retail housing	-	-	88,956	14,039	102,995
- retail other	108	-	28,569	4,953	33,630
Wealth management	39,996	5,652	2	597	46,247
	7,867,256	1,565,603	371,018	113,458	9,917,335

Loans and advances to customers pledged as collateral are disclosed in Note 46.

Additional analysis and information regarding credit risk and analysis of the allowance for ECL of loans and advances to customers are set out in Note 44.

24. Life insurance business assets attributable to policyholders

	2023	2022
	€000	€000
Equity securities	**1,982**	1,359
Debt securities	**58,688**	36,837
Mutual funds	**549,592**	443,299
Bank deposits and other receivables	**27,300**	49,566
	637,562	531,061
Property	**11,650**	11,260
	649,212	542,321

Financial assets of life insurance business attributable to policyholders are classified as investments at FVPL.

Bank deposits and other receivables include other financial receivables of €2,957 thousand (2022: €2,965 thousand).

In addition to the above assets, the life insurance subsidiary of the Group holds shares of BOCH, as part of the assets attributable to policyholders with a carrying value as at 31 December 2023 of €476 thousand (2022: €236 thousand). Such shares are presented in the Consolidated Financial Statements of BOCH as treasury shares (Note 34).

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level of the fair value hierarchy is presented below:

	Level 1	**Level 2**	**Level 3**	**Total**
2023	**€000**	**€000**	**€000**	**€000**
Equity securities	**1,982**	**-**	**-**	**1,982**
Debt securities	**38,378**	**-**	**20,310**	**58,688**
Mutual funds	**546,475**	**-**	**3,117**	**549,592**
	586,835	**-**	**23,427**	**610,262**
2022				
Equity securities	1,359	-	-	1,359
Debt securities	17,525	-	19,312	36,837
Mutual funds	440,108	-	3,191	443,299
	458,992	-	22,503	481,495

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

The movement of financial assets classified as Level 3 is presented below:

	2023	2022
	€000	€000
1 January	**22,503**	22,265
Unrealised gains recognised in the consolidated income statement	**924**	238
31 December	**23,427**	22,503

During the years ended 31 December 2023 and 2022 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

2023	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	235,538	17,840	**253,378**
Additions	396	7,058	**7,454**
Revaluation	13,524	-	**13,524**
Impairment	(765)	-	**(765)**
Transfers to investment properties (Note 22)	(798)	-	**(798)**
Net transfers from stock of properties (Note 27)	17,827	-	**17,827**
Disposals and write-offs	-	(24)	**(24)**
Depreciation charge for the year (Note 15.1)	(8,997)	(6,396)	**(15,393)**
New leases (Note 42)	168	11,185	**11,353**
Re-assessment of RoU assets (Note 42)	(988)	-	**(988)**
Net book value at 31 December	**255,905**	**29,663**	**285,568**

1 January 2023			
Cost or valuation	303,891	142,787	**446,678**
Accumulated depreciation	(68,353)	(124,947)	**(193,300)**
Net book value	**235,538**	**17,840**	**253,378**

31 December 2023			
Cost or valuation	327,251	123,677	**450,928**
Accumulated depreciation	(71,346)	(94,014)	**(165,360)**
Net book value	**255,905**	**29,663**	**285,568**

2022	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	231,896	20,234	**252,130**
Additions	3,898	2,854	**6,752**
Transfers from non-current assets and disposal groups held for sale	10,408	-	**10,408**
Impairment	(3,543)	-	**(3,543)**
Disposals and write-offs	(46)	(92)	**(138)**
Depreciation charge for the year (Note 15.1)	(9,669)	(5,981)	**(15,650)**
New leases (Note 42)	132	825	**957**
Re-assessment of RoU assets (Note 42)	3,922	-	**3,922**
Derecognition of RoU assets (Note 42)	(1,460)	-	**(1,460)**
Net book value at 31 December	235,538	17,840	**253,378**

1 January 2022			
Cost or valuation	296,406	141,220	**437,626**
Accumulated depreciation	(64,510)	(120,986)	**(185,496)**
Net book value	231,896	20,234	**252,130**

31 December 2022			
Cost or valuation	303,891	142,787	**446,678**
Accumulated depreciation	(68,353)	(124,947)	**(193,300)**
Net book value	235,538	17,840	**253,378**

25. Property and equipment (continued)

As at December 2023 the net book value of the Group's equipment includes an amount of €11,462 thousand that relates to RoU asset - Computer hardware (2022: €825 thousand).

The net book value of the Group's property comprises:

	2023	2022
	€000	€000
Freehold property	**232,235**	203,658
Improvements on leasehold property	**1,270**	2,472
RoU assets (Note 42)	**22,400**	29,408
Total	**255,905**	235,538

Freehold property includes land amounting to €92,751 thousand (2022: €79,623 thousand) for which no depreciation is charged. Further, freehold property includes an amount of €20,876 thousand (2022: nil) which relates to a property under construction.

The Group's policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Group performed revaluations during the year ended 31 December 2023. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

There were no charges against the freehold property of the Group as at 31 December 2023 and 2022.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2023 amounts to €158,900 thousand (2022: €142,555 thousand).

26. Intangible assets

	2023	2022 (restated)
	€000	€000
Net book value at 1 January	**52,546**	54,144
Additions	**14,949**	17,347
Disposals and write-offs	**-**	(392)
Amortisation charge for the year (Note 15.1)	**(18,860)**	(18,553)
Net book value at 31 December	**48,635**	52,546
1 January		
Cost	**253,353**	236,526
Accumulated amortisation and impairment	**(200,807)**	(182,382)
Net book value	**52,546**	54,144
31 December		
Cost	**268,268**	253,353
Accumulated amortisation and impairment	**(219,633)**	(200,807)
Net book value	**48,635**	52,546

Computer software includes internally developed computer software with a net carrying amount of €4,679 thousand as at 31 December 2023 (2022: €2,954 thousand).

27. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During the year ended 31 December 2023 an impairment loss of €46,026 thousand (2022: €20,628 thousand) was recognised in 'Impairment net of reversals of non-financial assets' in the consolidated income statement. At 31 December 2023, stock of property of €445,009 thousand (2022: €529,316 thousand) is carried at net realisable value. Additionally, at 31 December 2023 stock of property with a carrying amount of €65,908 thousand (2022: €108,010 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels and land (fields and plots). There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

The carrying amount of the stock of property is analysed in the tables below:

	2023	2022
	€000	€000
Net book value at 1 January	**1,041,032**	1,111,604
Additions	**19,531**	76,851
Disposals	**(170,595)**	(126,797)
Net transfers (to)/from property and equipment	**(17,827)**	-
Impairment (Note 16)	**(46,026)**	(20,628)
Foreign exchange adjustments	**-**	2
Net book value at 31 December	**826,115**	1,041,032

As at 31 December 2023 there were no charges against stock of property of the Group (2022: charges against stock of property with a carrying value of €20,989 thousand).

The result on the disposal of stock of property in the year is presented in the table below:

	2023	2022
	€000	€000
Net proceeds	**179,567**	140,767
Carrying value of stock of property disposed of	**(170,595)**	(126,797)
Net gains on disposal of stock of property	**8,972**	13,970

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2023	**€000**	**€000**	**€000**	**€000**
Residential properties	47,841	8,091	-	**55,932**
Offices and other commercial properties	91,114	9,978	-	**101,092**
Manufacturing and industrial properties	23,373	9,263	-	**32,636**
Hotels	17,345	437	-	**17,782**
Land (fields and plots)	614,990	3,683	-	**618,673**
Total	**794,663**	**31,452**	**-**	**826,115**

2022	€000	€000	€000	€000
Residential properties	63,724	16,947	32	80,703
Offices and other commercial properties	142,475	11,263	-	153,738
Manufacturing and industrial properties	29,172	11,710	48	40,930
Hotels	24,027	437	-	24,464
Land (fields and plots)	736,913	4,284	-	741,197
Total	996,311	44,641	80	1,041,032

28. Prepayments, accrued income and other assets

	2023	2022 (restated)
	€000	€000
Financial assets		
Debtors	**34,662**	29,220
Insurance contract assets (Note 31)	**1,255**	1,204
Receivable relating to tax	**3,263**	4,536
Deferred purchase payment consideration	**243,013**	311,523
Other assets	**106,051**	55,979
	388,244	402,462
Non-financial assets		
Insurance and reinsurance contract assets (Note 31)	**56,239**	45,176
Current tax receivable	**73,943**	124,328
Prepaid expenses	**767**	613
Retirement benefit plan assets (Note 14.1)	**669**	816
Other assets	**64,954**	35,584
	196,572	206,517
	584,816	608,979

An analysis of the movement of the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

	Stage 1	**Stage 3**	**Simplified method**	**Total**
2023	**€000**	**€000**	**€000**	**€000**
1 January	394,814	37,512	4,919	**437,245**
Net (decrease)/increase	(13,663)	(1,578)	953	**(14,288)**
31 December	**381,151**	**35,934**	**5,872**	**422,957**

2022 (restated)				
1 January	377,412	37,157	4,843	419,412
Net increase	17,402	355	76	17,833
31 December	394,814	37,512	4,919	437,245

An analysis of the movement of the ECL of the above financial assets is presented in the table below:

	Stage 1	**Stage 3**	**Simplified method**	**Total**
2023	**€000**	**€000**	**€000**	**€000**
1 January	2,107	32,181	495	**34,783**
Write-offs	-	(82)	-	**(82)**
Changes to models and inputs used for ECL calculations	(6)	(223)	241	**12**
31 December	**2,101**	**31,876**	**736**	**34,713**

2022 (restated)				
1 January	2,557	31,761	746	35,064
Write-offs	-	(206)	(236)	(442)
Changes to models and inputs used for ECL calculations	(450)	626	(15)	161
31 December	2,107	32,181	495	34,783

28. Prepayments, accrued income and other assets (continued)

There were no financial assets classified as Stage 2 as at 31 December 2023 and 2022. In addition, no financial assets were measured at FVPL as at 31 December 2023 and 2022.

Within other non-financial assets an amount of €18,550 thousand as at 31 December 2023 (2022: nil) relates to contract assets from contracts with customers.

On the completion date of the sale of Project Helix 2 (the 'Transaction') in June 2021, the Group recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount outstanding is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. An amount of €19,774 thousand, which represents the interest income on the DPP has been recognised in the Consolidated Income Statement for the year ended 31 December 2023 (2022: €10,889 thousand) within 'Interest income - Financial assets at amortised cost - Other financial assets' (Note 7). There are no other conditions attached. The DPP is classified as Stage 1 as at 31 December 2023 and 2022.

During the year ended 31 December 2023, credit losses of €7,096 thousand were recognised in relation to other financial assets. This includes ECL losses of €12 thousand (of which €511 thousand relate to a partial reversal for 12-months ECL of the DPP) and €7,084 thousand impairment losses. During the year ended 31 December 2022, credit losses of €1,758 thousand were recognised in relation to other financial assets. This includes ECL losses of €161 thousand (of which €867 thousand relate to a partial reversal for 12-months ECL of the DPP) €1,310 thousand write-offs and €287 thousand impairment losses.

29. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2023	2022
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,043,868**	1,976,674

As at 31 December 2023, ECB funding amounted to €2 billion (2022: €2 billion) borrowed from various TLTRO III operations.

The maturity of TLTRO III is three years from the settlement of each operation, but there is an option to early repay or reduce the amounts borrowed before their respective final maturity.

BOC PCL early repaid €1 billion of TLTRO III funding in December 2022.

Details on encumbered assets related to the above funding facilities are disclosed in Note 46.

30. Customer deposits

	2023	2022
	€000	€000
By type of deposit		
Demand	**10,169,587**	10,561,724
Savings	**2,979,275**	2,840,346
Time or notice	**6,190,018**	5,596,249
	19,338,880	18,998,319
By geographical area		
Cyprus	**15,357,410**	14,703,276
Greece	**1,473,491**	1,635,406
United Kingdom	**386,057**	395,235
United States	**166,673**	169,176
Germany	**77,288**	94,168
Romania	**29,729**	22,118
Russia	**128,489**	308,096
Ukraine	**183,316**	237,697
Belarus	**3,762**	9,966
Israel	**195,580**	124,436
Other countries	**1,337,085**	1,298,745
	19,338,880	18,998,319

Deposits by geographical area are based on the country of residence of the Ultimate Beneficial Owner.

	2023	2022
	€000	€000
By currency		
Euro	**17,516,365**	17,067,299
US Dollar	**1,448,753**	1,529,548
British Pound	**300,867**	333,458
Russian Rouble	**1,322**	3,466
Swiss Franc	**8,947**	11,796
Other currencies	**62,626**	52,752
	19,338,880	18,998,319

	2023	2022
	€000	€000
By business line		
Corporate and Large corporate	**2,088,718**	1,915,300
IBU & International corporate		
- IBU	**3,779,571**	3,957,050
- International corporate	**121,454**	139,898
SMEs	**1,019,245**	1,007,555
Retail	**11,781,972**	11,333,783
Restructuring		
– corporate	**12,565**	16,017
– SMEs	**5,954**	6,375
– retail other	**9,428**	10,152
Recoveries		
– corporate	**1,098**	1,262
Wealth management	**518,875**	610,927
	19,338,880	18,998,319

31. Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts, that are in an asset position and those in a liability position is set out in the table below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance contracts	€000	€000	€000	€000	€000	€000
Life insurance	**6,472**	**(604,233)**	**(597,761)**	2,270	(546,101)	(543,831)
Non-life insurance	**-**	**(54,191)**	**(54,191)**	-	(51,880)	(51,880)
Total insurance contracts	**6,472**	**(658,424)**	**(651,952)**	2,270	(597,981)	(595,711)
Reinsurance contracts						
Life insurance	**26,350**	**-**	**26,350**	23,679	-	23,679
Non-life insurance	**24,672**	**-**	**24,672**	20,431	-	20,431
Total reinsurance contracts	**51,022**	**-**	**51,022**	44,110	-	44,110
Total insurance and reinsurance contracts	**57,494**	**(658,424)**	**(600,930)**	46,380	(597,981)	(551,601)

The table below presents a reconciliation of the measurement components of insurance and reinsurance contract balances showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios in the life insurance business measured under GMM and VFA.

	2023				2022			
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin	Total	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin	Total
Insurance contracts	€000	€000	€000	€000	€000	€000	€000	€000
Insurance contracts liabilities	**(528,955)**	**(13,940)**	**(58,331)**	**(601,226)**	(484,060)	(16,588)	(41,863)	(542,511)
Insurance contracts assets	**10,411**	**(2,004)**	**(1,935)**	**6,472**	3,705	(1,255)	(180)	2,270
Reinsurance contracts								
Reinsurance contracts assets	**7,896**	**220**	**16,979**	**25,095**	23,270	718	(1,772)	22,216

The roll-forward of the net asset or liability for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims for portfolio included in life and non-life insurance, is disclosed in the table below:

31. **Insurance and reinsurance contracts** (continued)

	2023				2022			
	Liabilities for remaining coverage LRC		**Liabilities for incurred claims LIC**	**Total**	Liabilities for remaining coverage LRC		Liabilities for incurred claims LIC	Total
	Excluding loss component	**Loss component**			Excluding loss component	Loss component		
	€000	**€000**	**€000**	**€000**	€000	€000	€000	€000
Insurance contract liabilities as at 1 January	**(522,191)**	**(6,278)**	**(69,512)**	**(597,981)**	(558,174)	(3,628)	(60,596)	(622,398)
Insurance contract assets as at 1 January	**4,110**	**(1,540)**	**(300)**	**2,270**	6	-	-	6
Net insurance contract assets/(liabilities) as at 01 January	**(518,081)**	**(7,818)**	**(69,812)**	**(595,711)**	(558,168)	(3,628)	(60,596)	(622,392)
Insurance revenue	**145,775**	**-**	**-**	**145,775**	135,495	-	-	135,495
Insurance service expenses								
Incurred claims and directly attributable expenses	**-**	**815**	**(58,225)**	**(57,410)**	-	544	(53,449)	(52,905)
Amortisation of insurance acquisition cash flows	**(5,768)**	**-**	**-**	**(5,768)**	(5,093)	-	-	(5,093)
Insurance acquisition cash flows expensed as incurred	**(8,488)**	**-**	**-**	**(8,488)**	(7,848)	-	-	(7,848)
Reversals of losses/(losses) on onerous contracts	**-**	**1,037**	**-**	**1,037**	-	(4,743)	-	(4,743)
Changes to liabilities for incurred claims (LIC)	**-**	**-**	**(903)**	**(903)**	-	-	(3,973)	(3,973)
Investment component	**55,325**	**-**	**(55,325)**	**-**	53,966	-	(53,966)	-
Insurance finance income/(expense)	**(43,778)**	**(42)**	**(1,269)**	**(45,089)**	40,969	9	604	41,582
Total changes in the statement of profit or loss	**143,066**	**1,810**	**(115,722)**	**29,154**	217,489	(4,190)	(110,784)	102,515
Premiums received	**(234,913)**	**-**	**-**	**(234,913)**	(207,769)	-	-	(207,769)
Claims and other directly attributable expenses paid	**-**	**-**	**112,670**	**112,670**	-	-	101,568	101,568
Insurance acquisition cash flows	**36,693**	**(10)**	**165**	**36,848**	30,367	-	-	30,367
Total cash flows	**(198,220)**	**(10)**	**112,835**	**(85,395)**	(177,402)	-	101,568	(75,834)
Net insurance contract assets/(liabilities) as at 31 December	**(573,235)**	**(6,018)**	**(72,699)**	**(651,952)**	(518,081)	(7,818)	(69,812)	(595,711)
Insurance contract liabilities as at 31 December	**(580,410)**	**(5,713)**	**(72,301)**	**(658,424)**	(522,191)	(6,278)	(69,512)	(597,981)
Insurance contract assets as at 31 December	**7,175**	**(305)**	**(398)**	**6,472**	4,110	(1,540)	(300)	2,270
Net insurance contract assets/(liabilities) as at 31 December	**(573,235)**	**(6,018)**	**(72,699)**	**(651,952)**	(518,081)	(7,818)	(69,812)	(595,711)

31. Insurance and reinsurance contracts (continued)

The table below presents a roll-forward of the net asset or liability for insurance contacts issued, showing CSM for portfolios included in the life insurance business.

	2023	2022
	€000	€000
Insurance contract liabilities as at 1 January	**(41,863)**	(43,747)
Insurance contract assets as at 1 January	**(180)**	-
Contractual Service Margin as at 1 January	**(42,043)**	(43,747)
Changes that relate to current services		
Contractual service margin recognised for services provided	**7,792**	5,032
Changes that relate to future services		
Contracts initially recognised in the period	**(282)**	(394)
Changes in estimates that adjust the contractual service margin	**(25,150)**	(3,518)
Insurance service result	**(17,640)**	1,120
Insurance finance expenses	**(583)**	584
Total changes in the consolidated income statement	**(18,223)**	1,704
Contractual Service Margin as at 31 December	**(60,266)**	(42,043)
Insurance contract liabilities as at 31 December	**(58,331)**	(41,863)
Insurance contract assets as at 31 December	**(1,935)**	(180)
Contractual Service Margin as at 31 December	**(60,266)**	(42,043)

32. Debt securities in issue and Subordinated liabilities

		2023		2022	
		Nominal value	**Carrying value**	Nominal value	Carrying value
Subordinated liabilities	**Contractual interest rate**	**€000**	**€000**	€000	€000
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	**300,000**	**308,049**	300,000	303,812
Debt securities in issue					
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	**300,000**	**303,466**	300,000	297,636
Senior Preferred Notes - July 2023	7.375% up to 25 July 2027	**350,000**	**368,166**	-	-
		650,000	**671,632**	300,000	297,636

BOCH and BOC PCL maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

Subordinated Liabilities

Subordinated Tier 2 Capital Note - April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme and immediately after, BOCH and the Company entered into an agreement pursuant to which BOCH on lent to the Company the entire €300 million proceeds of the issue of the Note (the 'T2 Loan') on terms substantially identical to the terms and conditions of the Note issued by BOCH. The T2 Loan 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 T2 Loan matures on 23 October 2031. The Company has the option to redeem the T2 Loan early on any day during the six month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents.

The fair value of the subordinated liabilities as at 31 December 2023 and 2022 is disclosed in Note 22.

32. Debt securities in issue and Subordinated liabilities (continued)

Debt securities in issue

Senior Preferred Notes - June 2021
In June 2021, BOC PCL issued a €300 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 2.50% per annum, payable annually in arrear 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.

Senior Preferred Notes - July 2023
In July 2023, BOC PLC issued a €350 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 7.375% per annum, payable annually in arrear and resettable on 25 July 2027. The note matures on 25 July 2028. BOC PCL has the option to redeem the note early on 25 July 2027, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards BOC PCL's MREL requirements.

The fair value of the debt securities in issue as at 31 December 2023 and 2022 is disclosed in Note 22.

33. Accruals, deferred income, other liabilities and other provisions

	2023	2022 (restated)
	€000	€000
Income tax payable and related provisions	**66,163**	41,097
Special defence contribution payable	**1,308**	379
Retirement benefit plan liabilities (Note 14.1)	**565**	3,694
Provisions for financial guarantees and commitments (Notes 44.6.1 and 44.6.2)	**19,192**	17,429
Liabilities arising from non-participating investment contracts	**87,756**	47,847
Accrued expenses and other provisions	**82,368**	65,687
Deferred income	**19,569**	18,061
Items in the course of settlement	**69,519**	97,585
Lease liabilities (Note 42)	**30,217**	30,190
Other liabilities	**89,764**	62,073
	466,421	384,042

Other liabilities include an amount of €10,385 thousand (2022: €10,385 thousand) relating to the guarantee fee for the conversion of DTA into tax credits (Note 17) and an amount of €19,354 thousand (2022: €9,874 thousand) relating to card processing transactions. Other liabilities include an amount of €1,965 thousand as at 31 December 2023 (2022: nil) which relates to dividends declared in May 2023 in respect of the earnings of the year ended 31 December 2022 for which a liability exists as at 31 December 2023.

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2023	2022
	€000	€000
Stage 1	**-**	209
Stage 2	**18**	207
Stage 3	**19,174**	17,013
	19,192	17,429

34. Share capital

	2023		2022	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January and 31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

All issued ordinary shares carry the same rights.

There were no changes to the authorised or issued share capital during the years ended 31 December 2023 and 2022.

Share premium reserve

There were no changes to the share premium reserve during the years ended 31 December 2023 and 2022.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2023 and 2022.

Other equity instruments

	2023	2022
	€000	€000
2023 Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	-
2018 Reset Perpetual Additional Tier 1 Capital Securities	**-**	220,000
	220,000	220,000

In December 2018, BOCH issued €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'BOCH Old AT1'). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH Old AT1 (the Old AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH Old AT1. The Old AT1 Loan constituted an unsecured and subordinated obligation of the Company. The coupon was at 12.50% and payable semi-annually.

In June 2023, BOCH invited the holders of its outstanding €220,000 thousand Old AT1 to tender their Old AT1 for cash purchase by BOCH at a price equal to 103% of the principal amount. At the same time the Company invited the holder of its outstanding €220,000 thousand Old AT1 Loan to tender their Old AT1 Loan for cash purchase by the Company at a price equal to 103% of the principal amount, on same terms as the tender by BOCH of the external Old AT1. The Company also paid accrued interest on the Old AT1 Loan, from the last coupon date, 15 June 2023 until the settlement date. As a result of the tender offer, approximately €204,000 thousand in aggregate nominal amount were purchased and cancelled by the Company. Furthermore, in July 2023, the Company purchased approximately €7,000 thousand of the outstanding nominal amount of the Old AT1 Loan, after which €8,250 thousand in aggregate principal amount remained outstanding. At a meeting held in November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining nominal amount outstanding of the Old AT1 Loan on 19 December 2023. As a result of the buy back, a total cost of €6,820 thousand was recorded directly in equity during the year ended 31 December 2023.

34. Share capital (continued)

At the same time, in June 2023, BOCH successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'BOCH New AT1 '). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH New AT1 (the 'New AT1 Loan') on terms substantially identical to the terms and conditions of the BOCH New AT1. The New AT1 Loan constitutes an unsecured and subordinated obligation of the Company, is perpetual and is issued at par. The New AT1 Loan carries an initial coupon of 11.875% per annum, payable semi-annually, and resettable on 21 December 2028 and every five years thereafter. The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. The New AT1 Loan is perpetual and has no fixed date of redemption, but can be redeemed (in whole but not in part) at the Company's option from, and including, 21 June 2028 to, and including, 21 December 2028 and on each interest payment date thereafter, subject to applicable regulatory consents and the relevant conditions to redemption.

During the year ended 31 December 2023, coupon payments for the total amount of €27,339 thousand (2022: €27,500 thousand) were made to the holders of the AT1 instruments and have been recognised in retained earnings.

35. Dividends

Based on the 2022 SREP decision, effective from 1 January 2023, any equity dividend distribution is subject to regulatory approval, both for the Company and BOCH. The requirement for approval 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 nor to the payment of coupons on any AT1 capital instruments issued by the Company or BOCH.

In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the Annual General Meeting ('AGM') on 26 May 2023, a final dividend of €0.002 per ordinary share in respect of the earnings of the year ended 31 December 2022 ('Dividend'). The AGM on 26 May 2023 declared a final dividend of €0.002 per share. The Dividend amounted to €22,310 thousand in total.

Information on distribution in respect of 2023 earnings is disclosed in Note 53 of the Consolidated Financial Statements.

36. Retained earnings

For the purpose of dividend distribution, retained earnings determined at the Company level are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution (SDC) at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed dividend distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1.70% contribution to the General Health System (GHS), increased to 2.65% from 1 March 2020, with the exemption of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This SDC and GHS are paid by the Company on account of the shareholders. During 2023, SDC and GHS on deemed dividend distribution of €313 thousand (2022: nil) were accrued by the Company.

37. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management at 31 December 2023, measured at fair value, amounted to €1,967,686 thousand (2022: €1,682,019 thousand).

38. Provisions for pending litigations, claims, regulatory and other matters

The Group, in the ordinary course of business, is involved in various disputes and legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, reporting and information security requirements 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.

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. Nevertheless, provisions have been made where: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated except to the extent that doing so would be prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. There are also situations where the Group may enter into a settlement agreement. This may occur only if such settlement is in the Group's interest (such settlement does not constitute an admission of wrongdoing) and only takes place after obtaining legal advice and all approvals by the appropriate bodies of management. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 31 December 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

38.1 Pending litigations and claims

Investigations and litigations relating to securities issued by BOC PCL
A number of institutional and retail customers have filed various separate actions against BOC PCL alleging that BOC PCL is guilty of misselling in relation to securities issued by BOC PCL between 2007 and 2011. Remedies sought include the return of the money investors paid for these securities. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon BOC PCL in related matters by Cyprus Securities and Exchange Commission (CySEC) and/or Hellenic Capital Market Commission (HCMC).

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and 2011 Convertible Enhanced Capital Securities (CECS).

BOC PCL is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be demonstrated that the relevant BOC PCL's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', BOC PCL may face significant difficulties.

To date, a number of cases have been tried in Greece. BOC PCL has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years.

38. Provisions for pending litigations, claims, regulatory and other matters (continued)

38.1 Pending litigations and claims (continued)

So far, four capital securities cases have been adjudicated in favour of BOC PCL and five cases have been adjudicated against BOC PCL at Areios Pagos (Supreme Court of Greece). None of the cases won at the Court of Appeal have been reversed by the Supreme Court. The cases that BOC PCL has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has already been retried by the Court of Appeal and the ruling was in favour of BOC PCL. There has been a new petition for annulment against this decision of the Court of Appeal and the case will be retried before the Supreme Court in 2024. The five cases that BOC PCL has lost will not be retried and are therefore deemed as concluded.

In Cyprus, twenty-three judgments have been issued so far with regards to BOC PCL capital securities. Fifteen of the said judgments have been issued in favour of BOC PCL (dismissing the plaintiffs' claims) and eight of them against BOC PCL. BOC PCL has filed appeals with regards to five of the cases where the judgment was issued against it. In eight of the fifteen cases that BOC PCL won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation

Depositors

A number of BOC PCL's depositors, who allege that they were adversely affected by the bail-in, filed claims against BOC PCL and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against BOC PCL as the alleged successor of Laiki Bank on the grounds that, inter alia, the 'Resolution Law of 2013' and the Bail-in Decrees were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. BOC PCL is defending these actions.

BOC PCL has won five cases with regards to bail-in related litigation (on failure to follow instructions). The plaintiffs have filed appeals with respect to two of the said judgments. BOC PCL lost two cases with regards to bail-in related litigation (on failure to follow instructions) and has filed appeals with respect to both cases.

BOC PCL also won fourteen bail-in decree related cases. In summary, the court ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the circumstances the government could rely on the doctrine of necessity when it imposed the bail-in. Up to the date of the Consolidated Financial Statements only three appeals have been filed with respect to the above-mentioned judgments. BOC PCL lost one Laiki Bail-in decree case but it is the opinion of legal advisors of BOC PCL that this case is a one-off case which turned on its own particular facts. An appeal by BOC PCL has been filed with respect to this case.

BOC PCL won two and lost three bail-in wrongful application related cases. The two appeals that have been filed by BOC PCL are still pending with regards to this matter. With regards to the cases that BOC PCL won, the plaintiffs have not filed an appeal.

Shareholders

A number of actions for damages have been filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail-in Decrees, or a misapplication of same by BOC PCL (as regards the way and methodology whereby such Decrees have been implemented), or that BOC PCL failed to follow instructions promptly prior to the bail-in coming into force. As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. BOC PCL contests all of these claims.

Legal position of the Group

All of the above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

38. Provisions for pending litigations, claims, regulatory and other matters (continued)

38.1 Pending litigations and claims (continued)

Provident fund case
In December 2015, the Bank of Cyprus Employees Provident Fund (the Provident Fund) filed an action against BOC PCL claiming €70 million allegedly owed as part of BOC PCL's contribution by virtue of an agreement with the Union dated 31 December 2011. Based on facts currently known, it is not practicable at this time for BOC PCL to predict the resolution of this matter, including the timing or any possible impact on the Group.

Employment litigation
Former employees of the Group have instituted a number of employment claims including unfair dismissals and one claim for Provident Fund entitlements against BOC PCL and the Trustees of the Provident Fund. In July 2021 the claim for Provident Fund entitlements was settled. The Group does not consider that the pending cases in relation to employment will have a material impact on its financial position. A judgment has been issued in one of the unfair dismissal cases and BOC PCL lost. BOC PCL has filed an appeal with respect to this case and similarly, the plaintiff has also filed an appeal. The facts of this case are unique and it is not expected to affect the rest of the cases where unfair dismissal is claimed.

Additionally, a number of former employees have filed claims against BOC PCL contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Group does not expect that these actions will have a material impact on its financial position.

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to BOC PCL's standard policies and procedures allegedly resulting to damages and other losses for the claimants (including cases where it is alleged that BOC PCL misled borrowers and/or misrepresented matters, in violation of applicable laws for matters such as foreign currency lending and advancing/misselling loans for the purchase of property in Cyprus by UK nationals). Further, there are several other banking claims, where the amounts involved are not as significant. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Group. Such matters arise as a result of the Group's activities and management appropriately assesses the facts and the risks of each case accordingly.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. BOC PCL is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the Group is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

Others
An investigation is in process related to potentially overstated and/or fictitious claims paid by the non-life insurance subsidiary of the Group. The information usually required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it is expected to seriously prejudice the outcome of the investigation and/or the possible taking of legal action. Based on the information available at present, management considers that it is unlikely for this matter to have a material adverse impact on the financial position and capital adequacy of the non-life insurance subsidiary and thereby the Group, also taking into account that it is virtually certain that compensations will be received from a relevant insurance coverage, upon the settlement of any obligation that may arise.

38.2 Regulatory matters

The Hellenic Capital Market Commission (HCMC) Investigation
The HCMC is currently in the process of investigating matters concerning the Group's investment in Greek Government Bonds from 2009 to 2011, including, inter alia, related non-disclosure of material information in BOC PCL's CCS, CECS and rights issue prospectuses (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding BOC PCL's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek Government Bonds.

38. Provisions for pending litigations, claims, regulatory and other matters (continued)

38.2 Regulatory matters (continued)

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC has concluded (in two stages) during 2013 and 2014 its investigation with respect to BOC PCL exposure to Greek Government Bonds and the non-disclosure of material information and other corporate governance deficiencies relating to the said exposure. In this respect, CySEC has issued two decisions, coming to the conclusion that BOC PCL was in breach of certain laws regarding disclosure of information. At all times, BOC PCL had filed recourses before the Administrative Court regarding the decisions of CySEC and the fines imposed upon it.

In October 2021, the Administrative Court ruled in favour of BOC PCL in relation to the fine of €160 thousand on the ground of flawed constitution of the CySEC Board. An appeal to this judgment was filed. In March 2024 the appeal was rejected. With the abovementioned rulings, the said fine has been cancelled. In May 2022, the Administrative Court (under a different bench) ruled against BOC PCL in relation to the fine of €950 thousand and found that the constitution of the CySEC Board was not flawed. BOC PCL filed an appeal and in March 2024 the appeal overturned the ruling of the Administrative Court on the grounds that the constitution of the CySEC Board was flawed and in this case there was a violation of the objective aspect of the principle of impartiality. With the abovementioned ruling, the said fine has been cancelled. In May 2023 the Administrative Court ruled in favour of BOC PCL in relation to the fine of €70 thousand on the ground of flawed constitution of the CySEC Board. This case is now pending on appeal. Relevant provisions were made in prior years for the said cases.

As at 31 December 2023 and 31 December 2022 there were no pending CySEC investigations against BOC PCL.

Central Bank of Cyprus (CBC)
The CBC had conducted an investigation in the past into BOC PCL's issuance of capital securities and concluded that BOC PCL breached certain regulatory requirements concerning the issuance of Convertible Capital Securities (Perpetual) in 2009, but not in relation to the CECS in 2011. The CBC had, in 2013, imposed a fine of €4 thousand upon BOC PCL, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon BOC PCL in a respective judgment dated in 2020. In 2021, CBC decided to re-examine this matter and to re-open the investigation.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, BOC PCL and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by BOC PCL. There was also an allegation concerning BOC PCL's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that BOC PCL (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition and imposed a fine of €18 million upon BOC PCL. BOC PCL filed a recourse against the decision and the fine. In June 2018, the Administrative Court accepted BOC PCL's position and cancelled the decision as well as the fine imposed upon BOC PCL. During 2018, the Attorney General has filed an appeal before the Supreme court with respect to such decision. Until a judgment is issued by the Supreme Court, the decision of the CPC remains annulled and there is no subsisting fine upon BOC PCL. The said appeal is still pending as at 31 December 2023.

In 2019, the CPC initiated an ex officio investigation with respect to unfair contract terms and into the contractual arrangements/facilities offered by BOC PCL for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against BOC PCL in this case. The Group is not aware of any further developments in this case.

Association for the Protection of Bank Borrowers (CYPRODAT)
CYPRODAT filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that BOC PCL and another bank have concerted in practices regarding the recent revisions of their commissions and charges. In April 2022, CPC informed BOC PCL of the initiation of an investigation with respect to this matter but for which no formulation of a Statement of Objections has been received to date which would indicate the initiation of formal proceedings.

38. Provisions for pending litigations, claims, regulatory and other matters (continued)

38.2 Regulatory matters (continued)

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon BOC PCL after concluding an ex officio investigation regarding some terms in both BOC PCL's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. BOC PCL has filed a recourse before the Administrative Court against this decision. The Administrative Court has issued its judgment in 2022 in favour of BOC PCL, and the CPS decision along with the fine have been cancelled. An appeal has been submitted by CPS with regards to this judgment, which is still pending as at 31 December 2023.

In March 2020, BOC PCL has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for BOC PCL to cease the use of a number of terms in the contracts of BOC PCL which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering BOC PCL to undertake measures to remedy the situation. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 31 December 2023.

In April 2021, the director of CPS filed an application for the issuance of a court order against BOC PCL, prohibiting the use of a number of contractual terms included in BOC PCL’s consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such unfair terms. This matter is still pending before the court as at 31 December 2023.

BOC PCL received a letter in July 2021 from CPS, initiating an ex officio investigation under the Distance Marketing of Financial Services to Consumers Law, with respect to the services and products of BOC PCL for which the contract between BOC PCL and the consumer is entered into online via BOC PCL’s website.

BOC PCL received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged wrong commercial practice of BOC PCL in promoting a product.

There have been no further developments on the aforementioned investigations since.

Cyprus Consumers’ Association (CCA)
In March 2021, BOC PCL was served with an application filed by the CCA for the issuance of a court order prohibiting the use of a number of contractual terms included in BOC PCL’s consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against BOC PCL in 2016 and 2017. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 31 December 2023.

The Consumer Protection Law 2021 brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service, i.e. power to impose increased fines which are immediately payable. The Consumer Protection Law 2021 has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes and the resulting financial impact of these matters, is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Group. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

38.3 Other matters

Other matters include among others, provisions for various other open examination requests by governmental and other public bodies, legal matters and provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

38. Provisions for pending litigations, claims, regulatory and other matters (continued)

38.3 Other matters (continued)

The provisions for pending litigations, claims, regulatory and other matters described above and provided in the tables below do not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries as these are included in 'Insurance contract liabilities'.

38.4 Provisions for pending litigations, claims, regulatory and other matters

2023	Pending litigations and claims (Note 38.1) €000	Regulatory matters (Note 38.2) €000	Other matters (Note 38.3) €000	**Total** **€000**
1 January	63,947	14,918	48,742	**127,607**
Net increase in provisions including unwinding of discount	36,227	527	4,940	**41,694**
Utilisation of provisions	(28,777)	(727)	(108)	**(29,612)**
Release of provisions	(10,429)	-	-	**(10,429)**
Net transfer	-	-	2,220	**2,220**
Foreign exchange adjustments	-	23	-	**23**
31 December	**60,968**	**14,741**	**55,794**	**131,503**
Provisions expected to be settled within 12 months post reporting date	**24,814**	**-**	**29,606**	**54,420**

2022	Pending litigations and claims (Note 38.1) €000	Regulatory matters (Note 38.2) €000	Other matters (Note 38.3) €000	**Total** **€000**
1 January	57,844	16,415	29,849	**104,108**
Net increase in provisions including unwinding of discount	15,627	950	19,017	**35,594**
Utilisation of provisions	(6,314)	(1,357)	(24)	**(7,695)**
Release of provisions	(3,210)	(1,037)	(100)	**(4,347)**
Foreign exchange adjustments	-	(53)	-	**(53)**
31 December	63,947	14,918	48,742	**127,607**
Provisions expected to be settled within 12 months post reporting date	26,991	-	2,804	29,795

Provisions for pending litigations, claims, regulatory and other matters recorded in the consolidated income statement during the year ended 31 December 2023 amounting to €28,464 thousand (2022: €11,880 thousand), also include a credit amount of €2,801 thousand representing an amount recovered on the conclusion of open examinations of governmental bodies directly recognised in the consolidated income statement (2022: nil). The movement in the year ended 31 December 2023 is driven by the progress on legal cases, and provision for other matters in relation to the run-down and disposal of the Group's legacy and non-core operations.

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

39. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

39. Contingent liabilities and commitments (continued)

Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Group (Note 44.6).

39.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2023 amount to €20,139 thousand (2022: €10,647 thousand).

39.2. Contingent liabilities

The Group, as part of the disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens, tax exposures and other matters agreed with the buyers. As a result, the Group may be obliged to compensate the buyers in the event of a valid claim by the buyers with respect to the above representations, warranties and indemnities.

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable (Note 38.3).

40. Additional information on cash flow statement

Non-cash transactions

Repossession of collaterals
During the year ended 31 December 2023, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €20,921 thousand (2022: €86,016 thousand).

Recognition of RoU assets and lease liabilities
During 2023 the Group recognised RoU assets and corresponding lease liabilities of €11,353 thousand (2022: €957 thousand).

Net cash flow from operating activities - interest and dividends

	2023	2022 (restated)
	€000	€000
Interest paid	**(153,946)**	(88,571)
Interest received	**1,071,575**	506,060
Dividends received (Note 13)	**856**	940
	918,485	418,429

40. Additional information on cash flow statement (continued)

Changes in liabilities arising from financing activities

	Funding from central banks (Note 29)	Debt securities in issue and Subordinated liabilities (Note 32)	**Total**
2023	€000	€000	**€000**
1 January	1,976,674	601,448	**2,578,122**
Cash flows	-	320,314	**320,314**
Other non-cash movements	67,194	57,919	**125,113**
31 December	**2,043,868**	**979,681**	**3,023,549**
2022			
1 January	2,969,600	644,928	3,614,528
Cash flows	(979,389)	(66,797)	(1,046,186)
Other non-cash movements	(13,537)	23,317	9,780
31 December	1,976,674	601,448	2,578,122

Further information relating to the change in lease liabilities is disclosed in Note 42.

41. Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	2022
	€000	€000
Cash and non-obligatory balances with central banks	**9,555,323**	9,452,721
Loans and advances to banks with original maturity less than three months	**282,998**	133,432
	9,838,321	9,586,153

Analysis of cash and balances with central banks and loans and advances to banks

	2023	2022
	€000	€000
Cash and non-obligatory balances with central banks	**9,555,323**	9,452,721
Obligatory balances with central banks (Note 19)	**59,179**	114,537
Total cash and balances with central banks (Note 19)	**9,614,502**	9,567,258
Loans and advances to banks with original maturity less than three months	**282,998**	133,432
Restricted loans and advances to banks	**101,804**	71,379
Total loans and advances to banks (Note 19)	**384,802**	204,811

Restricted loans and advances to banks include collaterals under derivative transactions of €13,970 thousand (2022: €7,380 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated, and collaterals for the reverse repurchase agreements of €29,524 thousand (2022: n/a).

42. Leases

The Group is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are primarily uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Group has the option to extend the tenancy for four further periods of two years each. The Group has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rates of the area and considering the relevant legislation.

42. Leases (continued)

Office buildings are leased by the Group for the operation of administrative functions. The basic terms for new lease contracts and the current practice are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2022 the lease term of existing building contracts was re-assessed using the assumptions as detailed in Note 5.13.

The carrying amounts of the Group's RoU assets and lease liabilities and the movement during the year ended 31 December 2023 and the year ended 31 December 2022 is presented in the table below:

2023	**RoU assets (Note 25)**	**Lease Liabilities (Note 33)**
	€000	**€000**
1 January	**30,233**	**(30,190)**
Depreciation charge for the year (Note 15.1)	**(6,736)**	**-**
New leases (Note 25)	**11,353**	**(7,113)**
Re-assessment of lease terms (Note 25)	**(988)**	**693**
Interest expense	**-**	**(1,453)**
Cash outflows-payments	**-**	**7,846**
31 December	**33,862**	**(30,217)**

2022	RoU assets (Note 25)	Lease Liabilities (Note 33)
	€000	€000
1 January	33,581	(33,981)
Depreciation charge for the year (Note 15.1)	(6,767)	-
New leases (Note 25)	957	(772)
Assets derecognised (Note 25)	(1,460)	1,456
Assets recognised following re-assessment (Note 25)	3,922	(3,663)
Interest expense	-	(114)
Cash outflows-payments	-	6,884
31 December	30,233	(30,190)

As at 31 December 2023 RoU assets comprised of leases of buildings of a carrying amount of €22,400 thousand (2022: €29,408 thousand) and computer hardware of a carrying amount of €11,462 thousand (2022: €825 thousand), and are presented within Property and equipment in Note 25.

Interest expense on lease liabilities of €1,159 thousand is included within net insurance service result as it is directly attributable expense for the fulfilment of insurance contracts within IFRS 17 scope (2022: €100 thousand).

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 46.

43. Analysis of assets and liabilities by expected maturity

	2023			2022 (restated)		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,555,323**	**59,179**	**9,614,502**	9,452,721	114,537	9,567,258
Loans and advances to banks	**282,998**	**101,804**	**384,802**	133,432	71,379	204,811
Derivative financial assets	**859**	**50,196**	**51,055**	904	47,249	48,153
Investments	**736,664**	**2,958,745**	**3,695,409**	460,070	2,243,633	2,703,703
Reverse repurchase agreements	**-**	**403,199**	**403,199**	-	-	-
Loans and advances to customers	**1,194,139**	**8,628,988**	**9,823,127**	880,158	9,081,484	9,961,642
Life insurance business assets attributable to policyholders	**27,632**	**621,580**	**649,212**	15,486	526,835	542,321
Prepayments, accrued income and other assets	**349,723**	**235,093**	**584,816**	256,002	352,977	608,979
Stock of property	**191,818**	**634,297**	**826,115**	301,275	739,757	1,041,032
Investment properties	**10,605**	**51,500**	**62,105**	24,749	60,350	85,099
Deferred tax assets	**37,909**	**163,359**	**201,268**	37,909	190,025	227,934
Property, equipment and intangible assets	**-**	**334,203**	**334,203**	-	305,924	305,924
	12,387,670	**14,242,143**	**26,629,813**	11,562,706	13,734,150	25,296,856
Liabilities						
Deposits by banks	**202,850**	**268,706**	**471,556**	191,635	316,023	507,658
Funding from central banks	**2,043,868**	**-**	**2,043,868**	1,976,674	-	1,976,674
Derivative financial liabilities	**14,079**	**3,901**	**17,980**	10,538	5,631	16,169
Customer deposits	**5,986,765**	**13,352,115**	**19,338,880**	5,893,802	13,104,517	18,998,319
Insurance liabilities	**88,616**	**569,808**	**658,424**	86,636	511,345	597,981
Accruals, deferred income and other liabilities and provisions for pending litigations, claims, regulatory and other matters	**368,652**	**229,272**	**597,924**	300,538	211,111	511,649
Debt securities in issue and subordinated liabilities	**-**	**979,681**	**979,681**	-	601,448	601,448
Deferred tax liabilities	**1,622**	**30,684**	**32,306**	1,207	33,427	34,634
	8,706,452	**15,434,167**	**24,140,619**	8,461,030	14,783,502	23,244,532

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Cash and balances with central banks are classified in the relevant time band based on the contractual maturity, with the exception of obligatory balances with central banks which are classified in the 'Over one year' time band.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

43. Analysis of assets and liabilities by expected maturity (continued)

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 Loans are classified in the 'Over one year' time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioural analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

44. Risk management - Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, set the Group's credit risk policies and monitor compliance with credit risk policies applicable to each business line and the quality of the Group's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, also safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are complemented by the methods/models used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Group is diversified across the various industry sectors of the economy. Credit Risk Management department determines concentration limits for each industry sector, sets prohibited sectors and defines sectors which may require prior approval before credit applications are submitted.

The Market & Liquidity Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities as well as reverse repurchase agreements.

Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

44. Risk management - Credit risk (continued)

44.1 Maximum exposure to credit risk and collateral and other credit enhancements

Loans and advances to customers
The Credit Risk Management department determines the level and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on contracts of sale and personal and corporate guarantees.

The Group regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Off-balance sheet exposures
The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee facilities (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Other financial instruments
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed. Reverse repurchase agreements are generally secured by bonds.

In accordance with the terms of the reverse repurchase agreements the Group has as at 31 December 2023 of a carrying value of €403 million, the Group accepts collateral that it is permitted to sell. At 31 December 2023, the total fair value of the collateral received was €426 million, none of which had been resold or repledged. An amount of €30 million was placed as cash collateral with the counterparty.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 31 December 2023, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 21. Information about the Group's collaterals under derivative transactions is provided in Note 41.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

Maximum Exposure to credit risk
The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

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

44. Risk management - Credit risk (continued)

44.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2023	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**9,521,961**	-	-	-	-	-	-	-	**9,521,961**
Loans and advances to banks (Note 19)	**384,802**	39,344	-	-	-	-	-	39,344	**345,458**
FVPL debt securities (Note 20)	**3,611**	-	-	-	-	-	-	-	**3,611**
Debt securities classified at amortised cost and FVOCI (Note 20)	**3,547,782**	-	-	-	-	-	-	-	**3,547,782**
Reverse repurchase agreements	**403,199**	-	426,419	-	-	-	(29,524)	396,895	**6,304**
Derivative financial instruments (Note 21)	**51,055**	-	-	-	-	-	-	-	**51,055**
Loans and advances to customers (Note 23)	**9,823,127**	475,241	743,890	149,415	16,755,799	275,344	(9,615,735)	8,783,954	**1,039,173**
Debtors (Note 28)	**34,662**	-	-	-	-	-	-	-	**34,662**
Insurance and reinsurance contract assets (Note 28)	**57,494**	-	-	-	-	-	-	-	**57,494**
Deferred purchase payment consideration (Note 28)	**243,013**	-	-	-	-	-	-	-	**243,013**
Other assets (Note 28)	**109,314**	-	-	-	-	-	-	-	**109,314**
On-balance sheet total	**24,180,020**	**514,585**	**1,170,309**	**149,415**	**16,755,799**	**275,344**	**(9,645,259)**	**9,220,193**	**14,959,827**
Contingent liabilities									
Acceptances and endorsements	**2,580**	8	-	-	2,570	2	-	2,580	**-**
Guarantees	**703,044**	71,752	1,874	6,797	145,545	255	-	226,223	**476,821**
Commitments									
Documentary credits	**10,251**	140	-	-	21	-	-	161	**10,090**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,948,482**	22,980	10,648	9,764	455,964	17,231	-	516,587	**1,431,895**
Off-balance sheet total	**2,664,357**	**94,880**	**12,522**	**16,561**	**604,100**	**17,488**	**-**	**745,551**	**1,918,806**
	26,844,377	**609,465**	**1,182,831**	**165,976**	**17,359,899**	**292,832**	**(9,645,259)**	**9,965,744**	**16,878,633**

44. Risk management - Credit risk (continued)

44.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							**Net exposure to credit risk**
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2022 (restated)	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**9,475,541**	-	-	-	-	-	-	-	**9,475,541**
Loans and advances to banks (Note 19)	**204,811**	37,251	-	-	-	-	-	37,251	**167,560**
FVPL debt securities (Note 20)	**8,968**	-	-	-	-	-	-	-	**8,968**
Debt securities classified at amortised cost and FVOCI (Note 20)	**2,499,894**	-	-	-	-	-	-	-	**2,499,894**
Derivative financial instruments (Note 21)	**48,153**	-	-	-	-	-	-	-	**48,153**
Loans and advances to customers (Note 23)	**9,961,642**	505,950	556,487	133,305	15,799,569	273,789	(8,231,543)	9,037,557	**924,085**
Debtors (Note 28)	**29,220**	-	-	-	-	-	-	-	**29,220**
Insurance and reinsurance contract assets (Note 28)	**46,380**	-	-	-	-	-	-	-	**46,380**
Deferred purchase payment consideration (Note 28)	**311,523**	-	-	-	-	-	-	-	**311,523**
Other assets (Note 28)	**60,515**	-	-	-	-	-	-	-	**60,515**
On-balance sheet total	**22,646,647**	**543,201**	**556,487**	**133,305**	**15,799,569**	**273,789**	**(8,231,543)**	**9,074,808**	**13,571,839**
Contingent liabilities									
Acceptances and endorsements	**5,175**	276	-	-	4,886	13	-	5,175	**-**
Guarantees	**651,219**	99,554	1,039	4,630	197,912	384	-	303,519	**347,700**
Commitments									
Documentary credits	**17,624**	892	4	1,734	4,253	12	-	6,895	**10,729**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,909,487**	32,164	4,069	1,465	406,074	26,876	-	470,648	**1,438,839**
Off-balance sheet total	**2,583,505**	**132,886**	**5,112**	**7,829**	**613,125**	**27,285**	**-**	**786,237**	**1,797,268**
	25,230,152	**676,087**	**561,599**	**141,134**	**16,412,694**	**301,074**	**(8,231,543)**	**9,861,045**	**15,369,107**

44. Risk management - Credit risk (continued)

44.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. The Group's Risk Appetite Statement may impose stricter concentration limits which are monitored by the Group.

The credit risk concentration, which is based on industry (economic activity) and business line, as well as the geographical concentration, is presented below.

The geographical analysis, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures. Market and Liquidity Risk department is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies.

2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	868,039	277	40	-	15,340	**883,696**
Manufacturing	287,524	43,971	192	-	31,194	**362,881**
Hotels and catering	928,910	29,454	36,704	-	39,368	**1,034,436**
Construction	486,622	8,332	14	-	331	**495,299**
Real estate	871,544	108,635	1,863	-	51,349	**1,033,391**
Private individuals	4,543,985	9,680	56,074	12,075	48,080	**4,669,894**
Professional and other services	535,994	572	5,242	352	54,846	**597,006**
Shipping	20,622	15	-	-	222,422	**243,059**
Other sectors	512,666	-	-	2	30,184	**542,852**
	9,055,906	**200,936**	**100,129**	**12,429**	**493,114**	**9,862,514**

2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,326,556	30,487	193	324	185	**3,357,745**
IBU & International corporate						
- IBU	87,127	1,688	6,544	6,901	18,618	**120,878**
- International corporate	115,212	164,103	43,401	-	439,512	**762,228**
SMEs	945,018	482	1,177	-	2,316	**948,993**
Retail						
- housing	3,345,923	2,190	27,636	86	16,685	**3,392,520**
- consumer, credit cards and other	944,196	757	480	-	740	**946,173**
Restructuring						
- corporate	48,440	-	611	-	-	**49,051**
- SMEs	33,212	-	261	532	61	**34,066**
- retail housing	57,685	-	2,468	122	212	**60,487**
- retail other	19,164	22	2	-	23	**19,211**
Recoveries						
- corporate	6,079	-	182	173	911	**7,345**
- SMEs	13,419	1	1,173	1,623	1,183	**17,399**
- retail housing	50,927	50	14,718	2,399	7,231	**75,325**
- retail other	27,122	8	1,191	269	275	**28,865**
Wealth management	35,826	1,148	92	-	5,162	**42,228**
	9,055,906	**200,936**	**100,129**	**12,429**	**493,114**	**9,862,514**

44. Risk management - Credit risk (continued)

44.2 Credit risk concentration of loans and advances to customers (continued)

2022	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000
Trade	922,093	384	37	-	35	**922,549**
Manufacturing	323,074	44,978	-	-	27,943	**395,995**
Hotels and catering	928,346	16,565	35,614	-	40,086	**1,020,611**
Construction	545,421	8,955	23	1	1,985	**556,385**
Real estate	978,708	94,823	1,866	-	51,617	**1,127,014**
Private individuals	4,496,081	11,146	73,120	19,103	54,985	**4,654,435**
Professional and other services	551,269	980	5,311	313	37,830	**595,703**
Shipping	13,338	-	-	-	173,830	**187,168**
Other sectors	427,535	2	-	3	29,935	**457,475**
	9,185,865	**177,833**	**115,971**	**19,420**	**418,246**	**9,917,335**

2022	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000
Corporate and Large corporate	3,380,542	17,781	50	312	102	**3,398,787**
IBU & International corporate						
- IBU	90,652	1,722	8,953	11,964	24,583	**137,874**
- International corporate	139,813	152,143	42,327	-	351,025	**685,308**
SMEs	1,021,950	1,036	1,451	-	4,174	**1,028,611**
Retail						
- housing	3,272,253	2,450	36,839	186	18,906	**3,330,634**
- consumer, credit cards and other	885,558	856	576	1	905	**887,896**
Restructuring						
- corporate	66,151	-	869	-	932	**67,952**
- SMEs	48,027	-	432	158	384	**49,001**
- retail housing	70,283	104	1,841	291	114	**72,633**
- retail other	24,093	16	21	192	21	**24,343**
Recoveries						
- corporate	19,063	-	452	172	32	**19,719**
- SMEs	26,150	-	1,117	2,664	1,774	**31,705**
- retail housing	69,790	260	19,778	3,431	9,736	**102,995**
- retail other	31,967	12	1,265	49	337	**33,630**
Wealth management	39,573	1,453	-	-	5,221	**46,247**
	9,185,865	**177,833**	**115,971**	**19,420**	**418,246**	**9,917,335**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2023 of €128,705 thousand (2022: €106,701 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 December 2023 include exposures of €1,7 million in Ukraine (2022: €2,6 million) and €4,9 million in Israel (2022: €4,0 million).

44. Risk management - Credit risk (continued)

44.3 Analysis of loans and advances to customers

The movement of the gross loans and advances to customers at amortised cost by staging is presented in the tables below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	7,867,256	1,565,603	371,018	113,458	**9,917,335**
Transfers to stage 1	786,990	(785,026)	(1,964)	-	**-**
Transfers to stage 2	(514,415)	546,249	(31,834)	-	**-**
Transfers to stage 3	(38,959)	(83,436)	122,395	-	**-**
Foreign exchange and other adjustments	-	-	10	-	**10**
Write offs	(594)	(588)	(79,286)	(5,282)	**(85,750)**
Interest accrued and other adjustments	388,970	39,662	47,804	8,001	**484,437**
New loans originated or purchased and drawdowns of existing facilities	1,827,530	89,118	8,125	1,847	**1,926,620**
Loans derecognised or repaid (excluding write offs)	(2,038,389)	(210,331)	(107,490)	(22,753)	**(2,378,963)**
Changes to contractual cash flows due to modifications	(2,800)	20	(1,895)	(149)	**(4,824)**
Acquisition of Velocity 2 portfolio	-	-	-	3,649	**3,649**
31 December	**8,275,589**	**1,161,271**	**326,883**	**98,771**	**9,862,514**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
1 January	7,418,695	1,701,255	1,047,802	228,572	10,396,324
Transfers to stage 1	534,045	(532,847)	(1,198)	-	-
Transfers to stage 2	(409,997)	479,829	(69,832)	-	-
Transfers to stage 3	(22,885)	(34,796)	57,681	-	-
Foreign exchange and other adjustments	(49)	-	3,473	-	3,424
Write offs	(788)	(683)	(169,303)	(22,774)	(193,548)
Interest accrued and other adjustments	187,455	69,085	63,857	18,100	338,497
New loans originated or purchased and drawdowns of existing facilities	1,825,387	119,244	12,182	1,191	1,958,004
Loans derecognised or repaid (excluding write offs)	(1,659,230)	(234,770)	(104,623)	(31,596)	(2,030,219)
Changes to contractual cash flows due to modifications	(5,286)	2,669	(4,627)	(704)	(7,948)
Disposal of Helix 3 and Sinope portfolios	(91)	(3,383)	(464,394)	(79,331)	(547,199)
31 December	7,867,256	1,565,603	371,018	113,458	9,917,335

For revolving facilities, overdrafts and credit cards the net positive change in balance by stage excluding write-offs is reported in 'New loans originated' and the net negative change is reported in 'Loans derecognised or repaid'.

The analysis of gross loans and advances to customers at amortised cost by staging and by business line concentration is included in Note 23.

During the year ended 31 December 2023, the Group purchased back certain loans disposed in 2020 as part of Velocity 2. The loans, which relate primarily to retail unsecured facilities, were classified as POCI and have a net book value of €1,1 million as at 31 December 2023.

44. Risk management - Credit risk (continued)

44.3 Analysis of loans and advances to customers (continued)

The movement of gross loans and advances to customers at amortised cost, in the Corporate and Large corporate, IBU & International corporate, SME and Retail business lines in Cyprus (the country where the loans are managed), are presented in the tables below:

2023	**Corporate and Large corporate €000**	**IBU & International corporate €000**	**SME €000**	**Retail €000**
1 January	3,398,475	823,182	1,026,608	4,218,530
Transfers (out of)/in business line	111,905	(35,005)	(38,809)	35,074
Write offs	(25,277)	(173)	(142)	(1,165)
Interest accrued	166,290	56,142	59,465	166,319
New loans originated or purchased	748,197	218,979	192,439	691,828
Loans derecognised or repaid (excluding write offs)	(1,037,422)	(179,763)	(291,534)	(773,641)
Changes to contractual cash flows due to modifications not resulting in derecognition	(4,747)	(256)	597	1,748
31 December	**3,357,421**	**883,106**	**948,624**	**4,338,693**

2022 (restated)	Corporate and Large corporate €000	IBU & International corporate €000	SME €000	Retail €000
1 January	3,344,281	768,141	1,043,588	4,040,108
Transfers in/(out of) business line	(23,764)	(456)	6,695	(5,291)
Write offs	(14)	(225)	(311)	(1,866)
Interest accrued	104,907	37,758	33,799	86,701
New loans originated or purchased	859,742	205,437	179,399	679,538
Loans derecognised or repaid (excluding write offs)	(889,683)	(186,828)	(235,449)	(581,009)
Changes to contractual cash flows due to modifications not resulting in derecognition	3,006	(645)	(1,113)	349
31 December	3,398,475	823,182	1,026,608	4,218,530

44.4 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of BOC PCL. For the purposes of credit scoring, these portfolios are Corporate, Retail and SMEs. Corporate and SME portfolios include legal entities. Retail portfolio includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower’s behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12-months probability of default (PD) is calculated per rating. The following table presents weighted PD per risk level's rating for corporate, retail and SME exposures.

Unrated corporate exposures are assessed using the Group's in-house behavioural scorecard model for corporate legal entities. Unrated retail exposures include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

44. Risk management - Credit risk (continued)

44.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

New customers for corporate and SME legal entities and new lending to retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The portfolios weighted PD per rating is presented below.

2023	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	1.32	0.10	0.18
2	1.42	0.17	0.46
3	1.75	0.28	0.96
4	2.38	0.42	3.37
5	3.68	0.89	8.92
6	3.82	7.20	18.16
7	4.88	15.21	36.65

2022	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	1.19	0.66	0.34
2	1.87	0.64	0.66
3	2.02	1.39	1.89
4	2.96	2.64	7.23
5	4.48	4.92	9.46
6	4.97	8.58	14.87
7	10.15	24.02	30.77

Lower rating exposures demonstrate a better capacity to meet financial commitments, with lower probability of default, whereas higher rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost which are managed in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of BOC PCL.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	654,192	8,681	**662,873**	512,071	5,576	517,647
Rating 2	404,127	2,604	**406,731**	235,753	5,858	241,611
Rating 3	857,583	17,943	**875,526**	762,397	94,105	856,502
Rating 4	420,299	75,912	**496,211**	565,591	43,690	609,281
Rating 5	593,987	210,143	**804,130**	592,963	207,831	800,794
Rating 6	97,182	176,247	**273,429**	94,690	292,027	386,717
Rating 7	30,182	10,713	**40,895**	32,481	152,941	185,422
Unrated	230,024	34,157	**264,181**	190,253	18,602	208,855
New customers	397,922	14,956	**412,878**	427,647	37,570	465,217
	3,685,498	**551,356**	**4,236,854**	3,413,846	858,200	4,272,046
Total Stage 3 and POCI			**157,455**			144,903
			4,394,309			4,416,949

44. Risk management - Credit risk (continued)

44.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Rating 1	410,510	886	**411,396**	895,267	42,998	938,265
Rating 2	296,784	1,182	**297,966**	1,066,411	29,995	1,096,406
Rating 3	531,271	8,583	**539,854**	845,204	72,153	917,357
Rating 4	1,387,960	59,067	**1,447,027**	592,998	99,388	692,386
Rating 5	915,585	195,178	**1,110,763**	197,743	78,861	276,604
Rating 6	63,506	91,634	**155,140**	64,234	77,217	141,451
Rating 7	104,288	121,092	**225,380**	17,820	80,259	98,079
Unrated	-	2,099	**2,099**	-	2,660	2,660
New customers	308,043	13,166	**321,209**	268,676	13,017	281,693
	4,017,947	**492,887**	**4,510,834**	3,948,353	496,548	4,444,901
Total Stage 3 and POCI			**230,837**			288,998
			4,741,671			4,733,899

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SMEs legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	120,165	3,360	**123,525**	161,411	33,555	194,966
Rating 2	210,856	47,818	**258,674**	175,934	71,421	247,355
Rating 3	108,742	29,117	**137,859**	32,209	29,154	61,363
Rating 4	45,841	14,490	**60,331**	9,432	25,850	35,282
Rating 5	13,021	5,771	**18,792**	6,656	7,842	14,498
Rating 6	5,300	3,328	**8,628**	5,889	10,307	16,196
Rating 7	3,324	2,534	**5,858**	3,431	5,347	8,778
Unrated	-	6,312	**6,312**	49,172	24,648	73,820
New customers	64,722	4,298	**69,020**	60,704	2,731	63,435
	571,971	**117,028**	**688,999**	504,838	210,855	715,693
Total Stage 3 and POCI			**36,842**			48,479
			725,841			764,172

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers

The movement in ECL of loans and advances to customers is as follows:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	22,288	27,041	113,573	15,540	**178,442**
Transfers to stage 1	10,985	(10,504)	(481)	-	**-**
Transfers to stage 2	(1,532)	6,677	(5,145)	-	**-**
Transfers to stage 3	(481)	(2,576)	3,057	-	**-**
Impact on transfer between stages during the year*	(8,860)	3,450	24,888	-	**19,478**
Foreign exchange and other adjustments	-	-	91	-	**91**
Write offs	(594)	(588)	(79,286)	(5,282)	**(85,750)**
Interest (provided) not recognised in the income statement	-	-	3,827	1,079	**4,906**
New loans originated or purchased*	5,953	-	-	992	**6,945**
Loans derecognised or repaid (excluding write offs)*	(2,798)	(782)	(5,433)	(162)	**(9,175)**
Write offs*	455	340	7,981	1,118	**9,894**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	258	7,021	39,891	7,935	**55,105**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(1,469)	178	1,033	(225)	**(483)**
31 December 2023	**24,205**	**30,257**	**103,996**	**20,995**	**179,453**
Individually assessed	8,287	11,983	45,178	13,480	**78,928**
Collectively assessed	15,918	18,274	58,818	7,515	**100,525**
	24,205	**30,257**	**103,996**	**20,995**	**179,453**

* Individual components of the 'Impairment net of reversals on loans and advances to customers' (Note 16).

The impairment loss for the year ended 31 December 2023 was driven mainly from additional net credit losses of €21 million recorded on NPEs as part of the Group's de-risking activities and ECL charge of €11 million relates to the overlays applied during the year 2023, as explained in Note 5.2.

Further, following a deep dive assessment by the Group on its loan portfolio during the second half of 2023, exposures of a total amount of €90 million were classified as unlikely to pay ('UTPs'), of which €76 million relate to specific customers with idiosyncratic characteristics. Exposures identified as UTPs were transferred into Stage 3, hence the impact on ECL from 'Impact on transfer between Stages during the year'.

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers (continued)

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
1 January	15,457	29,383	478,796	67,781	591,417
Transfers to stage 1	9,737	(9,561)	(176)	-	-
Transfers to stage 2	(1,009)	9,857	(8,848)	-	-
Transfers to stage 3	(106)	(833)	939	-	-
Impact on transfer between stages during the year*	(7,575)	(3,186)	15,387	(31)	4,595
Foreign exchange and other adjustments	(1)	-	3,553	-	3,552
Write offs	(788)	(683)	(169,303)	(22,774)	(193,548)
Interest (provided) not recognised in the income statement	-	-	16,687	427	17,114
New loans originated or purchased*	3,877	-	-	35	3,912
Loans derecognised or repaid (excluding write offs)*	(964)	(2,700)	(16,943)	(2,714)	(23,321)
Write offs*	736	485	11,744	995	13,960
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	5,009	2,677	47,617	14,616	69,919
Changes to contractual cash flows due to modifications not resulting in derecognition*	(2,085)	2,226	(3,818)	(391)	(4,068)
Disposal of Helix 3 and Sinope portfolios	-	(624)	(262,062)	(42,404)	(305,090)
31 December 2022	22,288	27,041	113,573	15,540	178,442
Individually assessed	9,066	13,401	56,957	10,664	90,088
Collectively assessed	13,222	13,640	56,616	4,876	88,354
	22,288	27,041	113,573	15,540	178,442

The analysis of credit losses of loans and advances to customers by business line is presented in the table below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate and Large corporate	12,993	11,727	32,761	5,169	**62,650**
IBU & International corporate					
- IBU	161	323	40	5	**529**
- International corporate	1,498	816	38	6	**2,358**
SMEs	2,424	2,403	1,200	303	**6,330**
Retail					
- housing	3,089	6,365	3,804	486	**13,744**
- consumer, credit cards and other	3,676	5,652	4,968	1,161	**15,457**
Restructuring					
- corporate	21	1,635	6,962	9,964	**18,582**
- SMEs	134	589	4,334	553	**5,610**
- retail housing	75	440	12,393	204	**13,112**
- retail other	108	224	7,060	489	**7,881**
Recoveries					
- corporate	-	-	3,342	267	**3,609**
- SMEs	-	-	4,794	150	**4,944**
- retail housing	-	-	13,772	1,094	**14,866**
- retail other	-	-	8,527	1,141	**9,668**
Wealth management	26	83	1	3	**113**
	24,205	**30,257**	**103,996**	**20,995**	**179,453**

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers (continued)

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate and Large corporate	13,997	12,096	28,951	1,498	56,542
IBU & International corporate					
- IBU	73	332	65	5	475
- International corporate	567	5	36	4	612
SMEs	2,444	3,009	1,998	214	7,665
Retail					
- housing	2,378	2,738	5,146	398	10,660
- consumer, credit cards and other	2,552	4,794	5,763	1,020	14,129
Restructuring					
- corporate	22	2,133	7,481	9,005	18,641
- SMEs	184	706	9,157	741	10,788
- retail housing	19	682	9,222	347	10,270
- retail other	29	536	7,309	513	8,387
Recoveries					
- corporate	-	-	7,917	387	8,304
- SMEs	-	-	11,096	288	11,384
- retail housing	-	-	11,937	651	12,588
- retail other	-	-	7,494	465	7,959
Wealth management	23	10	1	4	38
	22,288	27,041	113,573	15,540	178,442

The movement of the ECL allowance for the loans and advances to customers in the Corporate and Large corporate, IBU & International corporate, SME and Retail business lines in Cyprus (the country where the loans are managed), is presented in the table below:

2023	**Corporate and Large corporate €000**	**IBU & International corporate €000**	**SME €000**	**Retail €000**
1 January	56,359	1,087	5,879	24,789
Transfer (out of)/in the business line	(660)	112	76	(1,888)
Write offs	(25,276)	(173)	(142)	(1,165)
Interest (provided) not recognised in the income statement	287	-	-	464
New loans originated or purchased	4,058	470	616	1,804
Loans derecognised or repaid (excluding write offs)	(2,627)	(315)	-	(1,615)
Write offs	18	28	135	740
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	12,120	885	242	6,236
Changes to contractual cash flows due to modifications not resulting in derecognition	481	4	(469)	(283)
Impact on transfer between stages during the year	17,665	789	(203)	119
31 December	**62,425**	**2,887**	**6,134**	**29,201**

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers (continued)

	Corporate and Large corporate	IBU & International corporate	SME	Retail
2022 (restated)	€000	€000	€000	€000
1 January	45,541	3,643	6,626	28,215
Transfer in/(out of) the business line	278	8	(99)	(1,812)
Write offs	(14)	(225)	(311)	(1,866)
Interest (provided) not recognised in the income statement	936	5	14	445
New loans originated or purchased	1,950	195	299	1,261
Loans derecognised or repaid (excluding write offs)	(5,699)	(436)	(915)	(818)
Write offs	9	78	127	1,294
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	11,672	(1,209)	774	2,800
Changes to contractual cash flows due to modifications not resulting in derecognition	(673)	35	123	(203)
Impact on transfer between stages during the year	2,359	(1,007)	(759)	(4,527)
31 December	56,359	1,087	5,879	24,789

During the year ended 31 December 2023 the total non-contractual write-offs recorded by the Group amounted to €66,547 thousand (2022: €134,767 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is €566,451 thousand (2022: €972,621 thousand).

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively both for 2023 and 2022.

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

The above assumptions are also influenced by the ongoing regulatory dialogue BOC PCL maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Group with reference date 31 December 2023 and 2022.

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers (continued)

The Group has applied sensitivity analysis to the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2023	2022
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**1,297**	1,999
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(1,629)**	(2,077)
Increase the expected recovery period by 1 year	**6,090**	4,955
Decrease the expected recovery period by 1 year	**(7,863)**	(4,344)
Increase the collateral realisation haircut by 5%	**8,816**	11,335
Decrease the collateral realisation haircut by 5%	**(9,495)**	(8,930)
Increase in the PD of stages 1 and 2 by 20%*	**5,424**	7,367
Decrease in the PD of stages 1 and 2 by 20%*	**(5,880)**	(6,964)

The increase/(decrease) on ECL, for loans and advances to customers at amortised cost, is further analysed, per stage, in the table below:

	Stage 1	Stage 2	Stage 3	**Total**
2023	€000	€000	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	295	204	798	**1,297**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(235)	(267)	(1,127)	**(1,629)**
Increase the expected recovery period by 1 year	727	1,201	4,162	**6,090**
Decrease the expected recovery period by 1 year	(695)	(1,121)	(6,047)	**(7,863)**
Increase the collateral realisation haircut by 5%	1,037	1,692	6,087	**8,816**
Decrease the collateral realisation haircut by 5%	(900)	(1,406)	(7,189)	**(9,495)**
Increase in the PD of stages 1 and 2 by 20%*	2,624	2,800	-	**5,424**
Decrease in the PD of stages 1 and 2 by 20%*	(1,325)	(4,555)	-	**(5,880)**

	Stage 1	Stage 2	Stage 3	Total
2022	€000	€000	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	175	321	1,503	1,999
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(139)	(435)	(1,503)	(2,077)
Increase the expected recovery period by 1 year	552	1,590	2,813	4,955
Decrease the expected recovery period by 1 year	(495)	(1,374)	(2,475)	(4,344)
Increase the collateral realisation haircut by 5%	1,036	2,747	7,552	11,335
Decrease the collateral realisation haircut by 5%	(842)	(2,021)	(6,067)	(8,930)
Increase in the PD of stages 1 and 2 by 20%*	406	6,961	-	7,367
Decrease in the PD of stages 1 and 2 by 20%*	(2,217)	(4,747)	-	(6,964)

*The impact on the ECL also includes the transfer between stages of the loans and advances to customers following the increase/decrease in the PD.

44. Risk management - Credit risk (continued)

44.5 Credit losses of loans and advances to customers (continued)

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	2023	**2023**	2022	2022
	€000	**€000**	€000	€000
Corporate and Large corporate	**2,708**	**(2,521)**	2,322	(1,478)
IBU & International corporate				
- IBU	**9**	**(6)**	53	(49)
- International corporate	**65**	**(55)**	68	(30)
SMEs	**365**	**(324)**	487	(409)
Retail				
- housing	**1,124**	**(807)**	1,260	(1,085)
- consumer, credit cards and other	**336**	**(286)**	527	(457)
Restructuring				
- corporate	**1,029**	**(3,337)**	1,253	(1,333)
- SMEs	**233**	**(300)**	628	(633)
- retail housing	**694**	**(616)**	824	(738)
- retail other	**196**	**(175)**	324	(287)
Recoveries				
- corporate	**123**	**(111)**	720	(665)
- SMEs	**932**	**(319)**	948	(819)
- retail housing	**693**	**(455)**	1,378	(690)
- retail other	**305**	**(179)**	540	(255)
Wealth management	**4**	**(4)**	3	(2)
	8,816	**(9,495)**	11,335	(8,930)

44.6 Contingent liabilities and commitments

The Group enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

44.6.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECL are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2023	€000	€000	€000	**€000**
Exposures				
1 January	509,186	110,626	36,582	**656,394**
Transfers to stage 1	8,820	(8,755)	(65)	**-**
Transfers to stage 2	(88,817)	91,722	(2,905)	**-**
Transfers to stage 3	(585)	(3,763)	4,348	**-**
Net increase/(decrease)	55,227	(5,003)	(994)	**49,230**
31 December	**483,831**	**184,827**	**36,966**	**705,624**

44. Risk management - Credit risk (continued)

44.6 Contingent liabilities and commitments (continued)

44.6.1 Contingent liabilities (continued)

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Exposures				
1 January	432,463	136,324	45,668	614,455
Transfers to stage 1	30,378	(30,378)	-	-
Transfers to stage 2	(20,997)	22,353	(1,356)	-
Transfers to stage 3	(9)	(3,288)	3,297	-
Net increase/(decrease)	67,351	(14,385)	(11,027)	41,939
31 December	509,186	110,626	36,582	656,394

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	119	110	17,013	**17,242**
Transfers to stage 1	-	-	-	**-**
Transfers to stage 2	-	-	-	**-**
Transfers to stage 3	(35)	(4)	39	**-**
(Credit)/charge for the year*	(84)	(88)	2,122	**1,950**
31 December	**-**	**18**	**19,174**	**19,192**
Individually assessed	-	-	19,174	**19,174**
Collectively assessed	-	18	-	**18**
	-	**18**	**19,174**	**19,192**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
ECL				
1 January	20	124	21,613	21,757
Transfers to stage 1	7	(7)	-	-
Transfers to stage 2	(16)	16	-	-
Transfers to stage 3	-	(27)	27	-
Charge/(credit) for the year*	108	4	(4,627)	(4,515)
31 December	119	110	17,013	17,242
Individually assessed	77	71	17,013	17,161
Collectively assessed	42	39	-	81
	119	110	17,013	17,242

* The credit for the year mainly relates to assets derecognised in the year (2022: Credit for the year mainly relates to assets derecognised in the year).

44. Risk management - Credit risk (continued)

44.6 Contingent liabilities and commitments (continued)

44.6.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of BOC PCL is disclosed in the table below.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	130,436	266	**130,702**	105,872	9	105,881
Rating 2	16,168	2	**16,170**	16,342	-	16,342
Rating 3	33,253	29,663	**62,916**	48,934	388	49,322
Rating 4	26,279	2,686	**28,965**	34,218	7,980	42,198
Rating 5	25,253	30,270	**55,523**	76,807	5,764	82,571
Rating 6	19,494	281	**19,775**	7,845	4,118	11,963
Rating 7	6,485	33	**6,518**	31	4,507	4,538
Unrated	26,003	33,737	**59,740**	22,127	13,622	35,749
New customers	102,235	6,174	**108,409**	89,653	2	89,655
	385,606	**103,112**	**488,718**	401,829	36,390	438,219
Total Stage 3			**8,314**			9,424
			497,032			447,643

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SME legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	42,683	2,796	**45,479**	30,526	38	30,564
Rating 2	6,435	8,181	**14,616**	8,552	747	9,299
Rating 3	1,599	1,950	**3,549**	867	489	1,356
Rating 4	329	907	**1,236**	280	263	543
Rating 5	31	7	**38**	58	94	152
Rating 6	3	14	**17**	1	1	2
Rating 7	4	137	**141**	552	-	552
Unrated	-	50,393	**50,393**	19,630	56,891	76,521
New customers	47,141	122	**47,263**	46,891	738	47,629
	98,225	**64,507**	**162,732**	107,357	59,261	166,618
Total Stage 3			**28,232**			26,571
			190,964			193,189

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Unrated	-	17,208	**17,208**	-	14,975	14,975
	-	**17,208**	**17,208**	-	14,975	14,975
Total Stage 3			**420**			587
			17,628			15,562

44. Risk management - Credit risk (continued)

44.6 Contingent liabilities and commitments (continued)

44.6.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECL are disclosed in the tables below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,564,964	319,114	43,033	**1,927,111**
Transfers to stage 1	121,814	(121,602)	(212)	**-**
Transfers to stage 2	(100,140)	102,838	(2,698)	**-**
Transfers to stage 3	(4,872)	(3,783)	8,655	**-**
Net increase/(decrease)	83,713	(24,801)	(27,290)	**31,622**
31 December	**1,665,479**	**271,766**	**21,488**	**1,958,733**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Exposure				
1 January	1,497,081	412,570	52,278	1,961,929
Transfers to stage 1	159,869	(159,518)	(351)	-
Transfers to stage 2	(117,601)	118,493	(892)	-
Transfers to stage 3	(276)	(1,205)	1,481	-
Net increase/(decrease)	25,891	(51,226)	(9,483)	(34,818)
31 December	1,564,964	319,114	43,033	1,927,111

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	90	97	-	**187**
Transfers to stage 1	-	-	-	**-**
Transfers to stage 2	-	-	-	**-**
(Credit)/charge for the year*	(90)	(97)	-	**(187)**
31 December	**-**	**-**	**-**	**-**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
ECL				
1 January	19	169	-	188
Transfers to stage 1	4	(4)	-	-
Transfers to stage 2	(18)	18	-	-
Charge/(credit) for the year*	85	(86)	-	(1)
31 December	90	97	-	187
Individually assessed	68	60	-	128
Collectively assessed	22	37	-	59
	90	97	-	187

*The charge/(credit) for the year mainly relates to changes to inputs.

44. Risk management - Credit risk (continued)

44.6 Contingent liabilities and commitments (continued)

44.6.2 Commitments (continued)

The credit quality of commitments, as per the internal rating system of BOC PCL is disclosed in the table below.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	280,836	10,252	**291,088**	219,598	13,914	233,512
Rating 2	63,694	1,672	**65,366**	50,364	3,921	54,285
Rating 3	78,107	8,560	**86,667**	83,187	5,579	88,766
Rating 4	77,465	3,669	**81,134**	99,083	5,387	104,470
Rating 5	45,954	22,251	**68,205**	68,953	8,220	77,173
Rating 6	14,720	4,892	**19,612**	8,154	6,905	15,059
Rating 7	2,074	336	**2,410**	1,492	10,390	11,882
Unrated	90,986	51,113	**142,099**	60,960	46,201	107,161
New customers	86,953	707	**87,660**	72,297	10,903	83,200
	740,789	**103,452**	**844,241**	664,088	111,420	775,508
Total Stage 3			**11,981**			14,763
			856,222			790,271

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SME legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	275,684	34,643	**310,327**	189,826	75,681	265,507
Rating 2	54,993	56,903	**111,896**	37,089	20,238	57,327
Rating 3	11,146	13,215	**24,361**	9,437	5,941	15,378
Rating 4	2,698	1,811	**4,509**	1,923	2,992	4,915
Rating 5	530	322	**852**	1,322	2,155	3,477
Rating 6	173	152	**325**	303	370	673
Rating 7	7	192	**199**	177	136	313
Unrated	-	8,577	**8,577**	58,779	29,414	88,193
New customers	16,658	915	**17,573**	13,683	980	14,663
	361,889	**116,730**	**478,619**	312,539	137,907	450,446
Total Stage 3			**5,742**			23,916
			484,361			474,362

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Rating 1	145,977	11,477	**157,454**	279,094	17,526	296,620
Rating 2	85,690	5,503	**91,193**	124,039	8,630	132,669
Rating 3	135,923	10,084	**146,007**	63,108	10,745	73,853
Rating 4	90,081	6,541	**96,622**	32,345	8,307	40,652
Rating 5	22,724	5,899	**28,623**	9,304	6,516	15,820
Rating 6	5,317	2,645	**7,962**	3,464	5,395	8,859
Rating 7	1,142	1,459	**2,601**	770	2,690	3,460
Unrated	-	6,832	**6,832**	-	7,437	7,437
New customers	75,947	1,144	**77,091**	76,213	2,541	78,754
	562,801	**51,584**	**614,385**	588,337	69,787	658,124
Total Stage 3			**3,765**			4,354
			618,150			662,478

44. Risk management - Credit risk (continued)

44.7 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2023 and 2022 by taking possession of collateral held as security, was as follows:

	2023	2022
	€000	€000
Residential property	**5,980**	12,414
Commercial and other property	**14,560**	70,238
	20,540	82,652

The total carrying value of stock of property and investment properties obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2023, including any expenses capitalised during the year, amounted to €861,675 thousand (2022: €1,087,556 thousand).

The disposals of repossessed assets during 2023 amounted to €173,587 thousand (2022: €249,252 thousand).

44.8 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Group's loans and advances to customers at amortised cost.

	2023	2022
Gross loans at amortised cost	**€000**	€000
Euro	**9,336,828**	9,456,220
US Dollar	**409,555**	334,663
British Pound	**87,610**	89,244
Russian Rouble	**324**	312
Swiss Franc	**27,358**	35,430
Other currencies	**839**	1,466
	9,862,514	9,917,335

44.9 Modified loans and advances to customers

Modified loans and advances to customers are those loans where the original contractual terms of the loans

i. have been modified due to financial difficulties of the borrower and are considered as forborne/restructured (as explained in Note 44.10), and
ii. have been modified due to commercial renegotiations and such loans are considered as non-forborne.

Customers classified as Stage 2 and Stage 3 as at 31 December 2022, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2023 amount to €137,357 thousand (2022: €281,391 thousand) and their corresponding ECL amount to €547 thousand (2022: €895 thousand).

Previously classified Stage 2 and Stage 3 customers (with a carrying amount as at 31 December 2022 of €30,012 thousand (2021: €34,788 thousand)) that had facilities modified during the year and are classified as Stage 1 at 31 December 2023 amount to €19,113 thousand (2022: €30,012 thousand) and their corresponding ECL amount to €36 thousand (2022: €51 thousand). Their related modification loss amounted to €55 thousand (2022: €177 thousand).

Stage 2 and Stage 3 loans that were forborne during the year amounted to €44,827 thousand (2022: €228,804 thousand). Their related modification loss amounted to €3,036 thousand (2022: €4,669 thousand).

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €51,720 thousand (2022: €33,784 thousand) and their corresponding ECL amount to €1,984 thousand (2022: €1,055 thousand) as at 31 December 2023.

44. Risk management - Credit risk (continued)

44.10 Forbearance/Restructuring

Forborne/restructured loans are those loans that have been modified because the borrower is considered unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance/restructuring measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

Forborne/restructured loans and advances are facilities for which the Group has modified the repayment programme (e.g. provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest).

For an account to qualify for forbearance/restructuring it must meet certain criteria including the viability of the customer. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory requirements.

Forbearance/restructuring activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Forbearance/restructuring options may be of a short or long-term nature or a combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

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

Short-term restructuring solutions can include the following:

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

Long-term restructuring solutions can include the following:

i. Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
ii. Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
iii. Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or over time sale of assets (mainly real estate) to reduce borrowing.
iv. Modification of existing terms of previous decisions: In the context of the new sustainable settlement/restructuring solution, review any terms of previous decisions that may not be met.
v. Consolidation/refinancing of existing facilities: In cases where the borrower maintains several separate loans with different collaterals, these can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collaterals.
vi. Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace / reduce the current account limit.
vii. Split and freeze: the customer’s debt is split into sustainable and unsustainable parts. The sustainable part is restructured to a sustainable repayment program. The unsustainable part is ‘frozen’ for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.

44. Risk management - Credit risk (continued)

44.10 Forbearance/Restructuring (continued)

viii. Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted assessment of the cash flow generation of the borrower.
ix. Liquidation Collateral: An agreement between BOC PCL and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
x. Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
xi. Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.
xii. Partial or total write off: This solution corresponds to the Group forfeiting the right to legally recover part or the whole of the amount of debt outstanding by the borrower.
xiii. Debt/equity swaps: debt restructuring that allows partial or full repayment of the debt in exchange of obtaining an equivalent amount of equity by the Group, with the remaining debt right sized to the cash flows of the borrower to allow repayment. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
xiv. Debt/asset swaps: agreement between the Group and the borrower to voluntarily transfer the mortgaged asset or other immovable property to the Group, to partially or fully repay the debt. Any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Forbearance modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired and in Stage 3, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

The forbearance characteristic contributes in two specific ways for the calculation of lifetime ECL for each individual facility. Specifically, it is taken into consideration in the scorecard development, where, if this characteristic is identified as statistically significant, it affects negatively the rating of each facility. It also contributes in the construction through the cycle probability of default and cure curves, where, when feasible, a specific curve for the forborne products is calculated and assigned accordingly.

The below table presents the movement of the Group's forborne loans and advances to customers measured at amortised cost.

	2023	2022
	€000	€000
1 January	**1,106,298**	1,469,182
New loans and advances forborne in the year	**47,366**	130,547
Loans no longer classified as forborne and repayments	**(705,103)**	(241,739)
Write off of forborne loans and advances	**(41,996)**	(77,357)
Interest accrued on forborne loans and advances	**49,102**	57,795
Foreign exchange adjustments	**73**	3,115
Derecognition of Helix 3 and Sinope portfolios	**-**	(235,245)
31 December	**455,740**	1,106,298

The forborne loans classification is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

44. Risk management - Credit risk (continued)

44.10 Forbearance/Restructuring (continued)

The below tables present the Group's forborne loans and advances to customers by staging, economic activity and business line classification, as well as the ECL allowance and tangible collateral held for such forborne loans.

	2023	2022
	€000	€000
Stage 1	**-**	-
Stage 2	**261,091**	857,356
Stage 3	**173,728**	215,730
POCI	**20,921**	33,212
	455,740	1,106,298

Fair value of collateral

	2023	2022
	€000	€000
Stage 1	**-**	-
Stage 2	**241,983**	818,138
Stage 3	**154,051**	172,501
POCI	**19,734**	30,188
	415,768	1,020,827

The fair value of collateral presented above has been computed to the extent that the collateral mitigates credit risk.

Credit risk concentration

	2023	2022
By economic activity	**€000**	€000
Trade	**15,578**	41,038
Manufacturing	**10,195**	17,080
Hotels and catering	**60,129**	282,460
Construction	**82,849**	245,695
Real estate	**61,550**	145,840
Private individuals	**187,537**	279,934
Professional and other services	**35,197**	76,135
Shipping	**-**	-
Other sectors	**2,705**	18,116
	455,740	1,106,298

44. **Risk management - Credit risk** (continued)

44.10 **Forbearance/Restructuring** (continued)

By business line	**2023 €000**	2022 €000
Corporate and Large corporate	**207,534**	684,382
IBU & International corporate		
- IBU	**2,386**	11,482
- International corporate	**768**	-
SMEs	**20,823**	74,474
Retail		
- housing	**67,087**	85,319
- consumer, credit cards and other	**17,265**	28,944
Restructuring		
- corporate	**33,098**	47,840
- SMEs	**11,749**	21,002
- retail housing	**34,538**	53,316
- retail other	**7,399**	14,402
Recoveries		
- corporate	**2,480**	6,279
- SMEs	**6,157**	15,635
- retail housing	**34,496**	49,240
- retail other	**9,960**	13,983
	455,740	1,106,298

2023 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate and Large corporate	-	136,097	71,330	107	**207,534**
IBU & International corporate					
- IBU	-	2,091	295	-	**2,386**
- International corporate	-	768	-	-	**768**
SMEs	-	19,414	1,409	-	**20,823**
Retail					
- housing	-	51,588	13,479	2,020	**67,087**
- consumer, credit cards and other	-	13,047	4,089	129	**17,265**
Restructuring					
- corporate	-	21,254	1,807	10,037	**33,098**
- SMEs	-	3,686	6,760	1,303	**11,749**
- retail housing	-	11,341	21,633	1,564	**34,538**
- retail other	-	1,805	5,249	345	**7,399**
Recoveries					
- corporate	-	-	2,250	230	**2,480**
- SMEs	-	-	5,668	489	**6,157**
- retail housing	-	-	30,643	3,853	**34,496**
- retail other	-	-	9,116	844	**9,960**
	-	**261,091**	**173,728**	**20,921**	**455,740**

44. **Risk management - Credit risk** (continued)

44.10 **Forbearance/Restructuring** (continued)

2022 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate and Large corporate	-	628,104	50,688	5,590	684,382
IBU & International corporate					
- IBU	-	10,293	1,188	1	11,482
SMEs	-	72,727	869	878	74,474
Retail					
- housing	-	62,312	20,502	2,505	85,319
- consumer, credit cards and other	-	20,207	7,653	1,084	28,944
Restructuring					
- corporate	-	31,637	6,060	10,143	47,840
- SMEs	-	7,240	11,918	1,844	21,002
- retail housing	-	19,912	30,649	2,755	53,316
- retail other	-	4,924	9,021	457	14,402
Recoveries					
- corporate	-	-	5,837	442	6,279
- SMEs	-	-	14,449	1,186	15,635
- retail housing	-	-	44,191	5,049	49,240
- retail other	-	-	12,705	1,278	13,983
	-	857,356	215,730	33,212	1,106,298

ECL allowance

	2023 **€000**	2022 €000
Stage 1	**-**	-
Stage 2	**8,643**	13,939
Stage 3	**47,840**	68,557
POCI	**11,510**	11,259
	67,993	93,755

44. Risk management - Credit risk (continued)

44.11 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2023	2022
	€000	€000
Aaa - Aa3	**227,075**	84,543
A1 - A3	**23,647**	25,249
Baa1 - Baa3	**9,550,286**	36,544
Ba1 - Ba3	**4,545**	9,491,444
B1 - B3	**254**	358
Caa - C	**2,148**	2,192
Unrated	**64,276**	1,715
Other receivables from banks	**34,532**	38,307
	9,906,763	9,680,352

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 19).

Reverse repurchase agreements
Reverse repurchase agreements counterparties are analysed by Moody's Investors Service rating as follows:

	2023	2022
	€000	€000
Unrated	**403,199**	-
	403,199	-

The average rating of the collateral (Note 44.1) received was Aa1 as at 31 December 2023

Debt securities and other non-equity securities
Investments in debt securities and other non-equity securities are analysed by Moody's Investors Service rating as follows:

	2023	2022
Moody's rating	**€000**	€000
Aaa - Aa3	**1,969,693**	1,109,706
A1 - A3	**442,968**	397,831
Baa1 - Baa3	**1,049,328**	88,422
Ba1 - Ba3	**89,404**	886,419
B1 - B3	**-**	14,243
Unrated	**-**	12,241
	3,551,393	2,508,862
Issued by:		
- Cyprus government	**926,421**	832,113
- Other governments	**761,563**	425,460
- Banks and other corporations	**1,863,409**	1,251,289
	3,551,393	2,508,862
Classified as:		
Investments mandatorily measured at FVPL	**3,611**	8,968
Investments at FVOCI	**431,068**	453,775
Investments at amortised cost	**3,116,714**	2,046,119
	3,551,393	2,508,862

44. Risk management - Credit risk (continued)

44.11 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost
	Stage 1	Stage 1
2023	€000	€000
Aaa - Aa3	62,469	1,903,613
A1 - A3	34,234	408,734
Baa1 - Baa3	315,640	733,688
Ba1 - Ba3	18,725	70,679
	431,068	**3,116,714**

	FVOCI	Amortised cost
	Stage 1	Stage 1
2022	€000	€000
Aaa - Aa3	85,199	1,015,539
A1 - A3	41,947	355,884
Baa1 - Baa3	856	87,566
Ba1 - Ba3	325,773	560,646
B1 - B3	-	14,243
Unrated	-	12,241
	453,775	2,046,119

The ratings are provided for the ISIN or if not available for the specific issuance the rating of the counterparty is used.

45. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, foreign currency exchange rates, property and security prices. The Market and Liquidity Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors property price risk, liquidity risk and credit risk from counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions.

Interest rate risk is measured primarily by reference to the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis, where the assets, liabilities and off-balance sheet items are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. Interest rate risk is managed through a 1-Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group TIER 1 regulatory capital and as a percentage of the net interest income. There are overall limits as well as separate limits for the Euro and the US Dollar.

Sensitivity analysis
The table below sets out the impact on the Group’s net interest income, over a one-year period, from reasonably possible changes in the interest rates of the Euro and the US Dollar, being the main currencies, using the assumption of the prevailing market risk policy for the current and the comparative year:

45. Risk management - Market risk (continued)

Currency	Interest Rate Scenario	Impact on Net Interest Income in €000	
		2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)	2022 (60 bps for Euro and 75 bps for US Dollar)
All	Parallel up	147,348	73,126
All	Parallel down	(135,973)	(77,043)
All	Steepening	(81,265)	(56,569)
All	Flattening	112,104	59,657
All	Short up	150,679	70,381
All	Short down	(140,778)	(73,896)
Euro	Parallel up	142,318	71,829
Euro	Parallel down	(132,297)	(75,343)
Euro	Steepening	(79,595)	(55,812)
Euro	Flattening	108,998	59,132
Euro	Short up	145,795	69,180
Euro	Short down	(137,046)	(72,216)
US Dollar	Parallel up	5,030	1,298
US Dollar	Parallel down	(3,676)	(1,700)
US Dollar	Steepening	(1,670)	(757)
US Dollar	Flattening	3,106	525
US Dollar	Short up	4,884	1,202
US Dollar	Short down	(3,732)	(1,680)

The above sensitivities incorporate assumptions on the pass-through rate of time deposits of 40% for the upside scenario and 50% for the downside scenario for 2023 (2022: 50% for the upside scenario and 56% for the downside scenario).

45. Risk management - Market risk (continued)

The table below sets out the impact on the Group's equity, from reasonably possible changes in the interest rates under various interest rate scenarios for the Euro and the US Dollar in line with the EBA guidelines.

Currency	Interest Rate Scenario	Impact on Equity in €000	
		2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)	2022 (60 bps for Euro and 75 bps for US Dollar)
All	Parallel up	62,584	31,739
All	Parallel down	(89,615)	(68,581)
All	Steepening	(511)	11,884
All	Flattening	(11,035)	369
All	Short up	14,117	27,212
All	Short down	(40,727)	(35,032)
Euro	Parallel up	114,640	54,878
Euro	Parallel down	(60,469)	(59,502)
Euro	Steepening	6,669	23,018
Euro	Flattening	20,775	526
Euro	Short up	48,756	47,696
Euro	Short down	(27,450)	(28,040)
US Dollar	Parallel up	10,529	8,599
US Dollar	Parallel down	(29,146)	(9,079)
US Dollar	Steepening	(3,846)	750
US Dollar	Flattening	(21,422)	212
US Dollar	Short up	(10,261)	6,727
US Dollar	Short down	(13,277)	(6,992)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments impacting the profit and loss of the Group.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified at FVOCI.

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	Impact on profit/loss before tax	Impact on equity
2023	**€000**	**€000**
+1.7% for US Dollar +1.4% for Euro +3% for British Pound	**(2,468)**	**(773)**
-1.1% for US Dollar -1.2% for Euro -3% for British Pound	**2,115**	**663**

45. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	Impact on equity
	€000	€000
2022		
+0.75% for US Dollar +0.6% for Euro +0.4% for British Pound	(466)	(394)
-0.75% for US Dollar -0.6% for Euro -0.4% for British Pound	466	386

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

In order to manage currency risk, the ALCO has approved open position limits for the total foreign currency positions. The foreign currency position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market and Liquidity Risk.

The Group does not maintain a currency trading book.

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity (by an approximately equal and opposite impact), but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

	Change in foreign exchange rate	**Impact on profit/loss after tax**	**Impact on equity**
2023	**%**	**€000**	**€000**
US Dollar	**+5**	**1,622**	**-**
Russian Rouble	**+60**	**1,364**	**-**
Romanian Lei	**+5**	**3**	**(63)**
Swiss Franc	**+5**	**92**	**-**
British Pound	**+5**	**307**	**-**
Japanese Yen	**+5**	**2**	**-**
Other currencies	**+5**	**48**	**-**
US Dollar	**-5**	**(1,467)**	**-**
Russian Rouble	**-30**	**(210)**	**-**
Romanian Lei	**-5**	**(3)**	**57**
Swiss Franc	**-5**	**(84)**	**-**
British Pound	**-5**	**(278)**	**-**
Japanese Yen	**-5**	**(2)**	**-**
Other currencies	**-5**	**(53)**	**-**

45. Risk management - Market risk (continued)

2022	Change in foreign exchange rate %	Impact on profit/loss after tax €000	Impact on equity €000
US Dollar	+10	2,534	-
Russian Rouble	+70	2,806	-
Romanian Lei	+10	3	(349)
Swiss Franc	+10	237	-
British Pound	+10	483	-
Japanese Yen	+10	6	-
Other currencies	+10	65	-
US Dollar	-10	(2,073)	-
Russian Rouble	-40	(344)	-
Romanian Lei	-10	(2)	285
Swiss Franc	-20	(356)	-
British Pound	-10	(396)	-
Japanese Yen	-10	(5)	-
Other currencies	-10	(53)	-

Price risk

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

Investments in equities are outside the Group's risk appetite, but may be acquired in the context of delinquent loan workouts. The Group monitors the current portfolio mostly acquired by the Group as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts, with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Group as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Group, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Group.

The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

2023	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Cyprus Stock Exchange	**+40**	**1**	**900**
Athens Exchange	**+50**	**419**	**-**
New York Exchange	**+45**	**-**	**-**
Other stock exchanges and unlisted	**+40**	**26**	**1,270**
Non-listed (Real Estate)	**+25**	**-**	**1,732**
Cyprus Stock Exchange	**-40**	**(1)**	**(900)**
Athens Exchange	**-50**	**(419)**	**-**
New York Exchange	**-10**	**-**	**-**
Other stock exchanges and unlisted	**-40**	**(26)**	**(1,270)**
Non-listed (Real Estate)	**-10**	**-**	**(693)**

45. Risk management - Market risk (continued)

2022	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Cyprus Stock Exchange	+50	1	1,383
Athens Exchange	+34	286	-
New York Exchange	+23	1,394	-
Other stock exchanges and unlisted	+66	2	2,569
Non-listed (Real Estate)	+25	-	1,735
Cyprus Stock Exchange	-33	(1)	(913)
Athens Exchange	-45	(379)	-
New York Exchange	-28	(1,697)	-
Other stock exchanges and unlisted	-59	(2)	(2,296)
Non-listed (Real Estate)	-10	-	(694)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes mainly for fixed rate securities. The Group invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 31 December 2023 was A1 (2022: A2). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2023 was Aa2 (2022: Aa2). Further information on ratings of debt securities is disclosed in Note 44.11.

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Group.

The table below indicates how the profit/loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on a Monte Carlo conditional value at risk (CVAR) methodology.

2023	Impact on profit/loss before tax €000	Impact on equity €000
Up scenario:		
Aa3 and above rated bonds	**2,614**	**4,068**
A3 and above rated bonds	**151**	**1,938**
Baa1 and below rated bonds	**53**	**430**
Cyprus Government bonds	**-**	**27,618**
Down scenario:		
Aa3 and above rated bonds	**(2,614)**	**(4,068)**
A3 and above rated bonds	**(151)**	**(1,938)**
Baa1 and below rated bonds	**(53)**	**(430)**
Cyprus Government bonds	**-**	**(27,618)**

45. Risk management - Market risk (continued)

2022	Impact on profit/loss before tax €000	Impact on equity €000
Up scenario:		
Aa3 and above rated bonds	3,621	4,192
A3 and above rated bonds	1,733	3,324
Baa1 and below rated bonds	7	2,467
Cyprus Government bonds	-	34,179
Down scenario:		
Aa3 and above rated bonds	(3,621)	(4,192)
A3 and above rated bonds	(1,733)	(3,324)
Baa1 and below rated bonds	(7)	(2,467)
Cyprus Government bonds	-	(34,179)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and equity of the Group from a change in the price of other non-equity instruments held, as a result of reasonably possible changes in the price index of the relevant instruments.

2023	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Other non-equity instruments	**+45**	**1,625**	**-**
Other non-equity instruments	**-10**	**(361)**	**-**
2022			
Other non-equity instruments	+23	2,063	-
Other non-equity instruments	-28	(2,511)	-

Property price risk

A significant part of the Group's loan portfolio is secured by real estate, the majority of which is located in Cyprus. Furthermore, the Group holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Group primarily as stock of property and some are held as investment properties.

Property risk is the risk that the Group's business and financial position will be affected by adverse changes in the demand for, and prices of, real estate, or by regulatory capital requirements relating to increased charges with respect to the stock of property held.

46. Risk management - Liquidity and funding risk

Liquidity Risk

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

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has in place an established Liquidity Policy of managing assets, taking liquidity into consideration and monitoring cash flows and liquidity on a regular basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

46. Risk management - Liquidity and funding risk (continued)

Management and structure

The Board of Directors sets the Group's Liquidity Risk Appetite which defines the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews at frequent intervals the liquidity position of the Group.

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

The Treasury Division is responsible for liquidity management at Group level, ensuring compliance with internal policies and regulatory liquidity requirements and providing direction as to the actions to be taken regarding liquidity needs. Treasury Division assesses on a continuous basis the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored by Market and Liquidity Risk department, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market and Liquidity Risk department reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:
(i) Risk appetite: establishes the Group's Risk Appetite Statement together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity Policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and reporting on liquidity and funding.
(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a regular basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.
(iv) Early Warning Indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.
(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.
(vi) Recovery Plan: the Group has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Group to be adequately prepared to respond to stressed conditions and restore the Group’s liquidity position.

Monitoring process

Daily
The daily monitoring of the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group’s activities. Market and Liquidity Risk department prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day’s buffer. Results are made available to members of the Risk and Treasury Divisions. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

Market and Liquidity Risk department also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable BOC PCL to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

46. Risk management - Liquidity and funding risk (continued)

The designing of the stress tests follows guidance and is based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations, as well as the Annual Risk Identification Process of the Group. The stress test assumptions are reviewed on an annual basis and approved by the Board through its Risk Committee. Whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market and Liquidity Risk department prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market and Liquidity Risk department prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International business unit deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month's mismatch.

Market and Liquidity Risk department also reports the Liquidity Coverage Ratio (LCR) and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB on a monthly basis.

Quarterly
The results of the stress testing scenarios are reported to ALCO and Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market and Liquidity Risk department also reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

Annually
The Group prepares on an annual basis its ILAAP package. The ILAAP package provides a holistic view of the Group's liquidity adequacy under normal and stress conditions. Within ILAAP, the Group evaluates its liquidity risk in the context of established policies and processes for the identification, measurement, management and monitoring of liquidity risk as implemented by the institution.

Market and Liquidity Risk department also prepares annually an ECB/SRB liquidity report, the 'Joint liquidity template' that runs for five consecutive days. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity Ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of BOC PCL and describes the measures implemented and to be implemented in the short-term to improve liquidity position if needed.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the Crisis Management Committee for LCP (CMC-LCP). The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is reviewed and tested at least annually.

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

46. Risk management - Liquidity and funding risk (continued)

Funding risk

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory ones (e.g. MREL).

Main sources of funding

As at 31 December 2023, the Group's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. Wholesale funding is also becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021, the issuance of senior preferred debt of €300 million in June 2021, the refinancing of AT1 for €220 million in June 2023 and the issuance of senior preferred debt of €350 million in July 2023.

With respect to TLTRO III operations, the carrying value of the ECB funding as at 31 December 2023 (after the early repayment of €1 billion within December 2022), was €2,044 million (2022: €1,977 million).

As at 31 December 2023, the wholesale funding nominal amount was €1,170 million (2022: €820 million). This includes funding raised from the wholesale debt capital markets of €220 million AT1 as described in Note 34, €300 million Tier 2 issued in April 2021, €300 million senior preferred debt issued in June 2021 and €350 million senior preferred debt issued in July 2023.

Funding to subsidiaries

The funding provided by BOC PCL to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

The subsidiaries may proceed with dividend distributions in the form of cash to BOC PCL, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 31 December 2023 and 31 December 2022 are summarised below:

	2023	2022
	€000	€000
Cash and other liquid assets	**72,800**	73,557
Investments	**260,011**	284,343
Loans and advances	**3,349,118**	3,273,369
	3,681,929	3,631,269

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.

As at 31 December 2023 and 2022 investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond.

Loans and advances indicated as encumbered as at 31 December 2023 and 2022 are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,008 million as at 31 December 2023 (2022: €1,007 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore, as at 31 December 2023 housing loans of a nominal amount of €2,329 million (2022: €2,287 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 29).

46. Risk management - Liquidity and funding risk (continued)

BOC PCL maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. The Covered Bonds have a maturity date of 12 December 2026 and pay an interest rate of 3-months Euribor plus 1.25% on a quarterly basis. On 9 August 2022, BOC PCL proceeded with an amendment to the terms and conditions of the covered bonds following the implementation of Directive (EU) 2019/2162 in Cyprus. The covered bonds are listed on the Luxemburg Bourse. The covered bonds have a conditional Pass-Through structure. All the bonds are held by BOC PCL. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks include balances of €20,462 thousand as at 31 December 2023 (2022: €29,100 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €40,049 thousand as at 31 December 2023 (2022: €55,152 thousand).

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December until their contractual maturity date. Amounts placed as collateral (primarily for derivatives) are assigned to different time bands based on either their maturity, or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

Debt securities in issue and subordinated liabilities are classified in the relevant time band according to the remaining contractual maturity.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

46. Risk management - Liquidity and funding risk (continued)

Gross settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
Amounts of commitments and contingent liabilities are included in the time band on the basis of their remaining contractual maturities.

In the case of undrawn facilities the Group has the right to cancel them upon relevant notice to the customers and are hence included in the 'On demand and up to one month' time band.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2023	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	9,571,884	14,810	23,159	3,995	654	**9,614,502**
Loans and advances to banks	292,546	1,609	467	79,899	10,281	**384,802**
Reverse repurchase agreements	-	-	-	403,199	-	**403,199**
Fair value of derivative assets	220	99	540	35,263	14,933	**51,055**
Investments at FVPL	131,664	-	-	3,611	-	**135,275**
Investments not at FVPL	86,322	76,184	483,759	1,816,464	1,097,405	**3,560,134**
Loans and advances to customers	1,101,513	188,261	723,535	2,798,404	5,011,414	**9,823,127**
Other assets	95,211	2,649	123,783	151,298	15,303	**388,244**
	11,279,360	**283,612**	**1,355,243**	**5,292,133**	**6,149,990**	**24,360,338**
Financial liabilities						
Deposits by banks	153,942	18,737	35,481	210,135	69,494	**487,789**
Funding from central banks	-	1,752,836	313,174	-	-	**2,066,010**
Customer deposits	15,177,652	1,538,792	2,424,392	214,190	-	**19,355,026**
Debt securities in issue	-	-	33,323	779,464	-	**812,787**
Subordinated liabilities	-	-	19,885	94,663	384,739	**499,287**
Fair value of derivative liabilities	13,362	516	201	2,515	1,386	**17,980**
Lease liabilities	1,710	2,193	4,583	20,304	1,427	**30,217**
Other liabilities	181,959	17,640	35,090	32,836	61,882	**329,407**
	15,528,625	**3,330,714**	**2,866,129**	**1,354,107**	**518,928**	**23,598,503**
Net financial (liabilities)/assets	**(4,249,265)**	**(3,047,102)**	**(1,510,886)**	**3,938,026**	**5,631,062**	**761,835**

46. Risk management - Liquidity and funding risk (continued)

2022 (restated)	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total €000
Financial assets						
Cash and balances with central banks	9,541,665	9,624	13,489	1,480	703	9,566,961
Loans and advances to banks	134,556	1,340	36	64,558	4,321	204,811
Fair value of derivative assets	507	160	238	10,811	36,437	48,153
Investments at FVPL	187,213	-	-	2,996	-	190,209
Investments not at FVPL	42,553	70,637	318,427	1,793,724	288,153	2,513,494
Loans and advances to customers	907,912	219,362	641,301	3,170,230	5,022,837	9,961,642
Other assets	80,245	1,703	90,641	228,167	1,706	402,462
	10,894,651	302,826	1,064,132	5,271,966	5,354,157	22,887,732
Financial liabilities						
Deposits by banks	144,389	20,320	33,128	215,446	120,895	534,178
Funding from central banks	-	-	-	2,028,300	-	2,028,300
Customer deposits	15,096,274	1,591,894	2,278,574	38,116	-	19,004,858
Debt securities in issue	-	-	7,500	339,725	-	347,225
Subordinated liabilities	-	-	19,875	89,626	420,618	530,119
Fair value of derivative liabilities	10,274	255	9	4,412	1,219	16,169
Lease liabilities	665	1,111	4,727	18,350	5,552	30,405
Other liabilities	167,670	17,046	31,424	21,613	35,168	272,921
	15,419,272	1,630,626	2,375,237	2,755,588	583,452	22,764,175
Net financial (liabilities)/assets	(4,524,621)	(1,327,800)	(1,311,105)	2,516,378	4,770,705	123,557

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	56,545	6,059	2,646	-	-	**65,250**
Contractual amounts payable	(56,310)	(5,992)	(2,599)	-	-	**(64,901)**
	235	**67**	**47**	**-**	**-**	**349**
Financial liabilities						
Contractual amounts receivable	907,453	136,201	2,617	-	-	**1,046,271**
Contractual amounts payable	(920,105)	(136,063)	(2,637)	-	-	**(1,058,805)**
	(12,652)	**138**	**(20)**	**-**	**-**	**(12,534)**

46. Risk management - Liquidity and funding risk (continued)

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total €000
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,321	879	380	-	-	**2,580**
Guarantees	140,740	77,973	250,404	203,993	29,934	**703,044**
Commitments						
Documentary credits	1,242	3,830	5,179	-	-	**10,251**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,948,482	-	-	-	-	**1,948,482**
	2,091,785	**82,682**	**255,963**	**203,993**	**29,934**	**2,664,357**

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total €000
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	149,604	83,265	1,230	-	-	234,099
Contractual amounts payable	(149,166)	(83,215)	(1,222)	-	-	(233,603)
	438	50	8	-	-	496
Financial liabilities						
Contractual amounts receivable	1,034,973	65,093	1,222	-	-	1,101,288
Contractual amounts payable	(1,045,050)	(65,224)	(1,223)	-	-	(1,111,497)
	(10,077)	(131)	(1)	-	-	(10,209)

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total €000
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,756	2,890	529	-	-	5,175
Guarantees	145,303	108,220	228,922	130,112	38,662	651,219
Commitments						
Documentary credits	1,206	6,900	9,268	-	250	17,624
Undrawn formal standby facilities, credit lines and other commitments to lend	1,909,487	-	-	-	-	1,909,487
	2,057,752	118,010	238,719	130,112	38,912	2,583,505

47. Risk management - Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the related uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is largely random and therefore unpredictable.

47. Risk management - Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are largely random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating.

Life and Accident and Health insurance contracts
The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes, pandemics and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The following sensitivity analysis shows the impact on profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions are changed on an individual basis while holding all other assumptions constant. It should be noted that movements in these assumptions are non–linear. Sensitivity information also varies according to the current economic assumptions.

2023	**Change in assumptions**	**Impact on Profit before Tax**	**Impact on equity**
		€000	**€000**
Change in mortality rates	**-10%**	**1,956**	**1,711**
Change in lapsation and surrender rates	**+10%**	**(143)**	**(163)**
Change in expenses	**+5%**	**(891)**	**(1,019)**
Change in inflation	**+1%**	**(1,673)**	**(1,912)**
Change in discount rate curve at each projection year	**-0,25%**	**119**	**104**

2022	Change in assumption	Impact on Profit before Tax	Impact on equity
		€000	€000
Change in mortality rates	-10%	1,214	1,063
Change in lapsation and surrender rates	+10%	41	36
Change in expenses	+5%	(1,361)	(1,556)
Change in inflation	+1%	(2,400)	(2,743)
Change in discount rate curve at each projection year	-0,25%	4	4

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

47. Risk management - Insurance risk (continued)

Non-life insurance contracts other than accident and health
Non-life insurance business is concentrated in Cyprus and the main claims during 2023 and 2022 related to fire and natural forces and other damage to property, motor vehicle liability and general liability.

Risks under these policies are usually covered for a period of 12 months, with the exception of the goods in transit class that covers shorter periods and the contractors all risks class that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are based on experts' estimates and facts known at the balance sheet date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements in the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on experience and market trends, taking into consideration claims handling costs, inflation and claim numbers for each accident year. Also, external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The risk of a non-life insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, their severity and their evolution from one period to the next.

The main risks for the non-life insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from non-life insurance contracts is also mitigated by the following measures: adherence to underwriting policies, review of all claims occurring, review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

48. Capital management

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

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

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

48. Capital management (continued)

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing-in this starting from 2022 (phasing-in at 25% in 2022, 50% in 2023 and 75% in 2024) and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented from the third quarter of 2020. This temporary treatment was in effect until 31 December 2022.

The Group and BOC PCL have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to the CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive and were endorsed in December 2023 by the preparatory bodies of the Council and European Parliament. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. Although still subject to legal revision and to the final vote in the Plenary, no changes in substance are expected until its adoption by the European Parliament by the second quarter of 2024. It is expected that these provisions will come into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased-in over time.

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and EuroLife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements. In February 2023, the activities of the regulated asset management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with regulatory capital requirements under the Provision and Use of Payment Services and Access to Payment Systems Laws of 2018 to 2023.

Additional information on regulatory capital is disclosed in the 'Risk and Capital Management Report', (unaudited), which is included in the Annual Financial Report, and in the 'Pillar III Disclosures Report 2023' (unaudited), which is published on the Group's website.

49. Related party transactions

Related parties of the Group include associates and joint ventures, key management personnel, members of the Board of Directors and their connected persons. Connected persons for the purpose of this disclosure include spouses, minor/dependent children and companies in which the directors/key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Related parties also include entities providing key management personnel services to the Group where relevant.

(a) Transactions with subsidiaries

The Company is the holding company of the Group. The Company enters into transactions with its subsidiaries in the normal course of business. Balances and transactions between the Company and its subsidiaries are disclosed in Note 17 of the Company's financial statements. Transactions with the subsidiaries have been eliminated on consolidation.

(b) Transactions with associates

From time to time, the Group provides to and receives from its associates certain banking and financial services. These are not material to the Group and all the transactions are made on normal business terms as for comparable transactions with customers of a similar standing.

(c) Compensation of the Board of Directors and key management personnel

The following disclosures are made in accordance with the provisions of IAS 24 Related Party Disclosures in respect of the compensation of the Board of Directors and key management personnel.

Fees and emoluments of members of the Board of Directors and key management personnel

	2023	2022 (restated)
Directors' emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**1,061**	1,046
Variable remuneration - STIP	**400**	-
Retirement benefit plan costs	**94**	82
	1,555	1,128
Non-executives		
Fees	**1,077**	1,212
Total directors' emoluments	**2,632**	2,340
Key management personnel emoluments		
Salaries and other short-term benefits	**3,058**	2,864
Termination benefits	**200**	200
Variable remuneration - STIP	**610**	-
Retirement benefit plan costs	**262**	218
Total key management personnel emoluments	**4,130**	3,282
Total	**6,762**	5,622

Fees and benefits are included for the period that they serve as members of the Board of Directors. Key management personnel emoluments are included for the period that they serve as key management personnel.

The retirement benefit plan costs relate to contributions paid for defined contributions plan.

49. Related party transactions (continued)

Executive Directors' emoluments
A cost of €235 thousand has been recorded by the Group in its Consolidated Income Statement in relation to awards granted in 2022 and 2023 to the Executive Directors under the Long-Term Incentive Plan (LTIP) as described in Note 14.2 (2022: cost for awards granted in 2022 of €118 thousand) in relation to LTIP awards granted but not yet vested. The recognition of such cost is in accordance with the Group accounting policy described in Note 2.31. No LTIP cycles had a performance period ending during the years ended 31 December 2023 and 2022, and as such no amounts have been included in the amount of remuneration within the table above (compared to the 2022 Annual Financial Report in which this cost recorded by the Group for LTIP awards granted but not vested was included in the tables).

The amount included for the short-term incentive award represents the full amount as approved by the Board and relevant Board Committees. As disclosed in Note 14.3, the short-term incentive award is primarily awarded in the form of cash and in case the award for an individual exceeds a threshold as per regulatory guidelines, the short-term incentive award is awarded 50% in cash and 50% in shares. In the case of the Executive Directors, the award will be 50% in the form of cash and 50% in the form of shares. In case the award to an individual comprises both a cash and a share component, vesting conditions as described in Note 14.3 apply.

Key management personnel
The emoluments of key management personnel include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and the emoluments of other members of the Senior Management team (Extended EXCO) (prior to the change in the Group organisational structure, in 2022 the key management personnel included those members of the management team who reported directly to the Chief Executive Officer or to the Deputy Chief Executive Officer & Chief of Business).

Further, employer's contributions in relation to the emoluments of key management personnel of €351 thousand have been recorded in the Consolidated Income Statement during the year ended 31 December 2023 (2022: €336 thousand). Such amounts are not considered part of the remuneration, but rather an incremental cost to the Group, and as such have been excluded from the table above (compared to the 2022 Annual Financial Report in which amounts were included in the relevant tables).

Further, a cost of €360 thousand has been recorded by the Group in its Consolidated Income Statement in relation to awards granted in 2022 and 2023 to the key management personnel under the Long-Term Incentive Plan (LTIP) (2022: cost for awards granted in 2022 of €204 thousand) in relation to awards granted but not yet vested. The recognition of such cost is in accordance with the Group accounting policy described in Note 2.31. No LTIP cycles had a performance period ended during the years ended 31 December 2023 and 2022 and as such no amounts have been included in the amount of remuneration within the tables above (compared to the 2022 Annual Financial Report in which this cost recorded by the Group was included in the tables).

The amount included for the short-term incentive award represents the full amount as approved by the Board and relevant Board Committees. The short-term incentive award is primarily awarded in the form of cash and in case the award for an individual exceeds a threshold as per regulatory guidelines, the short term incentive award is awarded 50% in cash and 50% in shares. In the case of the other key management personnel an amount of €560 thousand will be in the form of cash and an amount of €50 thousand in the form of shares. In case the award to an individual comprises both a cash and a share component, vesting conditions as described in Note 14.3 apply.

49. Related party transactions (continued)

Executive Directors
The fees and emoluments of the Executive Directors are analysed as follows:

	2023	2022 (restated)
	€000	€000
Panicos Nicolaou (Chief Executive Officer)		
Salaries and other short-term benefits	**761**	761
Variable remuneration - STIP	**300**	-
Retirement benefit plan costs	**68**	60
	1,129	821
Eliza Livadiotou (Executive Director Finance)		
Salaries and other short-term benefits	**300**	285
Variable remuneration - STIP	**100**	-
Retirement benefit plan costs	**26**	22
	426	307
Total	**1,555**	1,128

The share-based benefits expense recorded in the Consolidated Income Statement during the year ended 31 December 2023 for the share awards granted under the LTIP amounts to €186 thousand (2022: €93 thousand) for the Chief Executive Officer and to €49 thousand (2022: €25 thousand) for the Executive Director Finance.

Further, employer's contributions of €64 thousand have been recorded in the Consolidated Income Statement during the year ended 31 December 2023, of which €38 thousand relate to the Chief Executive Officer and €26 thousand relate to the Executive Director Finance (2022: total employer's contribution of €63 thousand, of which €38 thousand relate to the Chief Executive Officer and €25 thousand to the Executive Director Finance). Such amounts are not considered part of the remuneration of Directors, but rather an incremental cost to the Group, and as such have been excluded from the table above (compared to the 2022 Annual Financial Report in which amounts were presented as part of the table).

Non-executive Directors
The fees of Non-executive Directors are analysed as follows:

	2023	2022 (restated)
	€000	€000
Efstratios-Georgios Arapoglou	**250**	250
Lyn Grobler	**155**	160
Arne Berggren(2)	**30**	120
Constantine Iordanou	**148**	93
Ioannis Zographakis(7)	**113**	153
Maria Philippou(4)	**77**	105
Nicolaos Sofianos (6)	**117**	125
Paula Hadjisotiriou(7)	**141**	128
Monique Hemerijck(3)	**38**	-
Adrian John Lewis(5)	**8**	-
Maksim Goldman(1)	**-**	39
Michael Heger(1)	**-**	39
	1,077	1,212

Further, employer's contributions in relation to non-executive Directors of €31 thousand have been recorded in the Consolidated Income Statement during the year ended 31 December 2023 (2022: €35 thousand). Such amounts are not considered part of the remuneration of Directors, but rather an incremental cost to the Group, and as such have been excluded from the table above (compared to the 2022 Annual Financial Report in which amounts were presented as part of the table).

49. Related party transactions (continued)

(1)Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger have not been re-elected to the Board of Directors of the Company.

(2)On 31 March 2023, Mr Arne Berggren resigned as a member of the Board of Directors.

(3)ECB approved the appointment of Mrs Monique Hemerijck on 10 August 2023.

(4)On 13 October 2023, Mrs Maria Philippou resigned as a member of the Board of Directors.

(5)ECB approved the appointment of Mr Adrian John Lewis on 17 November 2023.

(6)On 11 December 2023, Mr Nicolaos Sofianos resigned as a member of the Board of Directors.

(7)On 31 December 2023, both Mrs Paula Hadjisotiriou and Mr Ioannis Zographakis resigned from their respective positions as members of the Board of Directors.

The fees of the non-executive Directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as fees as members of committees of the Board of Directors. Fees are included for the period that they serve as members of the Board of Directors, upon approval of appointment by the ECB, and for the period that they serve as members of the committees of the Board of Directors, upon their appointment in the respective committee.

(d) Transactions with Directors and key management personnel

The tables below show the deposits, loans and advances and other credit balances held by the members of the Board of Directors and key management personnel and their connected persons, as at the balance sheet date and other relevant information as required by IAS 24 Related Party Disclosures.

Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Act 2014 disclosures, 'Directors' means the current Board of Directors of the Company and any past Directors who were members of the Board of Directors of the Company during the year.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing.

For the purposes of these disclosures, 'Directors' means the current Board of Directors of the Company and any past Directors who were members of the Board of Directors of the Company during the year.

There were 12 Directors in office during the year (2022: 12 Directors), three of whom availed of credit facilities (2022: four Directors). Two of the Directors who availed of credit facilities had balances outstanding at 31 December 2023 (2022: four of the Directors who availed of credit facilities had balances outstanding). The balances outstanding are disclosed below.

The value of arrangements at the beginning and end of the current and preceding financial years as stated below, expressed as a percentage of the net assets of the Group at the beginning and end of the current and preceding financial years is less than 1%. No amounts have been waived during the year ended 31 December 2023.

Details of transactions with the Directors and their connected persons, where indicated, for the years ended 31 December 2023 and 2022 are as follows:

49. Related party transactions (continued)

Board of Directors

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year	Unused credit facilities
Panicos Nicolaou	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
2023						
Overdrafts/ credit cards	2	n/a	n/a	2	4	54
	2			2	4	54

Panicos Nicolaou						
2022						
Loans	35	-	35	-	35	-
Overdrafts/ credit cards	3	n/a	n/a	2	4	46
	38			2	39	46

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year	Unused credit facilities
Eliza Livadiotou	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
2023						
Loans	87	-	19	71	87	-
Overdrafts/ credit cards	14	n/a	n/a	4	14	59
	101			75	101	59
Eliza Livadiotou						
2022						
Loans	99	-	14	87	99	-
Overdrafts/ credit cards	8	n/a	n/a	14	14	48
	107			101	113	48

49. Related party transactions (continued)

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year	Unused credit facilities
Ioannis Zographakis	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
2023						
Overdrafts/ credit cards	2	n/a	n/a	n/a	2	-
Ioannis Zographakis						
2022						
Overdrafts/ credit cards	2	n/a	n/a	2	2	8

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year	Unused credit facilities
Nicolaos Sofianos	€000	€000	€000	€000	€000	€000
2022						
Overdrafts/ credit cards	1	n/a	n/a	-	2	10

The balances included in the table above include principal and interest. Also, amounts approved and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance.

No other Directors had any loan facilities or overdraft/credit card balances with the Group during the year ended 31 December 2023 (2022: nil).

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2023 (2022: below €5 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

Connected persons of the Board of Directors

The aggregate of loans to connected persons of Directors in office at 31 December 2023, are as follows (2023: aggregate of 2 persons; 2022: aggregate of 2 persons):

	Balance as at 1 January	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year
Panicos Nicolaou	**€000**	**€000**	**€000**	**€000**	**€000**
2023					
Overdrafts/credit cards	2	n/a	n/a	1	2
2022					
Overdrafts/credit cards	1	n/a	n/a	2	3

49. Related party transactions (continued)

	Balance as at 1 January (or appointment date)	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year
Eliza Livadiotou	**€000**	**€000**	**€000**	**€000**	**€000**
2023					
Loans	74	-	13	66	74
Overdrafts/credit cards	10	n/a	n/a	18	18
	84			84	92
2022					
Loans	83	-	12	74	83
Overdrafts/credit cards	7	n/a	n/a	10	10
	90			84	93

The balances included in the table above include principal and interest. Also, amounts approved and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €5 thousand as at 31 December 2023 (2022: below €5 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

Key management personnel in office during the year and their connected persons

There were 20 key management personnel in office during the year (2022: 21 key management personnel), 20 of whom availed of credit facilities (2022: 20 key management personnel). All of the key management personnel who availed of credit facilities had balances outstanding at 31 December 2023 and 31 December 2022.

A number of loans and advances have been extended to key management personnel on the same terms as those applicable to the rest of the Group's employees and to their connected persons on the same terms as those of customers of a similar credit standing.

Where no amount is shown in the tables below, this indicates a credit balance, a nil balance, or a balance of less than €500.

Details of transactions with key management personnel and their connected persons for the years ended 31 December 2023 and 2022 are as follows:

	Balance as at 1 January	Balances of key management personnel appointed in the year	Other movements on balances of key management personnel and their connected persons during the year	Amounts advanced during the year	Amounts repaid during the year	Balance as at 31 December	Aggregate maximum amount outstanding during the year (Since appointment date)
2023	€000	€000	€000	€000	€000	**€000**	**€000**
Loans	2,400	-	-	605	490	2,092	2,439
Overdrafts/credit cards	386	n/a	n/a	n/a	n/a	249	568
	2,786					2,341	3,007
2022							
Loans	1,836	1,154	-	41	433	2,400	2,720
Overdrafts/credit cards	453	n/a	n/a	n/a	n/a	386	603
	2,289					2,786	3,323

49. Related party transactions (continued)

The balances included in the table above include principal and interest. Also, amounts approved and repaid are not shown for overdraft and credit card facilities as these are revolving in nature. The aggregate maximum amount outstanding includes credit card exposures at the maximum statement balance.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €11 thousand as at 31 December 2023 (2022: below €6 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

Aggregate amounts outstanding at year end and additional transactions

	2023	2022
	€000	€000
Loans and advances as at 31 December		
Board of Directors	**77**	105
Key management personnel	**1,849**	2,191
Connected persons - Board of Directors	**85**	86
Connected persons - Key management personnel	**492**	595
	2,503	2,977
Deposits as at 31 December		
Board of Directors	**1,919**	3,582
Key management personnel	**2,004**	1,952
Connected persons - Board of Directors	**969**	1,373
Connected persons - Key management personnel	**2,402**	1,805
	7,294	8,712
Interest income for the year	**119**	71
Interest expense for the year	**9**	-
Commission income for the year	**-**	6
Insurance premium income for the year	**497**	453
Insurance expenses and subscriptions for the year	**5**	296

The above table does not include year end balances for members of the Board of Directors, key management personnel and their connected persons who resigned during the year, nor balances of customers that do not meet the definition of connected persons as at 31 December 2023.

As at 31 December 2023 there were 7 Directors in office (2022: 10) and 18 key management personnel in office (2022: 20).

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

During the year ended 31 December 2022 connected persons of key management personnel transacted with REMU for the purchase of a property amounting to €58 thousand. The transaction was made on normal business terms as for comparable transactions with third parties. No similar transaction took place during the year ended 31 December 2023.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €116 thousand as at 31 December 2023 (2022: €120 thousand).

There were also contingent liabilities and commitments to key management personnel and their connected persons amounting to €1,197 thousand as at 31 December 2023 (2022: €1,227 thousand).

49. Related party transactions (continued)

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 31 December 2023 amounted to €1,489 thousand (2022: €1,212 thousand).

During the year ended 31 December 2023 premiums of €220 thousand (2022: €202 thousand) and nil claims (2022: €20 thousand) were paid by/to the members of the Board of Directors of the Company and their connected persons to/from the insurance subsidiaries of the Group.

There were no other transactions during the year ended 31 December 2023 and 2022 with connected persons of the current members of the Board of Directors or with any members who resigned during the year.

50. Group companies

The main subsidiary companies and branches included in the Consolidated Financial Statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2023 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	100
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Development of inter-banking systems processing of card transactions, other payment services and other activities	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, brokerage, discretionary asset management and investment advice services	100
Jinius Ltd	Cyprus	Digital Economy Platform	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections - In run-down	100
MC Investment Assets Management LLC	Russia	Problem asset management company - In run-down	100
Fortuna Astrum Ltd	Serbia	Problem asset management company - In run-down	100

50. Group companies (continued)

In December 2022, BOCH incorporated Jinius Ltd, a 100% subsidiary, which has been set up to provide and administrate a Digital Economy Platform. During 2023, the activities of the Company in relation to the Digital Economy Platform were transferred to Jinius Ltd. As at 31 December 2023 Jinius Ltd is a 100% subsidiary of the Company.

In February 2023, the Group proceeded with a restructuring of its investment banking and brokerage activities through the absorption by CISCO of BOC Asset Management Ltd's activities. BOC Asset Management Ltd was subsequently dissolved.

In addition to the above companies, as at 31 December 2023 BOC PCL had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Tolmeco Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Cranmer Properties Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Camela Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Maledico Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Coeval Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Odolo Properties Ltd, Molemo Properties Ltd, Samilo Properties Ltd, Baleland Properties Ltd, Alezia Properties Ltd, Zenoplus Properties Ltd, Enelo Properties Ltd, Monata Properties Ltd, Vertilia Properties Ltd, Amary Properties Ltd, Aparno Properties Ltd, Lomenia Properties Ltd, Midelox Properties Ltd, Montira Properties Ltd, Orilema Properties Ltd, Cramonco Properties Ltd, Carilo Properties Ltd, Olisto Properties Ltd and Philiki Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2023 BOC PCL had 100% shareholding in Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2023 BOC PCL had 100% shareholding in BOC Terra AIF V.C.I.C. Plc which is a real estate alternative investment fund, currently inactive.

At 31 December 2023 BOC PCL had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Holstone Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd and Larizemo Properties Ltd.

In addition, BOC PCL holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Bonayia Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

50. Group companies (continued)

BOC PCL also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Paneuropean Ltd, Nelcon Transport Co. Ltd, Canosa Properties Ltd, Homirova Properties Ltd and Settle Cyprus Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

Acquisitions of subsidiaries

During the years ended 31 December 2023 and 2022 there were no acquisitions of subsidiaries.

Dissolution and disposal of subsidiaries

There were no material disposals of subsidiaries during the year ended 31 December 2023. Salecom Ltd, Romaland Properties Ltd, Trecoda Properties Ltd, Weinco Properties Ltd, Aktilo Properties Ltd, Stormino Properties Ltd, Tavoni Properties Ltd, Ameleto Properties Ltd, Folimo Properties Ltd, Steparco Ltd, Thames Properties Ltd, Edoric Properties Ltd, Finerose Properties Ltd and Cyprialife Ltd were dissolved during the year ended 31 December 2023. Thelemic Properties Ltd, Arlona Properties Ltd, Tebane Properties Ltd, Fareland Properties Ltd, Sendilo Properties Ltd, Dilero Properties Ltd, Calinora Properties Ltd, Lynoco Properties Ltd, Ofraco Properties Ltd, Asianco Properties Ltd, Nigora Properties Ltd, Bascone Properties Ltd, Calandomo Properties Ltd, Irisa Properties Ltd, Marcozaco Properties Ltd, Alepar Properties Ltd and Nivamo Properties Ltd were disposed of during the year ended 31 December 2023.

As at 31 December 2023, the following subsidiaries were in the process of dissolution or in the process of being struck off: Fantasio Properties Ltd, Demoro Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Fairford Properties Ltd, Sylvesta Properties Ltd, Battersee Real Estate SRL, Iperi Properties Ltd, Prodino Properties Ltd, Thryan Properties Ltd, Obafemi Holdings Ltd, Birkdale Properties Ltd, CYCMC IV Ltd and Ensolo Properties Ltd.

51. Investments in associates and joint venture

Investments in associates	Percentage holding (%)
Aris Capital Management LLC	**30.0**
Rosequeens Properties Limited	**33.3**
Fairways Automotive Holdings Ltd	**45.0**

The carrying values of the investments in associates are considered to be fully impaired and their value has been restricted to zero.

Rosequeens Properties SRL
During the year ended 31 December 2022 the Group disposed of its 33.3% holding in associate company Rosequeens Properties SRL.

Investment in joint venture	Percentage holding (%)
Tsiros (Agios Tychon) Ltd	**50.0**

The carrying value of the investment in the joint venture is considered to be fully impaired and its value has been restricted to zero.

52. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for year 2023:

	Total operating income/(expense)	Average number of employees	Profit/(loss) before tax	Accounting tax expense on profit/(loss)	Corporation tax paid/(refunded)	Public subsidies received
Country	**€000**		**€000**	**€000**	**€000**	**€000**
Cyprus	1,103,618	2,876	559,013	46,319	21,529	-
Russia	(4)	1	(285)	-	-	-
Romania	(156)	-	(217)	-	-	-
Greece	326	6	(3,064)	-	(1,394)	-
Total	**1,103,784**	**2,883**	**555,447**	**46,319**	**20,135**	**-**

Total operating income/(expense), profit/(loss) before tax and accounting tax expense on profit/(loss) are prepared on the same basis as the figures reported elsewhere in these financial statements.

The activities of Group companies by geographical area are disclosed in Note 50.

Total operating income/(expense): comprises net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instruments, net gains on derecognition of financial assets measured at amortised cost, net insurance result, net gains from revaluation and disposal of investment properties, net gains on disposal of stock of property and other income.

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2023.

Profit/(loss) before tax: profit/(loss) before tax represents profits/(losses) after the deduction of inter-segment revenues/(expenses).

Accounting tax expense on profit/(loss): represents the corporation tax expense for the current year and excludes deferred taxes, adjustments in respect of prior years and other tax provisions.

Corporation tax paid/(refunded) includes actual payments made during 2023 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution.

53. Events after the reporting period

KEDIPES Loan portfolio acquisition
In December 2023, the Company entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of approximately €58 million with reference date 31 December 2022 (the 'Transaction'). The Transaction is broadly neutral to the Group's income statement and capital position. Regulatory approvals have been obtained and the Transaction was completed in March 2024.

Distribution in respect of 2023 earnings
The Company, in March 2024, obtained regulatory approval from the European Central (ECB) for a distribution in respect of 2023 earnings of a total amount of €137 million, comprising a cash dividend. Following ECB approval, the Board of Directors of the Company recommended a final cash dividend to shareholders of €0.01 per ordinary share in respect of earnings for the year ended 31 December 2023 (totalling €137 million based on the total number of ordinary shares currently outstanding). This is subject to shareholders' approval at the Annual General Meeting in May 2024. The financial statements for the year ended 31 December 2023 do not reflect this dividend, which will be accounted for in shareholders’ equity as an appropriation of retained earnings in the year ending 31 December 2024.

Dividends are funded out of distributable reserves.

No other significant non-adjusting events have taken place since 31 December 2023.

Independent Auditor’s Report

To the Members of Bank of Cyprus Public Company Limited

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Bank of Cyprus Public Company Limited (the “Company”) and its subsidiaries (together the “Group”) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 150 to 347 and comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including accounting policy information.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

- Overall group materiality: €28 million, which represents approximately 5% of the Group's profit before tax as presented on the consolidated income statement by line item 'Profit before tax'.

- We audited the complete financial information of 3 components, all in Cyprus, assessed as significant components.
- In addition, for components not assessed as significant, audit work over specific financial statement lines was performed.
- Our audit scope addressed approximately 98% of the Group's revenues and approximately 95% of the Group's total assets.

We have identified the following key audit matters:

- Impairment of loans and advances to customers.
- Litigation provisions and regulatory and other claims.
- Valuation of stock of properties.
- Privileged user access over financial reporting systems.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	€28 million.
How we determined it	Based on approximately 5% of the Group's profit before tax as presented on the consolidated income statement by line item 'Profit before tax'.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark (2022: net assets), because in our view, this is a metric against which the recurring performance of the Group is commonly measured to assess its performance. We chose 5%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.400 thousand as well as misstatements below that amount, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Bank of Cyprus Public Company Limited is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of Bank of Cyprus Public Company Limited.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into separate units, with the most significant being the Banking and the Insurance operations, both of which operate primarily in Cyprus. The Banking operations comprise one component, being Bank of Cyprus Public Company Limited. The Insurance operations comprise two components, being EuroLife Limited and General Insurance of Cyprus Limited. Full scope audit procedures were performed in respect of these components.

For other group business reporting units additional substantive audit procedures were carried out over specific financial statement lines in order to achieve the desired appropriate audit evidence. The consolidated financial statements are a consolidation of all the reporting units.

Taken together, our audit scope addressed approximately 98% of the Group's revenues and approximately 95% of the Group's total assets.

Where the work was performed by component auditors, we as group auditors determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. Our involvement in that work included, amongst others, the instructing of the component auditors with respect to matters pertaining to the risk assessment process as well as our review of detailed memorandums prepared by the component auditors delineating the results of audit procedures performed. Further, on the basis of frequent communications with component audit teams in relation to the nature, timing and extent of the work impacting the Group audit opinion we ensured that our audit plan was appropriately executed. The group consolidation and consolidated financial statement disclosures are audited by the group engagement team.

By performing the procedures above at component level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers Refer to Note 2.17 "Impairment of financial assets" within Note 2 "Summary of accounting policies", Note 5.2 "Calculation of expected credit losses" within Note 5 "Significant and other judgements, estimates and assumptions", Note 23 "Loans and advances to customers "and Note 44 "Risk management - Credit risk". The Group has developed complex models to calculate expected credit losses ("ECL") on its loans and advances to customers. Impairment provisions are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant or which meet specific criteria determined by management. We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including: • The interpretations and assumptions used to build the models, including the segmentation employed;	We understood and evaluated the design of the overall control framework relevant to the measurement of impairment of loans and advances to customers and tested the operating effectiveness of key controls across processes relevant to the calculation of ECL. We read and considered the minutes of the Joint Audit & Risk committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk committee. We assessed the appropriateness of the key assumptions used in the methodologies and collective ECL model developed by the Group and their compliance with the requirements of IFRS 9. We tested the completeness and accuracy of data inputs to the collective ECL model on a sample basis. We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the allocation of loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered the impact of staging overlays, where applicable.

• The allocation of loans and advances to customers within Stages 1, 2 or 3 including consideration of relevant overlays, where applicable; • Identifying 'Significant Increase in Credit Risk'; and • The inputs, assumptions and probability weights assigned to multiple economic scenarios as used by the Group.	We compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, favourable and adverse scenarios to publicly available information. We also assessed the reasonableness of the adverse and favourable assumptions together with the scenario weightings applied by management. We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of the collective ECL model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator model which mathematically checked the calculation of collective ECL. We evaluated the Group's individual loan impairment assessments for a sample of Stage 3 exposures for compliance with the Group's policies, developments during 2023 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records. We evaluated the appropriateness of the Group's disclosures particularly in relation to significant judgements and estimates. We concluded that the methodologies and judgements used by management in determining the impairment of loans and advances to customers were reasonable and the disclosures made in relation to these matters in the Consolidated financial statements were appropriate.

Litigation provisions and regulatory and other claims Refer to Note 2.35 "Provisions for pending litigations, claims, regulatory and other matters" within Note 2 "Summary of accounting policies", Note 5.4 "Provisions for pending litigations, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 38 "Provisions for pending litigations, claims, regulatory and other matters". The Group is subject to various legal claims, investigations and other proceedings. Provisions for pending litigation, claims, regulatory and other matters amounted to €132 million as at 31 December 2023. Management together with the Group's compliance and legal departments and where necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for cases assessed individually and collectively and evaluate the probability of economic outflow from the Group. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters requires a significant level of judgement by management. The judgements relate to the probability of obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	We obtained an understanding of and evaluated the design of controls relevant to the recognition and measurement of litigation provisions and regulatory and other claims. We tested the operating effectiveness of controls we wished to rely on. We tested a risk based sample of management's assessment of individual cases, including whether an economic outflow was assessed as probable. We assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary, we confirmed case facts and judgements directly with external legal advisors. For a sample of cases where economic outflow was assessed as probable by management, and therefore a provision recorded, we recalculated the provision and performed sensitivity analysis on key assumptions used by management. We understood the basis of management's collective provisions, in circumstances where these are applied, assessed the key assumptions used by reference to past experience and recalculated provisions booked. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or relevant developments in current cases, including the minutes of the Settlement of Legal Cases Committee. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2023. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the Consolidated financial statements were appropriate.

Valuation of stock of properties

Refer to Note 2.28 "Stock of property", within Note 2 "Summary of accounting policies", Note 5.3, "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 27 "Stock of property".

The Group has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property and measured at the lower of their cost or net realisable value in accordance with IAS 2.

Valuations obtained from external valuers and the holding periods for assets are key inputs to determine the appropriate carrying value.

We have determined this to be a key audit matter in light of the large volume of properties held, the carrying value of these properties of €826 million at 31 December 2023 and the uncertainty around market conditions when estimating the carrying amount.

We understood and evaluated the design of the overall control framework relevant to repossessed properties and tested the operating effectiveness of key controls around their valuation.

We focused on the key inputs and assumptions underlying the valuation of the properties.

We evaluated the competence, capability and objectivity of management's external experts (property valuers).

For a sample of external valuation reports, we assessed the methodology and assumptions used with the assistance of PwC valuation experts, where relevant.

We tested the accuracy of the application by management of illiquidity discounts for a sample of properties held at year end.

For a sample of properties acquired during the year, we tested "cost" by reference to signed "debt-for-asset" agreements entered into with borrowers, and we tested the "net realisable value" at year end by reference to external valuation reports.

We performed look-back procedures by comparing the price achieved for disposals during 2023 to the carrying values for those assets as at 31 December 2022.

We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards.

We concluded that the judgements and estimates used by management in determining the carrying amount of stock of property were reasonable and the disclosures made in relation to these matters in the Consolidated financial statements were appropriate.

Privileged user access over financial reporting systems

The Group's financial reporting is heavily reliant on IT systems which have been in place for a number of years and which are inherently complex, thereby creating an elevated risk to financial reporting.

The Group relies on privileged user access controls which are critical to ensuring that changes to applications and underlying data are made in an appropriate manner and to mitigate the risk of potential fraud or error.

We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data.

With the assistance of PwC IT audit specialists, we obtained an understanding of the Group's IT environment and evaluated the design and tested the operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting.

Where deficiencies in privileged user access controls were identified, we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we:

- Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to test the completeness of access rights within the Group's user access tool that supports the management of user access, for the provision, deprovision, and recertification of privileged access;
- Extracted the list of privileged users on the Group's data warehouse and considered the appropriateness of access during 2023;
- Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and considered the appropriateness of developer access; and
- Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Group's password policy requirements.

After evaluating the results of these additional audit procedures, where necessary, our team performed further audit procedures such that we concluded that any residual audit risk was reduced to an acceptable level.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Forward Looking Statements and Notes, Management Report of Bank of Cyprus Public Limited Company, Risk and Capital Management Report, ESG Disclosures, Additional Information - EU taxonomy Disclosures and the Alternative Performance Measures Disclosures, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the consolidated financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 March 2024 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the Management Report of Bank of Cyprus Public Limited Company.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report of Bank of Cyprus Public Limited Company has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report of Bank of Cyprus Public Limited Company. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Anna Loizou.

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

28 March 2024

Financial Statements 2023

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Income Statement
for the year ended 31 December 2023

	Notes	2023 €000	2022 €000
Interest income	6	**921,310**	430,171
Income similar to interest income	6	**70,710**	57,078
Interest expense	7	**(146,437)**	(64,888)
Expense similar to interest expense	7	**(46,412)**	(14,840)
Net interest income		**799,171**	407,521
Fee and commission income	8	**170,244**	186,609
Fee and commission expense	8	**(12,266)**	(14,861)
Net foreign exchange gains	9	**28,888**	27,280
Net gains/(losses) on financial instruments	10	**4,632**	(52,575)
Net gains on derecognition of financial assets measured at amortised cost		**6,361**	5,235
Dividend income from subsidiaries	22	**85,118**	21,459
Net gains from revaluation and disposal of investment properties		**303**	520
Net gains on disposal of stock of property	26	**10,004**	10,561
Other income	11	**7,147**	6,164
Total operating income		**1,099,602**	597,913
Staff costs	12	**(177,965)**	(267,423)
Special levy on deposits and other levies/contributions	13	**(42,380)**	(38,492)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	36	**(28,084)**	(11,880)
Other operating expenses	13	**(136,154)**	(140,450)
Operating profit before credit losses and impairment		**715,019**	139,668
Credit losses on financial assets	14	**(69,335)**	(63,356)
Impairment net of reversals on non-financial assets	14	**(69,598)**	(8,740)
Profit before tax		**576,086**	67,572
Income tax	15	**(66,271)**	(26,627)
Profit after tax for the year		**509,815**	40,945
Basic and diluted profit per share (€ cent)	16	**5.3**	0.4

Information about the Company's turnover is analysed in Note 6 of the Consolidated Financial Statements of the Bank of Cyprus Group.

	Notes	2023 €000	2022 €000
Profit for the year		**509,815**	40,945
Other comprehensive income (OCI)			
OCI that may be reclassified in the income statement in subsequent periods		**2,972**	(10,182)
Fair value reserve (debt instruments)		**2,972**	(10,182)
Net gains/(losses) on investments in debt instruments measured at fair value through OCI (FVOCI)		**3,304**	(8,920)
Transfer to the income statement on disposal		**(332)**	(1,262)
OCI not to be reclassified in the income statement in subsequent periods		**9,506**	(6,245)
Fair value reserve (equity instruments)		**25**	(118)
Net gains/(losses) on investments in equity instruments designated at FVOCI		**25**	(118)
Property revaluation reserve		**8,642**	216
Net fair value gains before tax	*24*	**11,916**	-
Deferred tax	*15*	**(3,274)**	216
Actuarial gains/(losses) on defined benefit plans		**839**	(6,343)
Remeasurement gains/(losses) on defined benefit plans	*12*	**839**	(6,343)
Other comprehensive income/(loss) for the year net of taxation		**12,478**	(16,427)
Total comprehensive income for the year		**522,293**	24,518

Balance Sheet
as at 31 December 2023

	Notes	2023 €000	2022 €000
Assets			
Cash and balances with central banks	17	**9,614,321**	9,567,095
Loans and advances to banks	17	**353,083**	166,689
Reverse repurchase agreements		**403,199**	-
Derivative financial assets	19	**51,055**	48,153
Investments at FVPL	18	**3,123**	8,712
Investments at FVOCI	18	**433,901**	456,598
Investments at amortised cost	18	**3,116,714**	2,046,119
Loans and advances to customers	21	**9,821,533**	9,952,921
Balances with Group companies	22	**28,327**	566,125
Prepayments, accrued income and other assets	27	**471,632**	513,141
Stock of property	26	**346,531**	441,816
Investment properties	20	**22,656**	26,351
Deferred tax assets	15	**201,183**	227,455
Property and equipment	24	**233,472**	200,736
Intangible assets	25	**29,504**	38,379
Investment in subsidiaries	47	**552,577**	161,550
Total assets		**25,682,811**	24,421,840
Liabilities			
Deposits by banks		**463,330**	501,381
Funding from central banks	28	**2,043,868**	1,976,674
Derivative financial liabilities	19	**17,980**	16,169
Customer deposits	29	**19,336,915**	18,998,319
Balances with Group companies	22	**111,087**	97,513
Accruals, deferred income, other liabilities and other provisions	31	**295,535**	269,027
Provisions for pending litigations, claims, regulatory and other matters	36	**124,571**	120,625
Debt securities in issue	30	**671,632**	297,636
Subordinated liabilities	30	**308,049**	303,812
Deferred tax liabilities	15	**22,636**	19,644
Total liabilities		**23,395,603**	22,600,800
Equity			
Share capital	32	**959,794**	959,794
Revaluation and other reserves		**70,888**	58,599
Retained earnings	34	**1,036,526**	582,647
Other equity instruments	32	**220,000**	220,000
Total equity		**2,287,208**	1,821,040
Total liabilities and equity		**25,682,811**	24,421,840

Mr. E.G. Arapoglou
Chairman

Mr. P. Nicolaou
Chief Executive Officer

Mr. Constantine Iordanou
Director

Mrs. E. Livadiotou
Executive Director Finance

	Attributable to shareholders of the Company							
	Share capital (Note 32)	Retained earnings (Note 34)	Other capital reserves (Note 12)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 32)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2023	959,794	582,647	322	51,281	8,262	(1,266)	220,000	**1,821,040**
Profit for the year	-	509,815	-	-	-	-	-	**509,815**
Other comprehensive income after tax for the year	-	839	-	8,642	2,997	-	-	**12,478**
Total comprehensive income after tax for the year	-	510,654	-	8,642	2,997	-	-	**522,293**
Dividends (Note 33)	-	(22,310)	-	-	-	-	-	**(22,310)**
Share-based benefits - cost (Note 12)	-	-	595	-	-	-	-	**595**
Defence contribution	-	(313)	-	-	-	-	-	**(313)**
Payment of coupon to AT1 holders (Note 32)	-	(27,339)	-	-	-	-	-	**(27,339)**
Issue of other equity instruments (Note 32)	-	-	-	-	-	-	220,000	**220,000**
Repurchase of other equity instruments (Note 32)	-	(6,820)	-	-	-	-	(220,000)	**(226,820)**
Transfer to the income statement	-	-	-	62	-	-	-	**62**
Transfers to retained earnings	-	7	-	(59)	52	-	-	**-**
31 December 2023	**959,794**	**1,036,526**	**917**	**59,926**	**11,311**	**(1,266)**	**220,000**	**2,287,208**

Statement of Changes in Equity

for the year ended 31 December 2023

	Attributable to shareholders of the Company							
	Share capital (Note 32)	Retained earnings (Note 34)	Other capital reserves (Note 12)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 32)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2022	959,794	571,365	-	57,199	18,150	(2,808)	220,000	**1,823,700**
Profit for the year	-	40,945	-	-	-	-	-	**40,945**
Other comprehensive (loss)/income after tax for the year	-	(6,343)	-	216	(10,300)	-	-	**(16,427)**
Total comprehensive income/(loss) after tax for the year	-	34,602	-	216	(10,300)	-	-	**24,518**
Shared-based benefits - cost (Note 12)	-	-	322	-	-	-	-	**322**
Transfers to retained earnings	-	4,180	-	(6,134)	412	1,542	-	**-**
Payment of coupon to AT1 holders (Note 32)	-	(27,500)	-	-	-	-	-	**(27,500)**
31 December 2022	**959,794**	**582,647**	**322**	**51,281**	**8,262**	**(1,266)**	**220,000**	**1,821,040**

		2023	2022
	Notes	**€000**	€000
Profit before tax		**576,086**	67,572
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		**24,086**	26,617
Impairment of stock of property and other non-financial assets		**11,975**	6,108
(Reversal of impairment)/impairment of balances with Group Companies	*14*	**(4,468)**	7,353
Credit losses on financial assets	*14*	**73,803**	56,003
Net gains on derecognition of financial assets measured at amortised cost		**(6,361)**	(5,235)
Amortisation of discounts/premiums and interest on debt securities		**(64,185)**	(21,344)
Dividend income		**(85,249)**	(21,542)
Net loss on disposal of investment in debt securities measured at FVOCI		**438**	2,384
(Gain)/loss from revaluation of financial instruments designated as fair value hedges		**(1,655)**	51,839
Interest on subordinated liabilities and debt securities in issue		**39,409**	28,070
Interest on reverse repurchase agreements		**(3,219)**	-
Negative interest on loans and advances to banks and balances with central banks		**-**	23,184
Interest/(negative interest) on funding from central banks		**67,194**	(18,418)
Share-based benefits cost		**595**	322
Profit on disposal/dissolution of subsidiaries and associates		**(1,840)**	(781)
Impairment of investment in subsidiaries		**57,623**	2,632
Net losses on balances with Group companies		**1,347**	61,524
Net gains on disposal of stock of property and investment properties		**(10,667)**	(11,529)
(Profit)/loss on sale and write offs of property and equipment and intangible assets		**(52)**	14
Interest expense on lease liability		**291**	11
Net losses from revaluation of investment properties		**360**	448
Net exchange differences		**8,892**	(18,106)
		684,403	237,126
Change in:			
Loans and advances to banks		**(30,487)**	28,992
Deposits by banks		**(38,051)**	49,421
Obligatory balances with central banks		**55,358**	52,450
Customer deposits		**338,596**	1,467,436
Debit balances with Group companies		**16,597**	(46,950)
Credit balances with Group companies		**13,574**	29,584
Loans and advances to customers		**48,533**	(157,654)
Prepayments, accrued income and other assets		**89,384**	150
Provisions for pending litigations, claims, regulatory and other matters		**3,179**	4,154
Accruals, deferred income, other liabilities and other provisions		**1,430**	(5,824)
Derivative financial instruments		**(1,091)**	(57,783)
Investments measured at FVPL		**5,589**	(3,847)
Stock of property		**88,003**	108,807
		1,275,017	1,706,062
Tax paid		**(8,369)**	(7)
Net cash from operating activities		**1,266,648**	1,706,055
Cash flows from investing activities			
Purchases of debt, treasury bills and equity securities		**(1,544,497)**	(1,101,030)
Purchase of reverse repurchase agreements		**(400,000)**	-
Proceeds on disposal/redemption of investments in debt and equity securities		**542,424**	453,198
Interest received from debt securities		**36,334**	30,929
Dividend income from equity securities		**85,249**	21,542
Payment for purchase of Velocity 2		**(3,649)**	-
Proceeds on disposal of held for sale portfolios		**-**	332,151
Proceeds on disposal of subsidiaries and associates		**31,201**	4,200
Cash contribution to subsidiaries		**(4,894)**	-
Purchases of property and equipment	*24*	**(4,067)**	(5,297)
Additions to intangible assets	*25*	**(8,216)**	(11,330)
Proceeds on disposals of property and equipment and intangible assets		**108**	516
Proceeds on disposals of investment properties		**4,826**	8,699
Net cash used in investing activities		**(1,265,181)**	(266,429)

		2023	2022
	Notes	**€000**	€000
Cash flow from financing activities			
Dividend paid on ordinary shares		**(22,310)**	**-**
Payment of AT1 coupon	*32*	**(27,339)**	(27,500)
Issue of other equity instruments	*32*	**220,000**	-
Repurchase of other equity instruments	*32*	**(226,820)**	-
Net repayments of funding from central banks		**-**	(979,389)
Repayments of subordinated liabilities		**-**	(35,605)
Proceeds from the issue of debt securities in issue (net of costs)		**347,689**	-
Interest on subordinated liabilities		**(19,875)**	(23,334)
Interest on debt securities in issue		**(7,500)**	(7,858)
Negative interest on loans and advances to banks and balances with central banks		**-**	(23,184)
Principal elements of lease payments		**(6,759)**	(6,000)
Net cash from/(used in) financing activities		**257,086**	(1,102,870)
Net increase in cash and cash equivalents		**258,553**	336,763
Cash and cash equivalents 1 January		**9,547,868**	9,211,105
Cash and cash equivalents 31 December	*39*	**9,806,421**	9,547,868

Additional information on the cash flow statement is provided in Note 38.

1. Corporate information

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

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

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

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

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

The Annual Financial Report of Bank of Cyprus Holdings Public Limited Company is available on the Group's website http://www.bankofcyprus.com (Group/Investor Relations/Financial Results).

Financial Statements
The Financial Statements of the Bank of Cyprus Public Company Ltd for the year ended 31 December 2023 (the Financial Statements) were authorised for issue by a resolution of the Board of Directors on 28 March 2024.

2. Summary of accounting policies

2.1 Basis of preparation

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

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

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

The Company presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 41.

The Financial Statements include the branch of the Company in Greece.

2. Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

Comparative information

Comparative information on 'Turnover' as this is presented in Note 6 of the Consolidated Financial Statements of the Group was restated, in order to align the definition of 'Turnover' to the Country-by-Country Reporting (Note 52 of the Consolidated Financial Statements of the Group). The 'Turnover' definition is now aligned with the 'Total operating income' caption as presented in the Income Statement and is considered to be the most representative for the Bank and the Group. The definition of 'Turnover' is disclosed in Note 2.7 of the Consolidated Financial Statements of the Group and the restatement for the Company is indicated in the table below:

	Turnover 31 December 2022 (as previously presented)	Restatements to Turnover definition	Turnover 31 December 2022 (restated)
	€000	€000	€000
Interest income and income similar to interest income	487,249	(487,249)	-
Net interest income	n/a	407,521	407,521
Fees and commission income	186,609	(186,609)	-
Net fee and commission income	n/a	171,748	171,748
Net foreign exchange gains	27,280	-	27,280
Net gains/(losses) on financial instruments	n/a	(52,575)	(52,575)
Net gains on derecognition of financial assets measured at amortised cost	n/a	5,235	5,235
Dividend income	21,459	-	21,459
Net gains from revaluation and disposal of investment properties	520	-	520
Net gains on disposal of stock of property	10,561	-	10,561
Impairment of stock of property	(6,118)	6,118	n/a
Other income	6,164	-	6,164
Turnover	733,724	(135,811)	597,913

In addition, comparative information was restated following a change in the presentation of segmental analysis as detailed in Note 6 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023. This change let to a respective restatement in Notes 42.3 and 42.5.

Further, the presentation of comparative information in relation to the remuneration disclosures relating to the members of the Board of Directors and key management personnel in Note 46 has been restated as to exclude employer's contribution from the tables of fees and emoluments. Such amounts are not considered part of the remuneration of the Board of Directors and key management personnel, but rather an incremental cost to the Company. In addition, the cost for awards granted in 2022 and 2023 to the Executive Directors and key management personnel under the Long-Term Incentive Plan (LTIP) has also been excluded from the tables of fees and emoluments. Amounts of an LTIP cycle award are presented in the remuneration table in the year the performance period of the LTIP cycle award ends. No LTIP cycles had a performance period ending during the years ended 31 December 2023 and 2022. The cost recognised by the Company in the Income Statement for LTIP cycles under which awards have been granted but not yet vested is separately disclosed in Note 46.

The restatements did not have an impact on the results for the year or equity of the Company.

2. Summary of accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures

The accounting policies adopted in preparing the Financial Statements of the Company are consistent with those adopted in preparing the Consolidated Financial Statements of the Group, a summary of which is presented in Note 2 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023.

In addition the following policies are adopted:

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

The Company periodically evaluates the recoverability of the investment in subsidiary companies whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows of the subsidiaries or material adverse changes in the economic or political stability of the country that the subsidiaries operate, which may indicate that the carrying amount of the investment in subsidiary companies is not recoverable. If facts and circumstances indicate that the investment in subsidiary companies may be impaired, the recoverable amount of each subsidiary would be compared to the carrying amount of the investment in the subsidiary in the Company's financial statements to determine if impairment of the investment is necessary. An impairment loss is recognised equal to the excess of the carrying amount of the investment in the subsidiary over its recoverable amount.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 2.2.1 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023. These did not have an impact on the Financial Statements of the Company.

3. Going concern

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

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

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, liquidity and funding position, taking also into consideration, the Group's Financial Plan approved by the Board in February 2024 (the 'Plan') and the operating environment. The Group has sensitised its projection to cater for a downside scenario and has used reasonable economic inputs to develop its medium-term strategy. The Group is working towards materialising its Strategy.

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

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 31 December 2023 that can be easily and readily monetised in a period of stress.

4. Economic and geopolitical environment

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors which are beyond the control of the Company and the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, a higher interest rate environment for longer, and higher competition in the financial services industry, could negatively affect the Company's and the Group's business environment, results, and operations.

The Company is closely monitoring the geopolitical situation developing. War and geopolitics can be very disruptive to the economy and society and the extent to which the international system is intertwined, is often underestimated. Meantime wars continue to rage in Ukraine and in the Middle East, adding to uncertainty and instability. The attacks on merchant shipping in the Red Sea from the Houthis in Yemen is a reflection of the uncertainty. The attacks are forcing many carriers to change route adding days and costs to shipping which eventually will add to inflationary pressures, with implications for monetary policy.

In Cyprus, the financial sector exposure to foreign markets has been reduced since the 2013 banking crisis. Although, there have been distinct improvements in Cyprus' risk profile after the banking crisis, substantial risks remain. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, influenced by external developments with substantial potential impact on the domestic economy. Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results, and market position.

Interest rates in the US and the eurozone peaked in the third quarter as headline inflation continues to decline while core inflation proves stickier. Amidst a high interest rate environment, financial stability risks will remain elevated.

Cyprus demonstrates relative strength and resilience in this environment with a growth outlook that outweighs average growth in EU and with inflation dropping at a faster pace in comparison. Economic momentum is expected to continue in 2024 driven by an easing in monetary policy in the second half of the year, and positive momentum in growth sectors mainly in information and communications, financial services, and international business services.

Cyprus' risk profile has improved significantly, but substantial risks remain in the domestic environment and in the external environment on which it depends. The most important factor weighing on Cyprus' sovereign risk is the high level of public debt. Banks have weathered the pandemic crisis well, with their liquidity and capital buffers intact. Non-performing loans continued their downward trend, mainly due to the sale packages of the two largest banks. However, in an uncertain environment, asset quality remains a focus for bank management and supervisors.

The Group believes it is reasonably well positioned to withstand volatility that may arise from a deterioration in the geopolitical and global economic environment.

Company's and Group's Direct exposure to Russia
Overall, the Group's and Company's direct exposure to Russia and Belarus remains limited. In summary, the Company has direct lending exposure to Russia and Belarus of a gross book value of approximately €96 million (2022: approximately €86 million) across its business divisions as at 31 December 2023, of which €89 million (2022: €76 million) are classified as performing and secured mainly with residential collateral located in Cyprus. The basis of the exposure is expanded compared to the country risk exposure as included in Note 42.2 of these financial statements, which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries.

Customer deposit balances of customers with country of residence of the UBO in these countries amounts to approximately 1% of total deposits as at 31 December 2023 as disclosed in Note 29.

4. Economic and geopolitical environment (continued)

With respect to the Company's Russian subsidiary, the net exposure is being run down and as a result the net assets included on the Group's balance sheet as at 31 December 2023 are less than €1 million (2022: less than €1 million).

5. Significant and other judgements, estimates and assumptions

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

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

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions for pending litigations, claims, regulatory and other matters, which are presented in Notes 5.1 to 5.4 below. Other judgements, estimates and assumptions are disclosed further below in Notes 5.5 to 5.10.

5.1 Classification of financial assets

The Company exercises judgement upon determining the classification of its financial assets, in relation to business models and future cash flows.

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

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

5.2 Calculation of expected credit losses

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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

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

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

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

Following two years of robust growth in 2021 and 2022 with GDP growing respectively by 9.9% and 5.1%, economic activity averaged 2.5% in 2023, amid continued global economic uncertainty and rising interest rates. The economy is expected to pick up again in 2024-2025 growing by an annual average of 2.8% according to the European Commission's Winter European Forecasts. Inflation measured by the Harmonised Index of Consumer Prices decreased to an average of 3.9% and is expected to continue to decelerate to around 3.0% in 2024 after a peak of 8.1% in 2022. A sustained drop in energy prices and tighter monetary conditions underpin the disinflation that is observed. In the labour market the unemployment rate decreased to 6.1% in December 2023, seasonally adjusted and expected to remain to 6.1% in 2024. The government balance is expected to turn a surplus of 2.3% of GDP in 2023 and 2.1% in 2024. Gross Public debt will thus drop to 71.5% of GDP in 2024 and to 66% in 2025.

The credit profile of Cyprus has improved significantly in the more recent period, reflecting solid medium term growth outlook, good institutional strength and effective policy making. There have been significant improvements in the banking sector and in public finances. Cyprus is a small open economy and therefore more vulnerable to exogenous shocks, but features relatively high levels of wealth, an agile private sector, and an outward orientation. The sovereign risk ratings of the Cypriot government have improved significantly in recent years, now above investment grade by one notch by all three major rating agencies.

Cyprus received from the recovery and resilience facility €157 million in pre-financing in September 2021 following the approval of the national recovery plan the previous July. This was pre-financing for 13% of total disbursements over the period 2021-2026. Cyprus received its first disbursement in December 2022, of €85 million, following the passage of conditional legislation in parliament, and after approval from the European Commission. The release of the funds is conditional on the strict implementation of reforms agreed in the national recovery plan. Funds will be used to increase investment in the digital and green transition, to increase the efficiency of public and local administrations, and to improve the efficiency of the judicial system among others.

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

5.2 Calculation of expected credit losses (continued)

Banks managed to weather the pandemic crisis well, with their liquidity and capital buffers intact. Non performing exposures continued their declining trend, mostly due to sales packages by the two largest banks. Total NPEs at the end of November 2023 were €2.0 billion or 8.3% of gross loans. About 44.8% of total non-performing exposures are restructured facilities and the coverage ratio was 56.7%. Private debt, as measured by loans to residents on bank balance sheets, excluding the government, dropped to €20.3 billion at the end of December 2023, or about 68% of GDP.

However, substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. In the banking sector non-performing exposures need to drop further. While the current account deficit will be narrowing as exports services recover in the medium term, it will remain sizable. The monetary policy of the European Central Bank can remain tight for longer if inflation pressures persist. The extent of the crisis in Ukraine can lead to elevated tensions for a considerable period of time.

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

For the ECL calculations, the Company uses an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, as described in Note 2.17.5 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023. The approach employed, involves scenario generation, where the scenarios applied by the Bank are anchored to the baseline scenario. All scenarios are updated on a quarterly basis for the purposes of the ECL calculation in tandem with the baseline. The updated macroeconomic inputs (incorporating any uncertainties and downside risks) are therefore reflected in the scenario parameters, starting from the baseline and updated in for in the adverse and the favourable scenarios accordingly. If the baseline becomes more pessimistic, then both the favourable and downside scenarios would move accordingly, reflecting the fact that the economic variables used in the scenarios are not constant but are conditional on the economy's position in the business cycle. A dynamic scenario approach is followed as explained above where the scenario parameters derived reflect the Company's view of the economic conditions. The approach employed involves scenario generation for a defined probability weighting. The probability weights attached to the scenarios are a function of their relative position on the distribution, with a lower probability weight attached to the scenarios that were assessed to be more distant from the center of the distribution. The baseline scenario is defined over the range of values corresponding to 50% probability of equidistant deviations around the mean of the historical distribution. The favourable and adverse scenarios are defined over the range of values to the right and left of the distribution respectively, that each corresponding to 25% probability.

The uncertainties and the macro conditions are indicated in the tables below, where the most significant macroeconomic variables for each of the scenarios used by the Company as at 31 December 2023 and 2022 are presented. The Company uses three different economic scenarios in the calculation of default probabilities and provisions. The scenarios factor in updated macroeconomic assumptions and other monetary and fiscal developments based on events as at the reporting date. The Company has used the 30-50-20 probability structure for the adverse, baseline and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.17.5 of the Consolidated Financial Statement of the Group for the year ended 31 December 2023. This reflects management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks.

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

5.2 Calculation of expected credit losses (continued)

31 December 2023

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2024	Adverse	30.0	-1.6	6.3	0.9	-3.1
	Baseline	50.0	2.7	5.8	2.5	3.0
	Favourable	20.0	3.5	5.6	3.1	3.7
2025	Adverse	30.0	-0.7	6.9	1.2	0.6
	Baseline	50.0	2.6	5.4	2.5	2.3
	Favourable	20.0	3.1	5.2	2.6	2.5
2026	Adverse	30.0	2.2	7.0	1.2	1.9
	Baseline	50.0	2.6	5.1	2.1	2.2
	Favourable	20.0	2.7	4.9	2.0	2.3
2027	Adverse	30.0	3.6	6.7	2.3	2.4
	Baseline	50.0	2.4	4.9	2.3	2.2
	Favourable	20.0	2.6	4.6	2.2	2.3
2028	Adverse	30.0	3.5	6.4	2.2	2.4
	Baseline	50.0	2.3	4.6	2.2	2.3
	Favourable	20.0	2.5	4.2	2.3	2.4

31 December 2022

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2023	Adverse	30.0	-2.0	7.0	3.7	-2.2
	Baseline	50.0	2.8	6.3	4.7	2.8
	Favourable	20.0	3.6	5.9	5.1	3.3
2024	Adverse	30.0	-0.7	6.8	3.0	-0.8
	Baseline	50.0	2.4	6.0	3.2	2.5
	Favourable	20.0	2.8	5.8	3.3	2.8
2025	Adverse	30.0	1.4	6.7	2.4	1.1
	Baseline	50.0	2.5	5.7	2.3	2.5
	Favourable	20.0	2.6	5.6	2.4	2.6
2026	Adverse	30.0	2.8	6.7	2.4	2.7
	Baseline	50.0	2.8	5.5	2.4	2.5
	Favourable	20.0	3.1	5.3	2.4	2.6
2027	Adverse	30.0	3.5	6.5	2.5	3.5
	Baseline	50.0	2.6	5.2	2.5	2.5
	Favourable	20.0	2.6	4.9	2.4	2.6

The adverse scenarios may outpace the base and favourable scenarios after the initial shock has been adjusted to and the economy starts to expand from a lower base. Thus, in the adverse scenario GDP will follow a growth trajectory that will ultimately equal and surpass the baseline before converging. Property prices are determined by multiple factors with GDP growth featuring prominently. However, the relationship between GDP growth and property prices entails a lag.

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

5.2 Calculation of expected credit losses (continued)

The baseline scenario was updated for the 31 December 2023 reporting, considering available information and relevant developments until then, and is described next. Economic activity started to slow in 2023, following strong recoveries in 2021-2022. Tourism continued to recover in 2023 with arrivals reaching levels near their pre-covid levels in 2019, while revenues exceeded those pre-covid. Private consumption remained strong despite aggressive monetary tightening by the ECB. Real GDP increased by 2.5% on average in 2023. Under the baseline scenario the economy is expected to advance by 2.7% in 2024. Consumer price inflation averaged 8.1% in 2022 and decelerated to 3.8% in 2023. The unemployment rate will continue to drop steadily in the medium term. Property prices continued to rise modestly in 2023 as domestic demand remained relatively strong.

The adverse scenario is consistent with assumptions for a global economic slowdown driven by the wars in Ukraine and Middle East, elevated inflation and continued tight monetary conditions. The Cypriot economy relies on services, particularly on tourism, international business, and information and communication services with an outward orientation. This makes the Cypriot economy more exposed than other economies to the international environment and terms of trade shocks. Weaker external demand and more restricted domestic demand as a result of higher interest rates will lead to a slowdown of economic activity. The adverse scenario assumes a deeper impact of these conditions on the real economy than under the baseline scenario. Under the adverse scenario, real GDP is expected to contract by 1.6% in 2024 as a whole and by 0.7% in 2025. In the labour market the unemployment rate will rise only modestly, and inflation will be lower than under the baseline scenario. House prices will also slow in line with the contraction in real GDP.

The Company uses actual values for the input variables. These values are sourced from the Cyprus Statistical Service, the Eurostat, the Central Bank of Cyprus for the residential property price index, and the European Central Bank for interest rates. Interest rates are also sourced from the Eurostat. In the case of property prices, the Company additionally uses data from the Royal Institute of Chartered Surveyors. For the forward reference period, the Company uses the forecast values for the same variables, as prepared by the BOC PCL's Economic Research Department. The results of the internal forecast exercises are consistent with publicly available forecasts from official sources including the European Commission, the International Monetary Fund, the European Central Bank and the Ministry of Finance of the Republic of Cyprus.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee. Qualitative adjustments or overlays are described in the below sections as applicable.

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

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

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

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

5.2 Calculation of expected credit losses (continued)

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties, supplemented by management judgement where necessary, given the difficulty in differentiating between short-term impacts and long term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices and qualitative adjustments or overlays were applied to the projected future property value increases to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

At 31 December 2023, the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers is approximately 32.5% under the baseline scenario (2022: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (2022: average of seven years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

The above assumptions are also influenced by the ongoing regulatory dialogue the Company maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

Any changes in these assumptions or variances between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Expected lifetime of revolving facilities
The expected lifetime of revolving facilities is based on a behavioural maturity model for revolving facilities based on Company’s available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned. The behavioural model was updated in the third quarter of 2023 to reflect updates in customers' profile whilst maintaining the same model components.

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

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

5.2 Calculation of expected credit losses (continued)

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

Overlays in the context of current economic conditions
The two overlays introduced in 2022 in response to uncertainties from the consequences of the Ukrainian crisis, in the collectively assessed population for exposures that were considered to be the most vulnerable to the implications of the crisis, continued to be in effect during the year ended 31 December 2023. These were introduced to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact on the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €3.4 million ECL release for the year ended 31 December 2023 (following an update of the assessment of the sectors classified as High Risk and/or Early Warning) and a net transfer of €19 million loans from Stage 1 to Stage 2 as at 31 December 2023.

Specifically, the first overlay relates to private individuals that are expected to be affected by the increased cost of living in order to reflect the future vulnerabilities to inflation, where a scenario with higher percentage increase is applied for the cost of living. A one notch downgrade is applied to the identified portfolio, reflecting the expected impact of inflation to their credit quality. The second overlay relates to sectors that have been classified as High Risk or Early Warning to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis a vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as High Risk, whereas if only one of the two has deteriorated, then the sector is classified as Early Warning. A one-notch downgrade is applied to Early Warning sectors whereas for High Risk sectors a more severe downgrade is applied accordingly.

In addition, the overlay on the probability of default (PD), introduced in the fourth quarter of 2022 to address specifically the high inflation environment affecting the economy, continued to be in effect during the year ended 31 December 2023. With this overlay the PDs were floored to the maximum of 2018/2019 level, on the basis that these years are considered as closer to a business as usual environment in terms of default rates. The impact on the ECL from the application of this overlay was €7.2 million charge for the year ended 31 December 2023, as a result of multiple components including updated ratings, PD and thresholds calibrations and stage migrations.

In addition, during the year ended 31 December 2023, an overlay for the LGD parameter has been integrated through reduced curability period for Stage 2 and Stage 3 exposures (i.e., the maximum period that a customer is considered to cure has been reduced). The impact on the ECL was €7 million charge for the year ended 31 December 2023.

The Company has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 December 2023. The Company will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments are timely captured.

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

5.2 Calculation of expected credit losses (continued)

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. Following the wars in Ukraine and Middle East, the selection criteria were further enhanced to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries and significant exposures with repayment deriving from Israel.

Further details on impairment allowances and related credit information are set out in Note 42.

5.3 Stock of property - estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, taking into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 26.

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

The accounting policy for provisions for pending litigations, claims, regulatory and other matters is described in Note 2.35 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Company will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Company determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the possible loss for such matters can be estimated. Actual results may prove to be significantly higher or lower than the estimated possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Company believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigations, claims, regulatory and other matters refer to Note 36.

5.5 Tax

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

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

5.5 Tax (continued)

Deferred tax assets
In the absence of a specific accounting standard dedicated to the accounting of the asset that arose pursuant to amendments in the Income Tax Law effected in March 2019 which provides for the recoverability of tax assets arising from transfer of tax losses following resolution of a credit institution, within the framework of 'The Resolution of Credit and Other Institutions', to be guaranteed (Note 15),the Company had exercised judgement in applying the guidance of IAS 12 in accounting for this asset item as the most relevant available standard. On the basis of this guidance, the Company had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

For further details on such deferred tax assets refer to Note 15.

5.6 Fair value of investments and derivatives

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

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

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

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

Further details on the fair value of assets and liabilities are disclosed in Note 20.

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

5.7 Retirement benefits

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

Further details on retirement benefits are disclosed in Note 12.

5.8 Classification of properties

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

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

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

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

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

Further information on inputs used is disclosed in Note 20.

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

5.10 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.25 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Company's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by the Company showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

i. For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate, based on the horizon used in the Company's financial plan. The current medium term financial plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
ii. For non cancellable leases, the lease term has been assessed to be the non cancellable period.

iii. For leases with an option for renewal, the Company's past practice regarding the period over which it has typically used properties (whether leased or owned), and its economic reasons for doing so, provide information that is helpful in assessing whether the lessee is reasonably certain to exercise, or not to exercise, an option.

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

Further details on the leases are disclosed in Note 40.

6. Interest income and income similar to interest income

Interest income

	2023	2022
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**512,486**	336,997
- Loans and advances to banks and central banks	**321,646**	42,523
- Reverse repurchase agreements	**3,219**	-
- Debt securities	**55,752**	12,113
- Other financial assets (Note 27)	**19,774**	10,889
Debt securities at FVOCI	**8,433**	9,231
Negative interest on funding from central banks	**-**	18,418
	921,310	430,171

Income similar to interest income

	2023	2022
	€000	€000
Loans and advances to customers measured at FVPL	**16,749**	45,922
Derivative financial instruments	**53,961**	11,156
	70,710	57,078

7. Interest expense and expense similar to interest expense

Interest expense

	2023	2022
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**32,344**	6,472
- Funding from central banks and deposits by banks	**74,393**	7,151
- Debt securities in issue	**19,534**	7,857
- Subordinated liabilities	**19,875**	20,213
Negative interest on loans and advances to banks and balances with central banks	**-**	23,184
Interest expense on lease liabilities	**291**	11
	146,437	64,888

Expense similar to interest expense

	2023	2022
	€000	€000
Derivative financial instruments	**46,412**	14,840

8. Fee and commission income and expense

Fee and commission income

	2023	2022
	€000	€000
Credit-related fees and commissions	**65,940**	62,344
Other banking commissions	**97,176**	112,785
Fees on servicing loans disposed of under Project Helix 3	**646**	5,564
Mutual funds and asset management fees	**3,193**	2,715
Other commissions	**3,289**	3,201
	170,244	186,609

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit-related fees and commissions include commissions from credit card arrangements amounting to €44,442 thousand (2022: €41,551 thousand). Other banking commissions include commissions from payment orders amounting to €26,676 thousand (2022: €27,439 thousand) and account maintenance fees of €29,420 thousand (2022: €29,266 thousand). During the year ended 31 December 2022 liquidity fee (abolished in December 2022) of €15,663 thousand was also included within other banking commissions.

Fee and commission income is further divided into:

Fees earned from services that are provided over time:

	2023	2022
	€000	€000
Credit-related fees and commissions	**26,879**	24,760
Other banking commissions	**44,150**	54,618
Fees on servicing loans disposed of under Project Helix 3	**646**	5,564
Mutual funds and asset management fees	**1,992**	1,772
Other commissions	**-**	241
	73,667	86,955

Fees earned from point in time services:

	2023	2022
	€000	€000
Credit-related fees and commissions	**39,061**	37,584
Other banking commissions	**53,026**	58,167
Mutual funds and asset management fees	**1,201**	943
Other commissions	**3,289**	2,960
	96,577	99,654

Fee and commission expense

	2023	2022
	€000	€000
Banking commissions	**11,923**	14,552
Mutual funds and asset management fees	**343**	309
	12,266	14,861

9. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

10. Net gains/(losses) on financial instruments

	2023	2022
	€000	€000
Trading portfolio:		
- derivative financial instruments	**26**	280
Other investments at FVPL:		
- non-equity securities	**1,041**	4,151
- equity securities	**831**	(12)
Net losses on disposal of FVOCI debt securities	**(438)**	(2,384)
Net losses on balances with Group companies	**(1,347)**	(61,524)
Net gains on loans and advances to customers at FVPL (Note 20)	**2,401**	4,050
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 19)	**(2,211)**	65,427
- hedged items (Note 19)	**4,329**	(62,563)
	4,632	(52,575)

Net losses on balances with Group companies for 2023 of €1,347 thousand relate to net losses from settlement of balances with Group property companies (2022: net losses of €61,524 thousand relate to fair value losses on receivables from Group property companies in Cyprus of €57,399 thousand and net losses from settlement of balances with Group property companies of €4,125 thousand).

11. Other income

	2023	2022
	€000	€000
Dividend income	**131**	83
Profit/(loss) on sale and write-off of property and equipment and intangible assets	**52**	(14)
Rental income from investment properties	**1,382**	1,648
Rental income from stock of property	**73**	74
Net gains on disposal/dissolution of subsidiaries and associates	**1,840**	781
Other income	**3,669**	3,592
	7,147	6,164

Dividend income relates to income from third parties and to Cyprus operations.

The net gains on disposal/dissolution of subsidiaries for the year ended 31 December 2023 relate to the gain on the disposal of the subsidiaries disclosed in Note 47 (2022: net gains relate mainly to the gain on the disposal of the subsidiary Yossi Properties Ltd).

12. Staff costs

Staff costs

	2023	2022
	€000	€000
Salaries	**126,873**	133,033
Employer's contributions to state social insurance	**22,984**	24,447
Variable compensation:	**-**	-
Accrual for short-term incentive award (Note 12.3)	**9,237**	-
Share-based benefits expense (Note 12.2)	**595**	322
Retirement benefit plan costs	**11,489**	11,265
Exit cost and other termination benefits (2022: Voluntary Exit Plan)	**6,787**	98,356
	177,965	267,423

The number of persons employed by the Company as at 31 December 2023 was 2,409 (2022: 2,483).

In 2023 and 2022, staff cost are presented in the Income Statement net of software capitalisation costs, which amounted to €816 thousand for the year ended 31 December 2023 (2022: €1,719 thousand).

During 2023, the Company provided termination benefits to 47 of the Company's full time employees at a total cost of €6,787 thousand. During 2022, the Company completed a VEP through which 542 of the Company's full time employees where approved to leave at a total cost of €98,356 thousand.

12.1 Retirement benefits

In addition to the employer's contributions to state social insurance, the Company operates plans for the provision of additional retirement benefits as described below:

	2023	2022
	€000	€000
Defined benefit plans	**160**	658
Defined contribution plans	**11,329**	10,607
	11,489	11,265

Cyprus
The main retirement plan for the Company's permanent employees in Cyprus (99% of total Company employees) is a defined contribution plan. This plan provided for employer contributions of 9% for 2023 and 8% for 2022 and employee contributions of 3%-10% of the employees' gross salaries for both 2023 and 2022. This plan is managed by an Administrative Committee appointed by the members.

In previous years a small number of employees who did not participate in the main retirement plan, were members of a pension scheme that was closed to new entrants and could have received part or all of their retirement benefit entitlement by way of a pension for life. This plan was managed by an Administrative Committee composed of representatives of the employer. As the last member exited the plan during the year ended 31 December 2022, there was no retirement benefit obligation as at 31 December 2023 and 2022 in relation to this plan.

United Kingdom
The Company has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

12. Staff costs (continued)

12.1 Retirement benefits (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the balance sheet	**2023 €000**	2022 €000
Liabilities (Note 31)	**565**	3,694

As at 31 December 2023, the plan has a total funded status at a surplus of €7,141 thousand (2022: two plans with total funded status at a surplus of €10,739 thousand) that is not recognised as an asset on the basis that the Company has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2023 and 2022 are presented below:

12. Staff costs (continued)

12.1 Retirement benefits (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2023	44,971	(52,017)	(7,046)	10,740	**3,694**
Net interest expense/(income)	2,248	(2,088)	160	-	**160**
Total amount recognised in the income statement	2,248	(2,088)	160	-	**160**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	884	884	-	**884**
Actuarial gain from changes in financial assumptions	1,200	-	1,200	-	**1,200**
Demographic assumptions	(605)	-	(605)	-	**(605)**
Experience adjustments	335	-	335	-	**335**
Asset adjustment	-	1,600	1,600	-	**1,600**
Change in asset ceiling	-	-	-	(4,253)	**(4,253)**
Total amount recognised in OCI	930	2,484	3,414	(4,253)	**(839)**
Exchange differences	893	(1,469)	(576)	654	**78**
Contributions:					
Employer	-	(2,528)	(2,528)	-	**(2,528)**
Benefits paid from the plans	(2,043)	2,043	-	-	**-**
31 December 2023	**46,999**	**(53,575)**	**(6,576)**	**7,141**	**565**

12. Staff costs (continued)

12.1 Retirement benefits (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2022	80,636	(86,098)	(5,462)	5,462	**-**
Current service cost	716	-	716	-	**716**
Net interest expense/(income)	1,397	(1,455)	(58)	-	**(58)**
Total amount recognised in the income statement	2,113	(1,455)	658	-	**658**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	29,523	29,523	-	**29,523**
Actuarial loss from changes in financial assumptions	(30,663)	-	(30,663)	-	**(30,663)**
Demographic assumptions	(721)	-	(721)	-	**(721)**
Experience adjustments	2,587	-	2,587	-	**2,587**
Change in asset ceiling	-	-	-	5,617	**5,617**
Total amount recognised in OCI	(28,797)	29,523	726	5,617	**6,343**
Exchange differences	(4,077)	4,285	208	(339)	**(131)**
Contributions:					
Employer	-	(3,176)	(3,176)	-	**(3,176)**
Benefits paid from the plans	(4,904)	4,904	-	-	**-**
31 December 2022	**44,971**	**(52,017)**	**(7,046)**	**10,740**	**3,694**

12. Staff costs (continued)

12.1 Retirement benefits (continued)

The actual return on plan assets for year 2023 was a gain of €1,669 thousand (2022: loss of €28,012 thousand) mainly due to the increases in bond and equity prices during the year.

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plan, the Company is exposed to a number of risks as outlined below:

Interest rate risk	The Company is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Company faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used to better match the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2023	2022
Equity securities	**5%**	13%
Debt securities	**70%**	59%
Loans and advances to banks	**20%**	6%
Funds	**5%**	22%
	100%	100%

The Company expects to make additional contributions to defined benefit plans of €575 thousand during 2024.

At the end of the reporting period, the average duration of the defined benefit obligations was 14 years (2022: 13.4 years).

12. **Staff costs** (continued)

12.1 **Retirement benefits** (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Company during 2023 and 2022 are set out below:

2023	**Cyprus**	**UK**
Discount rate	**n/a**	**4.75%**
Inflation rate	**n/a**	**3.00%**
Future salary increases	**n/a**	**n/a**
Rate of pension increase	**n/a**	**2.80%**
Life expectancy for pensioners at age 60	**n/a**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**23.0 years M 24.7 years F**
2022		
Discount rate	3.85%	5.00%
Inflation rate	2.50%	3.10%
Future salary increases	2.50%	n/a
Rate of pension increase	n/a	2.90%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a
Life expectancy for pensioners at age 65	n/a	23.0 years M 24.7 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date of high quality corporate bonds of suitable maturity and currency. For the Company's plan in the UK which comprises 100% of the defined benefit obligations, the Company adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Company, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2023 and 2022 is presented below:

	2023		2022	
Variable	**Change +0.5%**	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-6.6%**	**6.9%**	-6.5%	6.9%
Inflation growth rate	**3.8%**	**-3.8%**	3.2%	-3.8%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**4.7%**	**-4.7%**	4.4%	-4.4%

12. Staff costs (continued)

12.1 Retirement benefits (continued)

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

12.2 Share-based compensation plan

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

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

The maximum number of shares that may be issued pursuant to the LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of BOCH, as at the date of the resolution (being 22,309,996 ordinary shares of €0.10 each), as adjusted for any issuance or cancellation of shares subsequently to the date of the resolution (excluding any issuances of shares pursuant to the LTIP).

Under the LTIP the following share awards were granted as of 31 December 2023:

On 3 October 2023 (grant date) 479,160 share awards were granted by BOCH to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period 2023-2025 (with all performance conditions being non-market performance conditions).

On 22 December 2022 (grant date) 819,860 share awards were granted by BOCH to 22 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three-year performance period 2022-2024 (with all performance conditions being non-market performance conditions).

Each of the share awards granted thereon vest in six tranches, with the first tranche vesting in the year following the year the performance period ends and the last tranche vesting on the fifth anniversary of the first vesting date. Vesting is also subject to service conditions. Awards are subject to potential forfeiture under certain leaver scenarios.

The following table presents movements in outstanding share-based awards during 2023 and 2022.

12. Staff costs (continued)

12.2 Share-based compensation plan (continued)

	2023		2022	
	Number of shares	**Weighted average grant date fair value**	Number of shares	Weighted average grant date fair value
		€		€
As at 1 January	**819,860**	**1.69**	-	-
Granted during the year	**479,160**	**2.95**	819,860	1.69
Vested during the year	**-**	**-**	-	-
Forfeited during the year	**(89,984)**	**n/a**	-	n/a
31 December	**1,209,036**		819,860	

As at 31 December 2023 the weighted average share price for forfeitures is €1.85.

Assumptions

The fair value calculations as of the granting date for each of the share awards are calculated using Black-Scholes model. As the award is a share award (and does not contain any market based performance conditions) the fair value is based on the share price at the date of the grant.

12.3 Short-term incentive plan

Short-term Incentive Plan
Short-term incentive award refers to a Short-term Incentive Plan established by BOCH in 2023 that applies across the Group. This involves variable remuneration in the form of cash to selected employees, and is driven by both delivery of the BOCH Group's Strategy, as well as individual performance, in the relevant year. Executive Management are also eligible to be considered for the short-term incentive award. The short-term incentive award is generally paid in cash and is non-deferred, however, in cases where the amount exceeds a specified threshold as per regulatory guidelines, 50% of the award is awarded in shares and 50% in cash. In cases the award for an individual comprises both a cash and a share component then the award vests, similarly to LTIP vesting, i.e., 40% vests in the year following the performance year to which the incentive award relates to, and the remaining 60% vests in tranches (12%) over five years.

Shares vesting as part of the short-term incentive award are subject to one-year retention period and 100% of the award is subject to clawback provisions.

For the short-term incentive award for the performance year 2023 only an amount of €250 thousand is to be granted in the form of shares and the rest amount is awarded in cash. Further information on the amounts awarded under the short-term incentive award for the performance year 2023 to Executive Directors and other key management personnel is disclosed in Note 46.

13. Other operating expenses

	2023	2022
	€000	€000
Repairs and maintenance expenses	**27,201**	28,610
Property-related costs	**10,167**	11,570
Consultancy, legal and other professional services fees	**15,848**	17,001
Insurance	**5,329**	6,174
Advertising and marketing	**7,966**	8,540
Incentives to performing customers	**2,500**	-
Depreciation of property and equipment (Note 24)	**11,468**	12,212
Amortisation of intangible assets (Note 25)	**12,618**	14,405
Communication expenses	**5,235**	5,462
Printing and stationery	**1,564**	1,542
Cash transfer expenses	**3,192**	2,953
Other operating expenses	**30,813**	17,845
	133,901	126,314
Advisory and other transformation costs	**2,253**	14,136
	136,154	140,450

Advisory and other transformation costs comprise mainly fees to external advisors in relation to the transformation program and other strategic projects of the Company.

During the year ended 31 December 2023, the Company recognised €5,874 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2022: €5,988 thousand) (Note 40).

Incentives to performing customers of €2,500 thousand during the year ended 31 December 2023 (2022: nil) relate to the Reward Programme launched in June 2023 to reward performing borrowers through the Antamivi reward scheme.

Within total other operating expenses an amount of €521 thousand (2022: €533 thousand) relates to investment property that generated rental income.

Special levy on deposits and other levies/contributions as presented in the income statement are set out below:

	2023	2022
	€000	€000
Special levy on deposits of credit institutions in Cyprus	**23,300**	21,499
Single Resolution Fund contribution	**5,477**	5,779
Guarantee fee on annual deferred tax credit (Note 15)	**5,364**	4,795
Contribution to Deposit Guarantee Fund	**8,239**	6,419
	42,380	38,492

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the charge of the Special Levy up to the level of the total annual Special Levy charge.

13. Other operating expenses (continued)

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

Fees to the independent auditors of the Company, for audit and other professional services provided are presented in the table below:

	PwC Cyprus		**PwC Network firms**	
	2023	2022	**2023**	2022
	€000	€000	**€000**	€000
Audit of the individual and the Group financial statements	**1,065**	936	**301**	291
Other assurance services	**355**	292	**140**	86
Tax advisory services	**74**	122	**12**	12
Other non-assurance services	**175**	131	**127**	31
	604	545	**279**	129
	1,669	1,481	**580**	420

14. Credit losses on financial assets and impairment net of reversals of non-financial assets

Credit losses on financial assets	**2023 €000**	2022 €000
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers (Note 42.5)	**81,670**	63,595
Recoveries of loans and advances to customers previously written off	**(15,057)**	(11,919)
Changes in expected cash flows	**4,824**	7,948
Financial guarantees and commitments (Note 42.6)	**1,763**	(4,516)
	73,200	55,108
Credit losses of other financial instruments		
Amortised cost debt securities (Note 18)	**(531)**	701
FVOCI debt securities (Note 18)	**(376)**	(23)
Balances with Group companies (Note 22)	**(4,468)**	7,353
Loans and advances to banks (Note 17)	**14**	(48)
Balances with central banks (Note 17)	**330**	193
Reverse repurchase agreements	**20**	-
Other financial assets (Note 27)	**1,146**	72
	(3,865)	8,248
	69,335	63,356

Impairment net of reversals on non-financial assets	**2023 €000**	2022 €000
Stock of property (Note 26)	**11,913**	6,118
Investments in subsidiaries (Note 47)	**57,623**	2,632
Other non-financial assets	**62**	(10)
	69,598	8,740

The impairment of investment in subsidiaries for 2023 amounts to €57,623 thousand (2022: €2,632 thousand) and represents the difference between the carrying value of the investment in the subsidiary companies compared to their recoverable amount and arises primarily on property companies subsidiaries.

The impairment of balances with Group companies which are measured at amortised cost is computed following the same ECL principles adopted by the Group in preparing the Consolidated Financial Statements of the Group.

15. Income tax

	2023 €000	2022 €000
Current tax	**40,029**	25,450
Cyprus special defence contribution	**15**	29
Deferred tax charge/(credit)	**25,990**	(575)
Other tax charges	**237**	-
Prior years' tax adjustments	**-**	1,723
	66,271	26,627

15. Income tax (continued)

The reconciliation between the income tax expense and the profit before tax as estimated using the current income tax rates is set out below:

	2023	2022
	€000	€000
Profit before tax	**576,086**	67,572
Income tax at the normal tax rates in Cyprus	**72,011**	8,447
Income tax effect of:		
- expenses not deductible for income tax purposes	**12,577**	31,846
- income not subject to income tax	**(15,152)**	(15,418)
- other allowable deductions	**(3,417)**	-
	66,019	24,875
Prior years' tax adjustments	**-**	1,723
Cyprus special defence contribution	**15**	29
Other tax charges	**237**	-
	66,271	26,627

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2022: 12.5%).

Special defence contribution is payable on rental income at a rate of 3% (2022: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2022: 30%).

The Company’s profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2023 were: Greece 22% (2022: 22%).

The Company is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Company’s income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Company has a number of open income tax returns with various income tax authorities and liabilities relating to these judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should be transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date, however it is expected to be enacted within 2024. The Bank of Cyprus Holdings Group expects to be in scope of the draft legislation and has performed an initial assessment of the potential impact of Pillar Two income taxes and is currently estimated to be in the range of up to 2% of profit before tax. However, the actual impact will depend on the Bank of Cyprus Holdings Group’s consolidated income statement variables at the time of implementation. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be implemented, the impact of this reform is still being examined and the Bank of Cyprus Holdings Group will further refine the quantification in view of the first accounting recognition of the additional tax charge in the Company's accounts in 2024.

15. Income tax (continued)

Deferred tax

The net deferred tax assets arise from:

	2023	2022
	€000	€000
Difference between capital allowances and depreciation	**(9,067)**	(9,349)
Own property revaluation	**(13,569)**	(10,295)
Stock of property and investment properties	**10,389**	-
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**189,546**	227,455
Other temporary differences (net)	**1,248**	-
Net deferred tax assets	**178,547**	207,811

The net deferred tax assets comprise:

	2023	2022
	€000	€000
Deferred tax assets	**201,183**	227,455
Deferred tax liabilities	**(22,636)**	(19,644)
Net deferred tax assets	**178,547**	207,811

The deferred tax assets (DTA) relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	2023	2022
	€000	€000
1 January	**207,811**	244,929
Deferred tax recognised in the income statement - tax (charge)/credit	**(25,990)**	575
Deferred tax recognised in the statement of comprehensive income - tax (charge)/credit	**(3,274)**	216
Transfer to current tax receivables following conversion into tax credit	**-**	(37,909)
31 December	**178,547**	207,811

The Company offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

The analysis of the net deferred tax charge/(credit) recognised in the income statement is set out below:

	2023	2022
	€000	€000
Difference between capital allowances and depreciation	**(282)**	(575)
Temporary differences on valuation of investment properties and stock of property	**(10,389)**	-
Utilisation of annual instalment of acquired tax losses	**37,909**	-
Other temporary differences	**(1,248)**	-
	25,990	(575)

15. **Income tax** (continued)

The analysis of the net deferred tax charge/(credit) recognised in other comprehensive income in the statement of comprehensive income is set out below:

	2023	2022
	€000	€000
Temporary differences on own property revaluation	**3,274**	(216)

Income Tax Law Amendment 28 (I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

The main provisions of the legislation are set out below:

i. The amendments allow for the conversion of specific tax losses into tax credits.
ii. The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.
iii. The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition.
iv. Acquired tax losses are converted into 15 equal annual instalments or into 11 equal annual instalments for acquired losses from credit institutions which were in resolution pre 31 December 2017.
v. Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
vi. Any amount of the annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
vii. In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
viii. In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
ix. A guarantee fee on annual tax credit is payable annually by the credit institution to the Government.

In response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government has proceeded with the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already provided for in the Law, to maintain the conversion of such DTAs into tax credits. The relevant amendments were voted by the Cyprus Parliament in May 2022 and have become effective since. As prescribed by the amendments in the Law, the annual fee is to be determined by the Cyprus Government on an annual basis, providing however, for such fee charge to be set at a minimum fee of 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e., in 2022).

The Company has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 relating to income tax losses transferred to the Company as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million (corresponding to €3.3 billion tax losses) for which the Company paid a consideration as part of the respective acquisition. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e., by end of 2028.

15. Income tax (continued)

As a result of the above Law, the Company has DTA amounting to €189,546 thousand as at 31 December 2023 (2022: €227,455 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is either converted to annual tax credit and is reclassified from the DTA to current tax receivables or it is used in the determination of the taxable income of the relevant year, as the annual instalment can be claimed as a deductible expense in which case the annual instalment is reflected as a charge in the income statement.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.11 of the Consolidated Financial Statements of the Group for the year ended 31 December 2023.

The Company in prior years, in anticipation of modifications in the Law, acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The Company estimates that such fees could range up to €5,300 thousand per year (for each tax year in scope i.e., since 2018) although the Company understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. An amount of €5,364 thousand that relates to the tax credit of year 2023 (2022: €4,795 thousand) was recorded during the year ended 31 December 2023. In the third quarter of 2022, the Company has been levied an amount for years 2018-2021 within the provisions level maintained.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

	Total income tax losses	Income tax losses for which a deferred tax asset was recognised	Income tax losses for which no deferred tax asset was recognised
2023	**€000**	**€000**	**€000**
Expiring within 5 years	**44,261**	**-**	**44,261**
Utilisation in annual instalments up to 2028	**1,516,364**	**1,516,364**	**-**
	1,560,625	**1,516,364**	**44,261**
2022			
Expiring within 5 years	44,261	-	44,261
Utilisation in annual instalments up to 2028	1,819,636	1,819,636	-
	1,863,897	1,819,636	44,261

16. Earnings per share

Basic and diluted profit per share attributable to the owners of the Company	2023	2022
Profit for the year attributable to the owners of the Company (€ thousand)	**509,815**	40,945
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**9,597,945**	9,597,945
Basic and diluted profit per share (€ cent)	**5.3**	0.4

17. Cash, balances with central banks and loans and advances to banks

	2023	2022
	€000	€000
Cash	**92,509**	91,707
Balances with central banks	**9,522,335**	9,475,581
Allowance for expected credit losses	**(523)**	(193)
	9,614,321	9,567,095

Loans and advances to banks	**353,105**	166,697
Allowance for expected credit losses	**(22)**	(8)
	353,083	166,689

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2023	2022
Gross carrying amount	**€000**	€000
1 January	**9,475,581**	9,087,815
Net increase	**46,754**	387,766
31 December	**9,522,335**	9,475,581

Balances with central banks are classified as Stage 1.

The ECL charge (Note 14) on balances with central banks for the year ended 31 December 2023 amounted to €330 thousand (2022: €193 thousand).

An analysis of the movement of the gross carrying amount before ECL and the ECL of loans and advances to banks is presented in the table below:

	2023		2022	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**166,697**	**(8)**	247,749	(56)
Net increase/(decrease)	**186,408**	**-**	(81,052)	-
Changes to models and inputs used for ECL calculation (Note 14)	**-**	**(14)**	-	48
31 December	**353,105**	**(22)**	166,697	(8)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes which amount to €59,179 thousand as at 31 December 2023 (2022: €114,537 thousand) (Note 39). The average balance of obligatory deposits that should be maintained with central banks was set at €186,794 thousand for the period of December 2023 to January 2024 (2022: €187,280 thousand for the period December 2022 to February 2023).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 42.11.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

18. Investments

The analysis of the Company's Investments is presented in the table below:

	2023	2022
	€000	€000
Investments at FVPL	**3,123**	8,712
Investments at FVOCI	**433,901**	456,598
Investments at amortised cost	**3,116,714**	2,046,119
	3,553,738	2,511,429

Out of these, the amounts pledged as collateral are shown below:

	2023	2022
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**25,458**	60,974
Investments at amortised cost	**234,553**	223,369
	260,011	284,343

Investments pledged as collateral as at 31 December 2023 and 2022 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) (Note 28). Encumbered assets are disclosed in Note 44.

The maximum exposure to credit risk for debt securities is disclosed in Note 42.1 and the debt securities price risk sensitivity analysis is disclosed in Note 43.

The increase in the investment portfolio as at 31 December 2023 is consistent with the strategy of the Company to prudently grow the fixed income portfolio.

The credit rating analysis of investments is disclosed in Note 42.11.

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2023	2022
	€000	€000
Other non-equity securities	**2,286**	7,870
Equity securities	**837**	842
	3,123	8,712

Investments at FVOCI

	2023	2022
	€000	€000
Debt securities	**424,230**	446,416
Equity securities	**9,671**	10,182
	433,901	456,598

18. **Investments** (continued)

Investments at amortised cost

	2023	2022
	€000	€000
Debt securities	**3,116,714**	2,046,119

Further analysis of the Company's investments is provided in the tables below.

Equity securities

2023	**FVPL** €000	**FVOCI** €000	**Total** **€000**
Listed on the Cyprus Stock Exchange	-	722	**722**
Listed on other stock exchanges	837	58	**895**
Unlisted	-	8,891	**8,891**
	837	**9,671**	**10,508**

2022	**FVPL** €000	**FVOCI** €000	**Total** **€000**
Listed on the Cyprus Stock Exchange	-	1,329	**1,329**
Listed on other stock exchanges	842	68	**910**
Unlisted	-	8,785	**8,785**
	842	**10,182**	**11,024**

The Company irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €9,671 thousand at 31 December 2023 and is equal to their fair value (2022: €10,182 thousand).

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

Dividend income amounting to €131 thousand has been received and recognised for 2023 in other income (2022: €83 thousand) (Note 11).

During the year ended 31 December 2023 holdings of an equity investment measured at FVOCI with a carrying value of €702 thousand have been disposed of (2022: no material equity investments measured at FVOCI have been disposed of). During the year ended 31 December 2022, there were transfers from OCI to retained earnings of €412 thousand relating to investments disposed of in prior years.

Debt securities and other non-equity securities

Analysis by issuer type	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
2023	€000	€000	€000	**€000**
Cyprus government	-	313,749	610,781	**924,530**
Other governments	-	10,316	751,247	**761,563**
Financial institutions	-	81,727	1,046,184	**1,127,911**
Other financial corporations	2,286	-	47,477	**49,763**
Supranational organisations	-	18,438	550,394	**568,832**
Other non-financial corporations	-	-	110,631	**110,631**
	2,286	**424,230**	**3,116,714**	**3,543,230**

18. Investments (continued)

2022	FVPL €000	FVOCI €000	Amortised cost €000	Total €000
Cyprus government	-	308,303	521,322	**829,625**
Other governments	-	22,616	402,844	**425,460**
Financial institutions	-	115,497	722,522	**838,019**
Other financial corporations	7,870	-	36,547	**44,417**
Supranational organisations	-	-	293,834	**293,834**
Other non-financial corporations	-	-	69,050	**69,050**
	7,870	**446,416**	**2,046,119**	**2,500,405**

Geographic dispersion by country of issuer **2023**	FVPL €000	FVOCI €000	Amortised cost €000	Total €000
Cyprus	-	313,749	621,162	**934,911**
Greece	-	18,726	60,297	**79,023**
Germany	-	-	210,507	**210,507**
France	-	31,659	283,235	**314,894**
Other European Union countries	-	19,472	741,157	**760,629**
United Kingdom	-	-	18,089	**18,089**
USA and Canada	2,286	-	273,447	**275,733**
Other countries	-	22,186	358,426	**380,612**
Supranational organisations	-	18,438	550,394	**568,832**
	2,286	**424,230**	**3,116,714**	**3,543,230**

2022	FVPL €000	FVOCI €000	Amortised cost €000	Total €000
Cyprus	-	308,303	531,611	**839,914**
Greece	-	14,987	43,276	**58,263**
Germany	-	-	121,132	**121,132**
France	-	58,134	162,405	**220,539**
Other European Union countries	-	32,442	370,728	**403,170**
United Kingdom	-	-	23,128	**23,128**
USA and Canada	7,870	4,959	238,802	**251,631**
Other countries	-	27,591	261,203	**288,794**
Supranational organisations	-	-	293,834	**293,834**
	7,870	**446,416**	**2,046,119**	**2,500,405**

'Other countries' include exposures in Israel amounting to €46,715 thousand as at 31 December 2023 (2022: €58,642 thousand).

18. Investments (continued)

Listing analysis	FVPL	FVOCI	Amortised cost	Total
2023	€000	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	-	4,566	**4,566**
Listed on other stock exchanges	-	424,230	3,112,148	**3,536,378**
Unlisted	2,286	-	-	**2,286**
	2,286	**424,230**	**3,116,714**	**3,543,230**

	FVPL	FVOCI	Amortised cost	Total
2022	€000	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	-	29,849	**29,849**
Listed on other stock exchanges	-	446,416	2,016,270	**2,462,686**
Unlisted	7,870	-	-	**7,870**
	7,870	**446,416**	**2,046,119**	**2,500,405**

The Company uses fair value hedging to manage the interest rate risk in relation to its FVOCI bonds (Note 19).

An analysis of the movement of the gross debt securities at FVOCI before ECL and the ECL of debt securities is presented in the table below:

	2023		2022	
	Gross debt securities	**ECL**	Gross debt securities	ECL
	€000	**€000**	€000	€000
1 January	**447,073**	**(657)**	724,439	(680)
New assets acquired in the year	**72,080**	**-**	27,972	-
Assets derecognised and redeemed in the year (Note 14)	**(115,687)**	**39**	(243,539)	35
Interest accrued and amortisation	**(1,728)**	**-**	(6,119)	-
Foreign exchange adjustments	**(640)**	**-**	11,190	-
Changes to models and inputs used for ECL calculations (Note 14)	**-**	**337**	-	(12)
Changes in fair value	**23,413**	**-**	(66,870)	-
31 December	**424,511**	**(281)**	**447,073**	**(657)**

All debt securities measured at FVOCI are classified as Stage 1.

18. **Investments** (continued)

An analysis of the movement of the gross carrying amount before ECL of the debt securities at amortised cost by staging is presented in the table below:

	2023			2022		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**2,047,638**	**-**	**2,047,638**	1,143,533	48,559	1,192,092
New assets acquired in the year	**1,472,417**	**-**	**1,472,417**	1,073,058	-	1,073,058
Assets derecognised and/or redeemed in the year	**(428,958)**	**-**	**(428,958)**	(164,874)	(47,100)	(211,974)
Fair value due to hedging relationship	**2,674**	**-**	**2,674**	(10,527)	(197)	(10,724)
Interest accrued and amortisation	**31,326**	**-**	**31,326**	(179)	(1,262)	(1,441)
Foreign exchange adjustments	**(7,395)**	**-**	**(7,395)**	6,627	-	6,627
31 December	**3,117,702**	**-**	**3,117,702**	2,047,638	-	2,047,638

An analysis of changes on the respective ECL is presented in the table below:

	2023			2022		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(1,519)**	**-**	**(1,519)**	(722)	(96)	(818)
Assets derecognised and/or redeemed (Note 14)	**102**	**-**	**102**	11	96	107
Changes to models and inputs used for ECL calculation (Note 14)	**429**	**-**	**429**	(808)	-	(808)
31 December	**(988)**	**-**	**(988)**	(1,519)	-	(1,519)

There were no reclassifications of investments during the years ended 31 December 2023 and 2022.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €722 thousand at 31 December 2023 (2022: €1,329 thousand). The fair value loss that would have been recognised in the income statement during the year ended 31 December 2023 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €68 thousand (2022: €417 thousand).

19. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2023			2022		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**23,960**	**205**	**184**	13,239	103	123
Currency swaps	**987,459**	**137**	**13,278**	1,251,581	293	10,316
Interest rate swaps	**13,460**	**189**	**181**	14,806	437	420
Currency options	**44**	**2**	**42**	352	287	65
Interest rate caps/floors	**166,075**	**1,843**	**1,844**	171,864	3,094	3,094
	1,190,998	**2,376**	**15,529**	1,451,842	4,214	14,018
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**1,401,531**	**48,679**	**2,451**	803,513	43,939	2,151
Total	**2,592,529**	**51,055**	**17,980**	2,255,355	48,153	16,169

The use of derivatives is an integral part of the Company's activities. Derivatives are used to manage the Company's own exposure to fluctuations in interest rates and foreign currency exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Company sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 43. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Company converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Company converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 43. In order to manage the risk, the Company hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

19. Derivative financial instruments (continued)

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Company's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the balance sheet, but does not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Company's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign currency exchange rates, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Company elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The Company applies hedge accounting using derivatives when the required criteria for hedge accounting are met. The Company also uses derivatives for economic hedging (hedging the changes in interest rates, foreign currency exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the income statement.

Fair value hedges
The Company uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI as well as on debt securities in issue and subordinated liabilities.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the hedged item in relation to the risk being hedged are recognised in the income statement.

19. Derivative financial instruments (continued)

	Gains/(losses) attributable to hedged risk		Hedge in-effectiveness
2023	**Hedged items**	**Hedging instruments**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	**4,329**	**(2,211)**	**2,118**
Total	**4,329**	**(2,211)**	**2,118**
2022			
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	(62,563)	65,427	(2,864)
Total	**(62,563)**	**65,427**	**(2,864)**

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
2023	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities - investments	439,043	-	(43,441)	-
-debt securities in issue	-	671,632	-	(9,421)
- subordinated liabilities	-	308,049	-	(4,237)
Total	**439,043**	**979,681**	**(43,441)**	**(13,658)**
2022				
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities - investments	468,396	-	(66,555)	-
-debt securities in issue	-	297,636	-	4,853
Total	**468,396**	**297,636**	**(66,555)**	**4,853**

For assets hedged using fair value hedges the fixed rate is 2.05% and the floating rate is 3.98% as at 31 December 2023 (2022: 1.84% and 1.20% respectively). For liabilities hedged using fair value hedges, the average fixed rate is 5.44% and the average floating rate is 5.96% as at 31 December 2023 (2022: 0.62% and 0.25% respectively).

19. Derivative financial instruments (continued)

The maturity of the Company's contract amount of the derivatives is presented in the table below:

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total contract amount €000
Trading derivatives						
Forward exchange rate contracts	9,734	9,657	4,569	-	-	**23,960**
Currency swaps	854,163	132,603	693	-	-	**987,459**
Interest rate swaps	-	4,372	9,088	-	-	**13,460**
Currency options	44	-	-	-	-	**44**
Interest rate caps/floors	-	-	-	166,075	-	**166,075**
	863,941	**146,632**	**14,350**	**166,075**	**-**	**1,190,998**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	15,000	56,031	1,166,000	164,500	**1,401,531**
Total	**863,941**	**161,632**	**70,381**	**1,332,075**	**164,500**	**2,592,529**

19. Derivative financial instruments (continued)

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	Total contract amount €000
Trading derivatives						
Forward exchange rate contracts	1,649	9,138	2,452	-	-	**13,239**
Currency swaps	1,112,362	139,219	-	-	-	**1,251,581**
Interest rate swaps	-	-	-	14,806	-	**14,806**
Currency options	352	-	-	-	-	**352**
Interest rate caps/floors	-	-	-	154,173	17,691	**171,864**
	1,114,363	**148,357**	**2,452**	**168,979**	**17,691**	**1,451,842**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	23,416	17,000	42,200	486,397	234,500	**803,513**
Total	**1,137,779**	**165,357**	**44,652**	**655,376**	**252,191**	**2,255,355**

20. Fair value measurement

The following table presents the carrying value and fair value of the Company's financial assets and liabilities.

	2023		2022	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,614,321**	**9,614,321**	9,567,095	9,567,095
Loans and advances to banks	**353,083**	**339,136**	166,689	153,995
Investments at FVPL	**3,123**	**3,123**	8,712	8,712
Investments at FVOCI	**433,901**	**433,901**	456,598	456,598
Investments at amortised cost	**3,116,714**	**3,119,618**	2,046,119	1,953,336
Reverse repurchase agreements	**403,199**	**411,654**	-	-
Derivative financial assets	**51,055**	**51,055**	48,153	48,153
Loans and advances to customers	**9,821,533**	**9,971,977**	9,952,921	10,011,393
Balances with Group companies	**28,327**	**28,327**	566,125	566,125
Other financial assets	**347,776**	**366,134**	367,490	421,430
	24,173,032	**24,339,246**	23,179,902	23,186,837
Financial liabilities				
Funding from central banks and deposits by banks	**2,507,198**	**2,464,737**	2,478,055	2,393,303
Derivative financial liabilities	**17,980**	**17,980**	16,169	16,169
Customer deposits	**19,336,915**	**19,300,867**	18,998,319	18,963,934
Balances with Group companies	**111,087**	**111,087**	97,513	97,513
Debt securities in issue	**671,632**	**655,428**	297,636	254,179
Subordinated liabilities	**308,049**	**300,098**	303,812	265,472
Other financial liabilities and lease liabilities	**195,568**	**195,568**	193,640	193,640
	23,148,429	**23,045,765**	22,385,144	22,184,210

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Company uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant impact on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant impact on fair value are not based on market observable data.

Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

For assets and liabilities that are recognised in the Financial Statements at fair value, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

20. Fair value measurement (continued)

The following table presents the fair value measurement hierarchy of the Company's financial assets and financial liabilities recorded at fair value and financial assets and financial liabilities for which fair value is disclosed, by level of the fair value hierarchy:

2023	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	5,933	**5,933**
Offices and other commercial properties	-	-	8,163	**8,163**
Manufacturing and industrial properties	-	-	8,560	**8,560**
	-	-	22,656	**22,656**
Freehold property				
Offices and other commercial properties	-	-	192,941	**192,941**
Loans and advances to customers measured at FVPL	-	-	138,727	**138,727**
Trading derivatives				
Forward exchange rate contracts	-	205	-	**205**
Currency swaps	-	137	-	**137**
Interest rate swaps	-	189	-	**189**
Currency options	-	2	-	**2**
Interest rate caps/floors	-	1,843	-	**1,843**
	-	2,376	-	**2,376**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	48,679	-	**48,679**
Investments at FVPL	837	-	2,286	**3,123**
Investments at FVOCI	425,010	-	8,891	**433,901**
	425,847	**51,055**	**365,501**	**842,403**
Other financial assets not measured at fair value				
Loans and advances to banks	-	339,136	-	**339,136**
Balances with Group companies	-	-	28,327	**28,327**
Investments at amortised cost	2,958,793	160,825	-	**3,119,618**
Reverse repurchase agreements	-	411,654	-	**411,654**
Loans and advances to customers	-	-	9,833,250	**9,833,250**
	2,958,793	**911,615**	**9,861,577**	**13,731,985**

The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2023 is 7.56% (2022: 2.66%-4.86%). The increase in the discount rate reflects the rising interest rate environment. The discount rate at the low-end range used in the determination of the fair value of the loans and advances to customers measured at FVPL during the year ended 31 December 2022 relates to loans and advances to customers with a carrying value of €67,937 thousand as at 31 December 2022, which have been derecognized in the year ended 31 December 2023.

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €2,714 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €622 thousand in their fair value.

20. Fair value measurement (continued)

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €2,286 thousand as at 31 December 2023, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €229 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 43.

2023	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	184	-	**184**
Currency swaps	-	13,278	-	**13,278**
Interest rate swaps	-	181	-	**181**
Currency options	-	42	-	**42**
Interest rate caps/floors	-	1,844	-	**1,844**
	-	15,529	-	**15,529**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,451	-	**2,451**
	-	**17,980**	**-**	**17,980**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,043,868	-	**2,043,868**
Deposits by banks	-	420,869	-	**420,869**
Customer deposits	-	-	19,300,867	**19,300,867**
Balances with Group companies	-	-	111,087	**111,087**
Debt securities in issue	655,428	-	-	**655,428**
Subordinated liabilities	-	300,098	-	**300,098**
	655,428	**2,764,835**	**19,411,954**	**22,832,217**

20. Fair value measurement (continued)

2022	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets measured at fair value				
Investment properties				
Residential	-	-	9,045	9,045
Offices and other commercial properties	-	-	8,470	8,470
Manufacturing and industrial properties	-	-	8,836	8,836
	-	-	26,351	26,351
Freehold property				
Offices and other commercial properties	-	-	164,593	164,593
Loans and advances to customers measured at FVPL	-	-	214,359	214,359
Trading derivatives				
Forward exchange rate contracts	-	103	-	103
Currency swaps	-	293	-	293
Interest rate swaps	-	437	-	437
Currency options	-	287	-	287
Interest rate caps/floors	-	3,094	-	3,094
	-	4,214	-	4,214
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43,939	-	43,939
Investments at FVPL	842	-	7,870	8,712
Investments at FVOCI	447,745	-	8,853	456,598
Balances with Group companies	-	-	532,793	532,793
	448,587	48,153	954,819	1,451,559
Other financial assets not measured at fair value				
Loans and advances to banks	-	153,995	-	153,995
Balances with Group companies	-	-	33,332	33,332
Investments at amortised cost	1,871,757	69,300	12,279	1,953,336
Loans and advances to customers	-	-	9,797,034	9,797,034
	1,871,757	223,295	9,842,645	11,937,697

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,538 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,145 thousand in their fair value.

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €7,870 thousand as at 31 December 2022, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €787 thousand.

20. Fair value measurement (continued)

2022	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	123	-	123
Currency swaps	-	10,316	-	10,316
Interest rate swaps	-	420	-	420
Currency options	-	65	-	65
Interest rate caps/floors	-	3,094	-	3,094
	-	14,018	-	14,018
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,151	-	2,151
	-	16,169	-	16,169
Other financial liabilities not measured at fair value				
Funding from central banks	-	1,944,145	-	1,944,145
Deposits by banks	-	449,158	-	449,158
Customer deposits	-	-	18,963,934	18,963,934
Balances with Group companies	-	-	97,513	97,513
Debt securities in issue	254,179	-	-	254,179
Subordinated liabilities	-	265,472	-	265,472
	254,179	2,658,775	19,061,447	21,974,401

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets, other than the deferred purchase payment consideration (Note 27), and other financial liabilities is a close approximation of their fair value and they are categorised as Level 3.

During the years ended 31 December 2023 and 2022 there were no significant transfers between Level 1 and Level 2.

20. **Fair value measurement** (continued)

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid and consequently, the Company requires significant unobservable inputs to calculate their fair value.

The movement in Level 3 financial assets which are measured at fair value is presented below:

	2023					2022					
	Investment properties	**Own use properties**	**Loans and advances to customers**	**Financial instruments**	**Balances with Group Companies**	Investment properties	Investment properties held for sale	Own use properties	Loans and advances to customers	Financial instruments	Balances with Group Companies
	€000	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000	€000
1 January	**26,351**	**164,593**	**214,359**	**16,723**	**532,793**	34,125	3,571	162,941	281,868	12,563	632,925
Additions	**30**	**822**	**-**	**-**	**2,456**	405	-	3,066	-	6,366	65,210
Disposals	**(4,163)**	**-**	**-**	**-**	**-**	(7,731)	(3,571)	-	-	(500)	-
Transfers from own use properties to investment properties (Note 24)	**798**	**(798)**	**-**	**-**	**-**	-	-	-	-	-	-
Net losses on balances with Group companies (Note 10)	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	(57,399)
Net transfers to stock of property	**-**	**(2,743)**	**-**	**-**	**-**	-	-	-	-	-	-
Contribution from subsidiary	**-**	**20,570**	**-**	**-**	**-**	-	-	-	-	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	**(6,521)**	**-**	-	-	-	-	-	-
Depreciation charge for the year	**-**	**(1,419)**	**-**	**-**	**-**	-	-	(1,414)	-	-	-
Fair value (losses)/gains	**(360)**	**11,916**	**-**	**1,079**	**-**	(448)	-	-	-	(1,723)	-
Net gains on loans and advances to customers measured at FVPL (Note 10)	**-**	**-**	**2,401**	**-**	**-**	-	-	-	4,050	-	-
Repayments/derecognition of loans/loans to subsidiaries	**-**	**-**	**(89,522)**	**-**	**(540,509)**	-	-	-	(82,522)	-	(142,855)
Interest on loans	**-**	**-**	**11,489**	**-**	**5,260**	-	-	-	10,963	-	34,912
Foreign exchange adjustments	**-**	**-**	**-**	**(104)**	**-**	-	-	-	-	17	-
31 December	**22,656**	**192,941**	**138,727**	**11,177**	**-**	26,351	-	164,593	214,359	16,723	532,793

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties, investment properties held for sale and own use properties

The valuation technique mainly applied by the Company is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Company also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties and own use properties are presented in the tables below:

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2023	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	2,024	€41-€98	€1,090-€1,673	4.5%-5.5%	€380-€2,338	€130-€380	607-725	89-594	10-58
Greece	3,909	€6-€113	€164-€2,961	2%-9.4%	€46-€1,878	€16-€1,910	24-5,147	51-825	16-51
	5,933								
Offices and other commercial properties									
Cyprus	5,091	€36-€183	€470	4%-6%	€578-€2,616	€150-€1,000	348-1,114	37-1,107	11-68
Greece	3,072	€9-€219	€193-€1,404	4.9%-8.8%	€72-€3,648	€261-€289	100-8,582	6-4,692	19-65
	8,163								
Manufacturing and industrial									
Cyprus	1,630	€41-€67	n/a	5.5%	€506-€1,106	n/a	2,202-6,320	743-1,608	n/a
Greece	6,930	€1-€99	€172-€684	4.4%-10.4%	€12-€439	€10-€191	57-34,495	349-5,858	14-85
	8,560								
Total	**22,656**								

Analysis of own use properties

Type and country	2023	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	192,941	€30-€315	€1,063-€3,162	6%-6.5%	€475-€5,254	€150-€1,700	390-51,947	210-24,035	20-100
Total	**192,941**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2022	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**						**m²**	**m²**	**Years**
Cyprus	4,911	€37-€93	€185-€1,673	5%-7%	€427-€2,338	€130-€650	134-1,203	89-1,420	10-104
Greece	4,134	€6-€115	€164-€2,115	2%-7.1%	€45-€1,892	€7-€4,017	24-5,147	51-825	11-50
	9,045								
Offices and other commercial properties									
Cyprus	5,470	€36-€136	€470	4%-5.5%	€520-€1,915	€150	348-1,203	37-1,420	9-67
Greece	3,000	€19-€381	€193-€3,548	5.4%-10.5%	€72-€3,638	€142-€265	100-8,582	6-4,692	18-64
	8,470								
Manufacturing and industrial									
Cyprus	1,668	€36-€47	n/a	6%	€538-€1,063	n/a	2,202-6,320	743-1,608	n/a
Greece	7,168	€7-€58	€133-€461	3.5%-11%	€8-€439	€5-€395	57-34,495	349-5,858	13-84
	8,836								
Total	**26,351**								

Analysis of own use properties

Type and country	2022	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m²**	**m²**	**Years**
Cyprus	164,593	€23-€277	€750-€1,855	5.8%	€550-€6,164	€145-€1,400	390-51,947	122-11,233	20-79
Total	**164,593**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Sensitivity analysis
The Company's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

21. Loans and advances to customers

	2023	2022
	€000	€000
Gross loans and advances to customers at amortised cost	**9,861,838**	9,915,037
Allowance for ECL for impairment of loans and advances to customers (Note 42.5)	**(179,032)**	(176,475)
	9,682,806	9,738,562
Loans and advances to customers measured at FVPL	**138,727**	214,359
	9,821,533	9,952,921

The following tables present the Company's gross loans and advances to customers at amortised cost by staging and by geographical analysis (based on the country in which the loans are managed).

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2023	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,334,756	1,168,745	327,674	100,197	**9,931,372**
Residual fair value adjustment on initial recognition	(59,340)	(7,474)	(1,294)	(1,426)	**(69,534)**
Gross loans at amortised cost	**8,275,416**	**1,161,271**	**326,380**	**98,771**	**9,861,838**
Cyprus	**8,275,416**	**1,161,271**	**326,380**	**98,771**	**9,861,838**

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2022	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,931,292	1,586,488	370,742	115,544	**10,004,066**
Residual fair value adjustment on initial recognition	(64,255)	(20,885)	(1,803)	(2,086)	**(89,029)**
Gross loans at amortised cost	**7,867,037**	**1,565,603**	**368,939**	**113,458**	**9,915,037**
Cyprus	**7,867,037**	**1,565,603**	**368,939**	**113,458**	**9,915,037**

Residual fair value adjustment
The residual fair value adjustment on initial recognition mainly relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balances of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balances of loans and advances, as shown in the tables above.

21. Loans and advances to customers (continued)

Loans and advances to customers measured at FVPL are managed in Cyprus.

The following tables present the Company's gross loans and advances to customers at amortised cost by staging and by business line concentration.

2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large Corporate	2,709,523	519,134	95,982	32,799	**3,357,438**
IBU & International corporate					
- IBU	99,009	21,409	320	140	**120,878**
- International corporate	744,955	17,220	38	15	**762,228**
SMEs	824,330	109,865	5,387	9,042	**948,624**
Retail					
- housing	3,015,838	343,277	23,508	9,897	**3,392,520**
- consumer, credit cards and other	821,665	101,168	9,813	13,527	**946,173**
Restructuring					
- corporate	3,770	21,747	13,461	10,073	**49,051**
- SMEs	9,831	8,089	13,715	2,431	**34,066**
- retail housing	6,450	12,429	39,696	1,912	**60,487**
- retail other	2,471	2,533	13,474	733	**19,211**
Recoveries					
- corporate	-	-	6,378	967	**7,345**
- SMEs	-	-	15,812	1,587	**17,399**
- retail housing	-	-	65,070	10,255	**75,325**
- retail other	59	-	23,725	5,081	**28,865**
Wealth management	37,515	4,400	1	312	**42,228**
	8,275,416	**1,161,271**	**326,380**	**98,771**	**9,861,838**

21. Loans and advances to customers (continued)

2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large Corporate	2,502,630	807,282	53,964	34,616	**3,398,492**
IBU & International corporate					
- IBU	104,539	31,934	1,254	147	**137,874**
- International corporate	685,099	150	35	24	**685,308**
SMEs	824,904	189,825	1,515	10,364	**1,026,608**
Retail					
- housing	2,982,436	305,714	30,071	12,413	**3,330,634**
- consumer, credit cards and other	704,959	152,815	14,376	15,746	**887,896**
Restructuring					
- corporate	2,842	34,246	20,689	10,175	**67,952**
- SMEs	12,643	10,603	23,374	2,381	**49,001**
- retail housing	5,168	22,018	42,155	3,292	**72,633**
- retail other	1,713	5,364	16,237	1,029	**24,343**
Recoveries					
- corporate	-	-	18,403	1,316	**19,719**
- SMEs	-	-	29,339	2,366	**31,705**
- retail housing	-	-	88,956	14,039	**102,995**
- retail other	108	-	28,569	4,953	**33,630**
Wealth management	39,996	5,652	2	597	**46,247**
	7,867,037	**1,565,603**	**368,939**	**113,458**	**9,915,037**

Loans and advances to customers pledged as collateral are disclosed in Note 44.

Additional analysis and information regarding credit risk and analysis of the allowance for ECL of loans and advances to customers are set out in Note 42.

22. Balances and transactions with Group companies

Receivable balances with Group companies

Name of Group company	**2023** €000	2022 €000
Balances with Group companies at amortised cost		
Bank of Cyprus Holding Public Limited Company	**1,339**	8,390
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**3,483**	3,134
General Insurance of Cyprus Ltd	**359**	906
EuroLife Ltd	**1,451**	1,111
Jinius Ltd	**4,168**	-
S.Z. Eliades Leisure Ltd	**8,869**	8,471
Finerose Properties Ltd	**-**	3
Hydrobius Ltd	**1,971**	2,628
BOC Asset Management Romania S.A.	**1,006**	4,719
BOC Asset Management Ltd	**-**	6
JCC Payment Systems Ltd	**-**	873
Kyprou Properties S.A.	**45**	-
Fortuna Astrum Ltd	**656**	656
Stamoland Properties Ltd	**2,655**	2,435
Group property companies in Cyprus	**2,325**	-
	28,327	33,332
Balances with Group companies mandatorily measured at FVPL		
Group property companies in Cyprus	**-**	531,627
Other Group companies in Cyprus	**-**	1,166
	-	532,793
Total	**28,327**	566,125

	2023		2022	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
Stage 1	**16,046**	**221**	16,984	129
Stage 3	**2,977**	**-**	12,133	4,783
POCI	**11,785**	**2,260**	10,978	1,851
Total balances with Group Companies at amortised cost	**30,808**	**2,481**	40,095	6,763
Balances with Group Companies measured at FVPL	**-**	**-**	532,793	-
	30,808	**2,481**	572,888	6,763

The classification of the receivable balances with related companies depends on how these are managed as part of the business model the Company operates under, and their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest (SPPI)). Balances with Group companies which are measured at FVPL are mandatorily classified because they failed to meet the SPPI criteria and represent in substance arrangements in which repayment of the balance is dependent on the performance of the underlying asset held by the subsidiary.

22. Balances and transactions with Group companies (continued)

The Company holds these underlying assets for sale in its ordinary course of business. The cash flows for repayment of the receivable balances are dependent on the disposal value of the underlying assets; hence the exposure of the Company is to changes in market property prices that will affect the disposal price of those underlying assets. Following the conversion of the receivable balances into equity contribution during the year ended 31 December 2023, no balances are classified as at FVPL as at 31 December 2023 (2022: €532,793 thousand).

Interest on balances with Group companies measured at FVPL is recognised following the same policies adopted by the Group in preparing the Consolidated Financial Statements of the Group.

Receivable balances with Group companies measured at amortised cost are denominated in Euro, except from balances of a carrying value of €1,971 thousand as at 31 December 2023 which are denominated in Russian Rouble (2022: €2,628 thousand). During the year ended 31 December 2023 a reversal of credit losses of €4,468 thousand has been recognised in relation to these receivable balances (2022: charge of €7,353 thousand out of which €3,665 thousand relate to Hydrobius Ltd).

The balances are uncollateralised. The location of the Group companies' operations is disclosed in Note 47.

The net losses on balances with Group companies are disclosed in Note 10.

Payable balances with Group companies

Name of Group company	**2023** **€000**	2022 €000
JCC Payment Systems Ltd	**33,059**	21,347
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**4,168**	2,523
General Insurance of Cyprus Ltd	**11,684**	13,289
EuroLife Ltd	**7,761**	5,519
Kermia Properties & Investments Ltd	**22,363**	22,370
Kermia Ltd	**2,345**	2,354
Kyprou Zois (branch of EuroLife Ltd)	**1,267**	1,267
Kyprou Commercial S.A.	**1,579**	1,629
BOC Asset Management Romania S.A.	**644**	2,626
MC Investment Assets Management LLC	**2,046**	2,711
S.Z. Eliades Leisure Ltd	**68**	179
Bank of Cyprus Holdings Public Limited Company	**2,809**	3,738
BOC Terra AIF V.C.I Plc	**505**	525
BOC Asset Management Ltd	**-**	1,192
Obafemi Holdings Ltd	**179**	185
Jinius Ltd	**53**	-
Group property companies in Cyprus	**12,497**	8,166
Other Group companies in Cyprus	**8,060**	7,893
Total	**111,087**	97,513

Amounts included above comprise mainly of deposits from the Group companies, which are made on normal business terms.

22. Balances and transactions with Group companies (continued)

Dividends received from subsidiary companies

Name of Group company	2023 €000	2022 €000
EuroLife Ltd	**62,000**	8,000
General Insurance of Cyprus Ltd	**12,000**	4,000
JCC Payment Systems Ltd	**9,000**	9,000
Kermia Properties & Investments Ltd	**353**	117
Group property companies in Cyprus	**1,156**	342
Stamoland Properties Ltd	**600**	-
Auction Yard Ltd	**9**	-
	85,118	21,459

Transactions with Group companies

	2023 €000	2022 €000
Interest income and income similar to interest income	**6,958**	36,515
Interest expense	**(19,879)**	(19,882)
Fee and commission income	**20,299**	18,477
Fee and commission expense	**(5,143)**	(4,603)
Other income	**2,754**	2,108
Other operating expenses	**(13,522)**	(8,174)

23. Investments in associates

Carrying value of the investments in associates

	Percentage holdings (%)
Aris Capital Management LLC	**30.0**
Rosequeens Properties Limited	**33.3**
Fairways Automotive Holdings Ltd	**45.0**

The carrying values of the investments in associates are considered to be fully impaired and their value has been restricted to zero.

Rosequeens Properties SRL
During the year ended 31 December 2022 the Company disposed of its 33.3% holding in associate company Rosequeens Properties SRL.

24. Property and equipment

2023	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	187,860	12,876	**200,736**
Additions	365	3,702	**4,067**
Revaluation	11,916	-	**11,916**
Disposals and write-offs	-	(52)	**(52)**
Transfer to investment properties (Note 20)	(798)	-	**(798)**
Net transfers to stock of property (Note 26)	(2,743)	-	**(2,743)**
Contribution from subsidiary company	20,570	-	**20,570**
Contribution to subsidiary company	-	(98)	**(98)**
Depreciation charge for the year (Note 13)	(7,487)	(3,981)	**(11,468)**
New leases (Note 40)	157	11,185	**11,342**
Net book value at 31 December	**209,840**	**23,632**	**233,472**
1 January 2023			
Cost or valuation	251,272	102,971	**354,243**
Accumulated depreciation	(63,412)	(90,095)	**(153,507)**
Net book value	**187,860**	**12,876**	**200,736**
31 December 2023			
Cost or valuation	276,616	80,366	**356,982**
Accumulated depreciation	(66,776)	(56,734)	**(123,510)**
Net book value	**209,840**	**23,632**	**233,472**

2022	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	192,788	14,676	**207,464**
Additions	3,790	1,507	**5,297**
Disposals and write-offs	(46)	(92)	**(138)**
Depreciation charge for the year (Note 13)	(8,172)	(4,040)	**(12,212)**
New leases (Note 40)	-	825	**825**
Re-assessment of RoU assets (Note 40)	960	-	**960**
Derecognition of RoU assets (Note 40)	(1,460)	-	**(1,460)**
Net book value at 31 December	**187,860**	**12,876**	**200,736**
1 January 2022			
Cost or valuation	254,846	102,746	**357,592**
Accumulated depreciation	(62,058)	(88,070)	**(150,128)**
Net book value	**192,788**	**14,676**	**207,464**
31 December 2022			
Cost or valuation	251,272	102,971	**354,243**
Accumulated depreciation	(63,412)	(90,095)	**(153,507)**
Net book value	**187,860**	**12,876**	**200,736**

24. Property and equipment (continued)

The net book value of the Company's property comprises:

	2023	2022
	€000	€000
Freehold property	**192,941**	164,593
Improvements on leasehold property	**1,223**	2,422
RoU assets (Note 40)	**15,676**	20,845
Total	**209,840**	187,860

Freehold property includes land amounting to €81,335 thousand (2022: €67,847 thousand) for which no depreciation is charged. Further, freehold property includes an amount of €20,876 thousand (2022: nil) which relates to a property under construction.

The Company's policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Company performed revaluations during the year ended 31 December 2023. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 20.

There were no charges against the freehold property of the Company as at 31 December 2023 and 2022.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2023 amounts to €134,179 thousand (2022: €117,070 thousand).

25. Intangible assets

	2023	2022
	€000	€000
Net book value at 1 January	**38,379**	41,846
Additions	**8,216**	11,330
Contribution to subsidiary company	**(4,469)**	-
Disposals and write-offs	**(4)**	(392)
Amortisation charge for the year (Note 13)	**(12,618)**	(14,405)
Net book value at 31 December	**29,504**	38,379
1 January		
Cost	**214,180**	203,370
Accumulated amortisation and impairment	**(175,801)**	(161,524)
Net book value	**38,379**	41,846
31 December		
Cost	**217,923**	214,180
Accumulated amortisation and impairment	**(188,419)**	(175,801)
Net book value	**29,504**	38,379

Computer software includes internally developed computer software with a net carrying amount of €409 thousand as at 31 December 2023 (2022: €2,954 thousand).

26. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During the year ended 31 December 2023 an impairment loss of €11,913 thousand (2022: €6,118 thousand) was recognised in 'Impairment net of reversals on non-financial assets' in the income statement. At 31 December 2023, stock of property of €156,824 thousand (2022: €177,853 thousand) is carried at net realisable value. Additionally, at 31 December 2023 stock of property with a carrying amount of €26,329 thousand (2022: €57,199 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels and land (fields and plots). There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

The carrying amount of the stock of property is analysed in the tables below:

	2023	2022
	€000	€000
Net book value at 1 January	**441,816**	513,289
Additions	**11,959**	17,175
Disposals	**(98,074)**	(82,530)
Net transfers from property and equipment	**2,743**	-
Impairment (Note 14)	**(11,913)**	(6,118)
Net book value at 31 December	**346,531**	441,816

There were no costs of construction during the years 2023 and 2022.

As at 31 December 2023 there were no charges against stock of property of the Company (2022: charges against stock of property with a carrying value of €20,989 thousand).

The result on the disposal of stock of property in the year is presented in the table below:

	2023	2022
	€000	€000
Net proceeds	**108,078**	93,091
Carrying value of stock of property disposed of	**(98,074)**	(82,530)
Net gains on disposal of stock of property	**10,004**	10,561

Analysis by type and country	**Cyprus**	**Greece**	**Total**
2023	**€000**	**€000**	**€000**
Residential properties	46,751	8,091	**54,842**
Offices and other commercial properties	28,026	9,978	**38,004**
Manufacturing and industrial properties	5,837	9,263	**15,100**
Hotels	2,272	437	**2,709**
Land (fields and plots)	232,310	3,566	**235,876**
Total	**315,196**	**31,335**	**346,531**

26. Stock of property (continued)

2022	Cyprus €000	Greece €000	Total €000
Residential properties	63,340	16,947	**80,287**
Offices and other commercial properties	51,706	11,263	**62,969**
Manufacturing and industrial properties	6,871	11,710	**18,581**
Hotels	2,627	437	**3,064**
Land (fields and plots)	272,744	4,171	**276,915**
Total	**397,288**	**44,528**	**441,816**

27. Prepayments, accrued income and other assets

	2023 €000	2022 €000
Financial assets		
Debtors	**7**	10
Receivable relating to tax	**3,263**	4,536
Deferred purchase payment consideration	**243,013**	311,523
Other assets	**101,493**	51,421
	347,776	367,490
Non-financial assets		
Current tax receivable	**72,716**	122,709
Prepaid expenses	**72**	82
Other assets	**51,068**	22,860
	123,856	145,651
	471,632	513,141

27. Prepayments, accrued income and other assets (continued)

An analysis of the movement of the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

2023	Stage 1 €000	Stage 3 €000	Total €000
1 January	364,266	35,963	**400,229**
Net decrease	(18,447)	(1,315)	**(19,762)**
31 December	**345,819**	**34,648**	**380,467**
2022			
1 January	351,802	35,803	387,605
Net increase	12,464	160	12,624
31 December	364,266	35,963	400,229

An analysis of the movement of the ECL of the above financial assets is presented in the table below:

2023	Stage 1 €000	Stage 3 €000	Total €000
1 January	2,107	30,632	**32,739**
Write-offs	-	(82)	**(82)**
Changes to models and inputs used for ECL calculations	(6)	40	**34**
31 December	**2,101**	**30,590**	**32,691**
2022			
1 January	2,557	30,407	32,964
Write-offs	-	(206)	(206)
Changes to models and inputs used for ECL calculations	(450)	431	(19)
31 December	2,107	30,632	32,739

There were no financial assets classified as Stage 2 as at 31 December 2023 and 2022. In addition, no financial assets were measured at FVPL as at 31 December 2023 and 2022.

Within other non-financial assets an amount of €18,550 thousand as at 31 December 2023 (2022: nil) relates to contract assets from contracts with customers.

On the completion date of the sale of Project Helix 2 (the 'Transaction') in June 2021, the Company recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount outstanding is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. An amount of €19,774 thousand, which represents the interest income on the DPP has been recognised in the Income Statement for the year ended 31 December 2023 (2022: €10,889 thousand) within 'Interest income - Financial assets at amortised cost - Other financial assets' (Note 6). There are no other conditions attached. The DPP is classified as Stage 1 as at 31 December 2023 and 2022.

During the year ended 31 December 2023, credit losses of €1,146 thousand were recognised in relation to other financial assets. This includes ECL losses of €34 thousand (of which €511 thousand relate to a partial reversal for 12-months ECL of the DPP) and €1,112 thousand impairment losses. During the year ended 31 December 2022, credit losses of €72 thousand were recognised in relation to other financial assets. This includes a credit for ECL of €19 thousand (of which €867 thousand relate to a partial reversal for 12-months ECL of the DPP) and €91 thousand impairment losses.

28. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2023	2022
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,043,868**	1,976,674

As at 31 December 2023, ECB funding amounted to €2 billion (2022: €2 billion) borrowed from various TLTRO III operations.

The maturity of TLTRO III is three years from the settlement of each operation, but there is an option to early repay or reduce the amounts borrowed before their respective final maturity.

The Company early repaid €1 billion of TLTRO III funding in December 2022.

Details on encumbered assets related to the above funding facilities are disclosed in Note 44.

29. Customer deposits

	2023	2022
	€000	€000
By type of deposit		
Demand	**10,167,622**	10,561,724
Savings	**2,979,275**	2,840,346
Time or notice	**6,190,018**	5,596,249
	19,336,915	18,998,319
By geographical area		
Cyprus	**15,355,445**	14,703,276
Greece	**1,473,491**	1,635,406
United Kingdom	**386,057**	395,235
United States	**166,673**	169,176
Germany	**77,288**	94,168
Romania	**29,729**	22,118
Russia	**128,489**	308,096
Ukraine	**183,316**	237,697
Belarus	**3,762**	9,966
Israel	**195,580**	124,436
Other countries	**1,337,085**	1,298,745
	19,336,915	18,998,319

Deposits by geographical area are based on the country of residence of the Ultimate Beneficial Owner.

29. Customer deposits (continued)

	2023	2022
	€000	€000
By currency		
Euro	**17,514,400**	17,067,299
US Dollar	**1,448,753**	1,529,548
British Pound	**300,867**	333,458
Russian Rouble	**1,322**	3,466
Swiss Franc	**8,947**	11,796
Other currencies	**62,626**	52,752
	19,336,915	18,998,319

By business line		
Corporate and Large corporate	**2,086,753**	1,915,300
IBU & International corporate		
– IBU	**3,779,571**	3,957,050
– International corporate	**121,454**	139,898
SMEs	**1,019,245**	1,007,555
Retail	**11,781,972**	11,333,783
Restructuring		
– corporate	**12,565**	16,017
– SMEs	**5,954**	6,375
– retail other	**9,428**	10,152
Recoveries		
– corporate	**1,098**	1,262
Wealth management	**518,875**	610,927
	19,336,915	18,998,319

30. Debt securities in issue and Subordinated liabilities

		2023		2022	
		Nominal value	**Carrying value**	Nominal value	Carrying value
Subordinated liabilities	**Contractual interest rate**	**€000**	**€000**	€000	€000
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	**300,000**	**308,049**	300,000	303,812
		300,000	**308,049**	300,000	303,812
Debt securities in issue					
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	**300,000**	**303,466**	300,000	297,636
Senior Preferred Notes - July 2023	7.375% up to 25 July 2027	**350,000**	**368,166**	-	-
		650,000	**671,632**	300,000	297,636

BOCH and the Company maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

30. Debt securities in issue and Subordinated liabilities (continued)

Subordinated Liabilities

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 and immediately after, BOCH and the Company entered into an agreement pursuant to which BOCH on-lent to the Company the entire €300 million proceeds of the issue of the Note (the 'T2 Loan') on terms substantially identical to the terms and conditions of the Note issued by BOCH. The T2 Loan was priced at par with a coupon of 6.625% per annum payable annually in arrear and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The T2 Loan matures on 23 October 2031. The Company has the option to redeem the T2 Loan early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents.

The fair value of the subordinated liabilities as at 31 December 2023 and 2022 is disclosed in Note 20.

Debt securities in issue

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

Senior Preferred Notes - July 2023
In July 2023, the Company issued a €350 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 7.375% per annum, payable annually in arrear and resettable on 25 July 2027. The note matures on 25 July 2028. The Company has the option to redeem the note early on 25 July 2027, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards the Company's MREL requirements.

The fair value of the debt securities in issue as at 31 December 2023 and 2022 is disclosed in Note 20.

31. Accruals, deferred income, other liabilities and other provisions

	2023	2022
	€000	€000
Income tax payable and related provisions	**59,333**	35,813
Special defence contribution payable	**1,308**	379
Retirement benefit plan liabilities (Note 12)	**565**	3,694
Provisions for financial guarantees and commitments (Notes 42.6.1 and 42.6.2)	**19,192**	17,429
Accrued expenses and other provisions	**68,479**	53,851
Deferred income	**19,569**	17,977
Items in the course of settlement	**69,138**	97,585
Lease liabilities (Note 40)	**22,835**	22,201
Other liabilities	**35,116**	20,098
	295,535	269,027

31. Accruals, deferred income, other liabilities and other provisions (continued)

Other liabilities include an amount of €10,385 thousand (2022: €10,385 thousand) relating to the guarantee fee for the conversion of DTA into tax credits (Note 15).

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2023	2022
	€000	€000
Stage 1	**-**	209
Stage 2	**18**	207
Stage 3	**19,174**	17,013
	19,192	17,429

32. Share capital

	2023		2022	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January and 31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

All issued ordinary shares carry the same rights.

There were no changes to the authorised or issued share capital during the years ended 31 December 2023 and 2022.

Other equity instruments

	2023	2022
	€000	€000
2023 Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	-
2018 Reset Perpetual Additional Tier 1 Capital Securities	**-**	220,000
	220,000	220,000

In December 2018, BOCH issued €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'BOCH Old AT1'). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH Old AT1 (the Old AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH Old AT1. The Old AT1 Loan constituted an unsecured and subordinated obligation of the Company. The coupon was at 12.50% and payable semi-annually.

32. **Share capital** (continued)

In June 2023, BOCH invited the holders of its outstanding €220,000 thousand Old AT1 to tender their Old AT1 for cash purchase by BOCH at a price equal to 103% of the principal amount. At the same time the Company invited the holder of its outstanding €220,000 thousand Old AT1 Loan to tender their Old AT1 Loan for cash purchase by the Company at a price equal to 103% of the principal amount, on same terms as the tender by BOCH of the external Old AT1. The Company also paid accrued interest on the Old AT1 Loan, from the last coupon date, 15 June 2023 until the settlement date. As a result of the tender offer, approximately €204,000 thousand in aggregate nominal amount were purchased and cancelled by the Company. Furthermore, in July 2023, the Company purchased approximately €7,000 thousand of the outstanding nominal amount of the Old AT1 Loan, after which €8,250 thousand in aggregate principal amount remained outstanding. At a meeting held in November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining nominal amount outstanding of the Old AT1 Loans on 19 December 2023. As a result of the buy-back, a total cost of €6,820 thousand was recorded directly in equity during the year ended 31 December 2023.

At the same time, in June 2023, BOCH successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'BOCH New AT1'). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH New AT1 (the 'New AT1 Loan') on terms substantially identical to the terms and conditions of the BOCH New AT1. The New AT1 Loan constitutes an unsecured and subordinated obligation of the Company, is perpetual and is issued at par. It carries an initial coupon of 11.875% per annum, payable semi-annually, and resettable on 21 December 2028 and every five years thereafter. The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. The New AT1 Loan is perpetual and has no fixed date of redemption, but can be redeemed (in whole but not in part) at the Company's option from, and including, 21 June 2028 to, and including, 21 December 2028 and on each interest payment date thereafter, subject to applicable regulatory consents and the relevant conditions to redemption.

During the year ended 31 December 2023, coupon payments for the total amount of €27,339 thousand (2022: €27,500 thousand) were made to the holders of the AT1 instruments and have been recognised in retained earnings.

33. Dividends

Based on the 2022 SREP decision, effective from 1 January 2023, any equity dividend distribution is subject to regulatory approval, both for the Company and BOCH. The requirement for approval 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 nor to the payment of coupons on any AT1 capital instruments issued by the Company or BOCH.

In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the Annual General Meeting ('AGM') on 26 May 2023, a final dividend of €0.002 per ordinary share in respect of the earnings of the year ended 31 December 2022 ('Dividend'). The AGM on 26 May 2023 declared a final dividend of €0.002 per share. The Dividend amounted to €22,310 thousand in total.

Information on distribution in respect of 2023 earnings is disclosed in Note 48 of the Financial Statements.

34. Retained earnings

For the purpose of dividend distribution, retained earnings determined at the Company level are the only distributable reserve.

34. Retained earnings (continued)

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution (SDC) at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed dividend distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1.70% contribution to the General Health System (GHS), increased to 2.65% from 1 March 2020, with the exemption of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This SDC and GHS are paid by the Company on account of the shareholders. During 2023, SDC and GHS on deemed dividend distribution of €313 thousand (2022: nil) were accrued by the Company.

35. Fiduciary transactions

The Company offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Company is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the balance sheet of the Company unless they are placed with the Company. Total assets under management at 31 December 2023, measured at fair value, amounted to €1,193,159 thousand (2022: €952,263 thousand).

36. Provisions for pending litigations, claims, regulatory and other matters

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

Apart from what is described below, the Company considers that none of these matters are material, either individually or in aggregate. Nevertheless, provisions have been made where: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made. The Company has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Company is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated except to the extent that doing so would be prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. There are also situations where the Company may enter into a settlement agreement. This may occur only if such settlement is in the Company's interest (such settlement does not constitute an admission of wrongdoing) and only takes place after obtaining legal advice and all approvals by the appropriate bodies of management. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 31 December 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Company.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.1 Pending litigations and claims

Investigations and litigations relating to securities issued by the Company
A number of institutional and retail customers have filed various separate actions against the Company alleging that the Company is guilty of misselling in relation to securities issued by the Company between 2007 and 2011. Remedies sought include the return of the money investors paid for these securities. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon the Company in related matters by Cyprus Securities and Exchange Commission (CySEC) and/or Hellenic Capital Market Commission (HCMC).

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and 2011 Convertible Enhanced Capital Securities (CECS).

The Company is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be demonstrated that the relevant Company's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties.

To date, a number of cases have been tried in Greece. The Company has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years.

So far, four capital securities cases have been adjudicated in favour of the Company and five cases have been adjudicated against the Company at Areios Pagos (Supreme Court of Greece). None of the cases won at the Court of Appeal have been reversed by the Supreme Court. The cases that the Company has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has already been retried by the Court of Appeal and the ruling was in favour of the Company. There has been a new petition for annulment against this decision of the Court of Appeal and the case will be retried before the Supreme Court in 2024. The five cases that the Company has lost will not be retried and are therefore deemed as concluded.

In Cyprus, twenty-three judgments have been issued so far with regards to the Company capital securities. Fifteen of the said judgments have been issued in favour of the Company (dismissing the plaintiffs' claims) and eight of them against the Company. The Company has filed appeals with regards to five of the cases where the judgment was issued against it. In eight of the fifteen cases that the Company won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, expired on 31 December 2021.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation
Depositors
A number of the Company's depositors, who allege that they were adversely affected by the bail-in, filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against the Company as the alleged successor of Laiki Bank on the grounds that, inter alia, the 'Resolution Law of 2013' and the Bail-in Decrees were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. The Company is defending these actions.

The Company has won five cases with regards to bail-in related litigation (on failure to follow instructions). The plaintiffs have filed appeals with respect to two of the said judgments. The Company lost two cases with regards to bail-in related litigation (on failure to follow instructions) and has filed appeals with respect to both cases.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.1 Pending litigations and claims (continued)

The Company also won fourteen bail-in decree related cases. In summary, the court ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the circumstances the government could rely on the doctrine of necessity when it imposed the bail-in. Up to the date of the Financial Statements only three appeals have been filed with respect to the above-mentioned judgments. The Company lost one Laiki Bail-in decree case but it is the opinion of legal advisors of the Company that this case is a one-off case which turned on its own particular facts. An appeal by the Company has been filed with respect to this case.

The Company won two and lost three bail-in wrongful application related cases. The two appeals that have been filed by the Company are still pending with regards to this matter. With regards to the cases that the Company won, the plaintiffs have not filed an appeal.

Shareholders
A number of actions for damages have been filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail-in Decrees, or a misapplication of same by the Company (as regards the way and methodology whereby such Decrees have been implemented), or that the Company failed to follow instructions promptly prior to the bail-in coming into force. As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. The Company contests all of these claims.

Legal position of the Company
All of the above claims are being vigorously disputed by the Company, in close consultation with the appropriate state and governmental authorities. The position of the Company is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Provident fund case
In December 2015, the Bank of Cyprus Employees Provident Fund (the Provident Fund) filed an action against the Company claiming €70 million allegedly owed as part of the Company's contribution by virtue of an agreement with the Union dated 31 December 2011. Based on facts currently known, it is not practicable at this time for the Company to predict the resolution of this matter, including the timing or any possible impact on the Company.

Employment litigation
Former employees of the Company have instituted a number of employment claims including unfair dismissals and one claim for Provident Fund entitlements against the Company and the Trustees of the Provident Fund. In July 2021 the claim for Provident Fund entitlements was settled. The Company does not consider that the pending cases in relation to employment will have a material impact on its financial position. A judgment has been issued in one of the unfair dismissal cases and the Company lost. The Company has filed an appeal with respect to this case and similarly, the plaintiff has also filed an appeal. The facts of this case are unique and it is not expected to affect the rest of the cases where unfair dismissal is claimed.

Additionally, a number of former employees have filed claims against the Company contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Company does not expect that these actions will have a material impact on its financial position.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.1 Pending litigations and claims (continued)

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to the Company's standard policies and procedures allegedly resulting to damages and other losses for the claimants (including cases where it is alleged that the Company misled borrowers and/or misrepresented matters, in violation of applicable laws for matters such as foreign currency lending and advancing/misselling loans for the purchase of property in Cyprus by UK nationals). Further, there are several other banking claims, where the amounts involved are not as significant. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Company. Such matters arise as a result of the Company’s activities and management appropriately assesses the facts and the risks of each case accordingly.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. The Company is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

36.2 Regulatory matters

The Hellenic Capital Market Commission (HCMC) Investigation
The HCMC is currently in the process of investigating matters concerning the Company's investment in Greek Government Bonds from 2009 to 2011, including, inter alia, related non-disclosure of material information in the Company's CCS, CECS and rights issue prospectuses (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding the Company's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek Government Bonds.

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Company.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC has concluded (in two stages) during 2013 and 2014 its investigation with respect to the Company's exposure to Greek Government Bonds and the non-disclosure of material information and other corporate governance deficiencies relating to the said exposure. In this respect, CySEC has issued two decisions, coming to the conclusion that the Company was in breach of certain laws regarding disclosure of information. At all times, the Company had filed recourses before the Administrative Court regarding the decisions of CySEC and the fines imposed upon it.

In October 2021, the Administrative Court ruled in favour of the Company in relation to the fine of €160 thousand on the ground of flawed constitution of the CySEC Board. An appeal to this judgment was filed. In March 2024 the appeal was rejected. With the abovementioned rulings, the said fine has been cancelled. In May 2022, the Administrative Court (under a different bench) ruled against the Company in relation to the fine of €950 thousand and found that the constitution of the CySEC Board was not flawed. The Company filed an appeal and in March 2024 the appeal overturned the ruling of the Administrative Court on the grounds that the constitution of the CySEC Board was flawed and in this case there was a violation of the objective aspect of the principle of impartiality. With the abovementioned ruling, the said fine has been cancelled. In May 2023 the Administrative Court ruled in favour of the Company in relation to the fine of €70 thousand on the ground of flawed constitution of the CySEC Board. This case is now pending on appeal. Relevant provisions were made in prior years for the said cases.

As at 31 December 2023 and 31 December 2022 there were no pending CySEC investigations against the Company.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.2 Regulatory matters (continued)

Central Bank of Cyprus (CBC)
The CBC had conducted an investigation in the past into the Company's issuance of capital securities and concluded that the Company breached certain regulatory requirements concerning the issuance of Convertible Capital Securities (Perpetual) in 2009, but not in relation to the CECS in 2011. The CBC had, in 2013, imposed a fine of €4 thousand upon the Company, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon the Company in a respective judgment dated in 2020. In 2021, CBC decided to re-examine this matter and to re-open the investigation.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by the Company. There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that the Company (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition and imposed a fine of €18 million upon the Company. The Company filed a recourse against the decision and the fine. In June 2018, the Administrative Court accepted the Company's position and cancelled the decision as well as the fine imposed upon the Company. During 2018, the Attorney General has filed an appeal before the Supreme court with respect to such decision. Until a judgment is issued by the Supreme Court, the decision of the CPC remains annulled and there is no subsisting fine upon the Company. The said appeal is still pending as at 31 December 2023.

In 2019, the CPC initiated an ex officio investigation with respect to unfair contract terms and into the contractual arrangements/facilities offered by the Company for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against the Company in this case. The Company is not aware of any further developments in this case.

Association for the Protection of Bank Borrowers (CYPRODAT)
CYPRODAT filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that the Company and another bank have concerted in practices regarding the recent revisions of their commissions and charges. In April 2022, CPC informed the Company of the initiation of an investigation with respect to this matter but for which no formulation of a Statement of Objections has been received to date which would indicate the initiation of formal proceedings.

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon the Company after concluding an ex officio investigation regarding some terms in both the Company's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. The Company has filed a recourse before the Administrative Court against this decision. The Administrative Court has issued its judgment in 2022 in favour of the Company, and the CPS decision along with the fine have been cancelled. An appeal has been submitted by CPS with regards to this judgment, which is still pending as at 31 December 2023.

In March 2020, the Company has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for the Company to cease the use of a number of terms in the contracts of the Company which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering the Company to undertake measures to remedy the situation. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 31 December 2023.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.2 Regulatory matters (continued)

In April 2021, the director of CPS filed an application for the issuance of a court order against the Company, prohibiting the use of a number of contractual terms included in the Company's consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such unfair terms. This matter is still pending before the court as at 31 December 2023.

The Company received a letter in July 2021 from CPS, initiating an ex officio investigation under the Distance Marketing of Financial Services to Consumers Law, with respect to the services and products of the Company for which the contract between the Company and the consumer is entered into online via the Company's website.

The Company received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged wrong commercial practice of the Company of promoting a product.

There have been no further developments on the aforementioned investigations since.

Cyprus Consumers' Association (CCA)
In March 2021, the Company was served with an application filed by the CCA for the issuance of a court order prohibiting the use of a number of contractual terms included in the Company's consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against the Company in 2016 and 2017. The Company will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 31 December 2023.

The Consumer Protection Law 2021 brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service, i.e. power to impose increased fines which are immediately payable. The Consumer Protection Law 2021 has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes, and the resulting financial impact of these matters is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Company. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

36.3 Other matters

Other matters include among others, provisions for various other open examination requests by governmental and other public bodies, legal matters and provisions for warranties and indemnities related to the disposal process of certain operations of the Company.

36. Provisions for pending litigations, claims, regulatory and other matters (continued)

36.4 Provisions for pending litigations, claims, regulatory and other matters

2023	Pending litigations and claims (Note 36.1) €000	Regulatory matters (Note 36.2) €000	Other matters (Note 36.3) €000	**Total €000**
1 January	58,763	13,119	48,743	**120,625**
Net increase in provisions including unwinding of discount	36,227	147	4,940	**41,314**
Utilisation of provisions	(28,777)	(297)	(109)	**(29,183)**
Release of provisions	(10,429)	-	-	**(10,429)**
Net transfer	-	-	2,220	**2,220**
Foreign exchange adjustments	-	24	-	**24**
31 December	**55,784**	**12,993**	**55,794**	**124,571**
Provisions expected to be settled within 12 months post reporting date	**24,814**	**-**	**29,606**	**54,420**

2022	Pending litigations and claims (Note 36.1) €000	Regulatory matters (Note 36.2) €000	Other matters (Note 36.3) €000	**Total €000**
1 January	52,660	14,616	29,828	**97,104**
Net increase in provisions including unwinding of discount	15,627	950	19,017	**35,594**
Utilisation of provisions	(6,314)	(1,357)	(2)	**(7,673)**
Release of provisions	(3,210)	(1,037)	(100)	**(4,347)**
Foreign exchange adjustments	-	(53)	-	**(53)**
31 December	**58,763**	**13,119**	**48,743**	**120,625**
Provisions expected to be settled within 12 months post reporting date	**26,991**	**-**	**2,804**	**29,795**

Provisions for pending litigations, claims, regulatory and other matters recorded in the income statement during the year ended 31 December 2023 amounting to €28,084 thousand (2022: €11,880 thousand) also include a credit amount of €2,801 thousand representing an amount recovered on the conclusion of open examinations of governmental bodies directly recognised in the income statement (2022: nil). The movement in the year ended 31 December 2023 is driven by the progress on legal cases and provision for other matters in relation to the run-down and disposal of the Company's legacy and non-core operations.

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Company.

37. Contingent liabilities and commitments

As part of the services provided to its customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Company (Note 42.6).

37. Contingent liabilities and commitments (continued)

37.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2023 amount to €19,827 thousand (2022: €23,473 thousand).

37.2 Contingent liabilities

The Company, as part of the disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens, tax exposures and other matters agreed with the buyers. As a result, the Company may be obliged to compensate the buyers in the event of a valid claim by the buyers with respect to the above representations, warranties and indemnities.

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable (Note 36.3).

38. Additional information on cash flow statement

Non-cash transactions

Repossession of collaterals
During the year ended 31 December 2023, the Company acquired properties by taking possession of collaterals held as security for loans and advances to customers of €20,540 thousand (2022: €82,652 thousand).

Recognition of RoU assets and lease liabilities
During 2023 the Company recognised RoU assets and corresponding lease liabilities of €11,342 thousand (2022: €825 thousand).

Net cash flow from operating activities - interest and dividends

	2023	2022
	€000	€000
Interest paid	**(153,270)**	(98,100)
Interest received	**1,077,537**	543,603
Dividends received	**85,249**	21,542
	1,009,516	467,045

38. Additional information on cash flow statement (continued)

Changes in liabilities arising from financing activities

	Funding from central banks (Note 28)	Debt securities in issue and Subordinated liabilities (Note 30)	**Total**
2023	€000	€000	**€000**
1 January	1,976,674	601,448	**2,578,122**
Cash flows	-	320,314	**320,314**
Other non-cash movements	67,194	57,919	**125,113**
31 December	**2,043,868**	**979,681**	**3,023,549**
2022			
1 January	2,969,600	644,928	3,614,528
Cash flows	(979,389)	(66,797)	(1,046,186)
Other non-cash movements	(13,537)	23,317	9,780
31 December	**1,976,674**	**601,448**	2,578,122

Further information relating to the change in lease liabilities is disclosed in Note 40.

39. Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	2022
	€000	€000
Cash and non-obligatory balances with central banks	**9,555,142**	9,452,558
Loans and advances to banks with original maturity less than three months	**251,279**	95,310
	9,806,421	9,547,868

Analysis of cash and balances with central banks and loans and advances to banks

	2023	2022
	€000	€000
Cash and non-obligatory balances with central banks	**9,555,142**	9,452,558
Obligatory balances with central banks (Note 17)	**59,179**	114,537
Total cash and balances with central banks (Note 17)	**9,614,321**	9,567,095
Loans and advances to banks with original maturity less than three months	**251,279**	95,310
Restricted loans and advances to banks	**101,804**	71,379
Total loans and advances to banks (Note 17)	**353,083**	166,689

Restricted loans and advances to banks include collaterals under derivative transactions of €13,970 thousand (2022: €7,380 thousand) which are not immediately available for use by the Company, but are released once the transactions are terminated, and collaterals for the reverse repurchase agreements of €29,524 thousand (2022: n/a).

40. Leases

The Company is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are primarily uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Company has the option to extend the tenancy for four further periods of two years each. The Company has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rates of the area and considering the relevant legislation.

Office buildings are leased by the Company for the operation of administrative functions. The basic terms for new lease contracts and the current practice are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2022 the lease term of existing building contracts was re-assessed using the assumptions as detailed in Note 5.10.

The carrying amounts of the Company's RoU assets and lease liabilities and the movement during the year ended 31 December 2023 and the year ended 31 December 2022 is presented in the table below:

2023	**RoU assets (Note 24)**	**Lease Liabilities (Note 31)**
	€000	**€000**
1 January	**21,670**	**(22,201)**
Depreciation charge for the year (Note 13)	**(5,874)**	-
New leases (Note 24)	**11,342**	**(7,102)**
Interest expense (Note 7)	**-**	**(291)**
Cash outflows-payments	**-**	**6,759**
31 December	**27,138**	**(22,835)**

2022	**RoU assets (Note 24)**	**Lease Liabilities (Note 31)**
	€000	**€000**
1 January	27,333	(27,914)
Depreciation charge for the year (Note 13)	(5,988)	-
New leases (Note 24)	825	(772)
Assets derecognised (Note 24)	(1,460)	1,456
Assets recognised following re-assessment (Note 24)	960	(960)
Interest expense (Note 7)	-	(11)
Cash outflows-payments	-	6,000
31 December	**21,670**	**(22,201)**

As at 31 December 2023 RoU assets comprised of leases of buildings of a carrying amount of €15,676 thousand (2022: €20,845 thousand) and computer hardware of a carrying amount of €11,462 thousand (2022: €825 thousand), and are presented within Property and equipment in Note 24.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 44.

41. Analysis of assets and liabilities by expected maturity

	2023			2022		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,555,142**	**59,179**	**9,614,321**	9,452,558	114,537	9,567,095
Loans and advances to banks	**251,279**	**101,804**	**353,083**	95,310	71,379	166,689
Derivative financial assets	**859**	**50,196**	**51,055**	904	47,249	48,153
Investments	**652,270**	**2,901,468**	**3,553,738**	444,540	2,066,889	2,511,429
Reverse repurchase agreements	**-**	**403,199**	**403,199**	-	-	-
Loans and advances to customers	**1,192,495**	**8,629,038**	**9,821,533**	879,810	9,073,111	9,952,921
Balances with Group companies	**24,680**	**3,647**	**28,327**	123,231	442,894	566,125
Prepayments, accrued income and other assets	**273,829**	**197,803**	**471,632**	189,559	323,582	513,141
Stock of property	**51,000**	**295,531**	**346,531**	92,400	349,416	441,816
Investment properties	**4,500**	**18,156**	**22,656**	9,600	16,751	26,351
Deferred tax assets	**37,909**	**163,274**	**201,183**	37,909	189,546	227,455
Property, equipment and intangible assets	**-**	**262,976**	**262,976**	-	239,115	239,115
Investment in subsidiaries	**-**	**552,577**	**552,577**	-	161,550	161,550
	12,043,963	**13,638,848**	**25,682,811**	11,325,821	13,096,019	24,421,840
Liabilities						
Deposits by banks	**194,817**	**268,513**	**463,330**	185,525	315,856	501,381
Funding from central banks	**2,043,868**	**-**	**2,043,868**	1,976,674	-	1,976,674
Derivative financial liabilities	**14,079**	**3,901**	**17,980**	10,538	5,631	16,169
Customer deposits	**5,984,800**	**13,352,115**	**19,336,915**	5,893,802	13,104,517	18,998,319
Balances with Group companies	**111,087**	**-**	**111,087**	97,513	-	97,513
Accruals, deferred income, other liabilities and other provisions and provisions for pending litigations, claims, regulatory and other matters	**306,096**	**114,010**	**420,106**	233,405	156,247	389,652
Debt securities in issue and subordinated liabilities	**-**	**979,681**	**979,681**	-	601,448	601,448
Deferred tax liabilities	**-**	**22,636**	**22,636**	-	19,644	19,644
	8,654,747	**14,740,856**	**23,395,603**	8,397,457	14,203,343	22,600,800

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Cash and balances with central banks are classified in the relevant time band based on the contractual maturity, with the exception of obligatory balances with central banks which are classified in the 'Over one year' time band.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the ‘Over one year’ time band. The Stage 3 loans are classified in the ‘Over one year’ time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

41. Analysis of assets and liabilities by expected maturity (continued)

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioural analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

42. Risk management - Credit risk

In the ordinary course of its business the Company is exposed to credit risk which is monitored through various control mechanisms in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Company.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, set the Company's credit risk policies and monitor compliance with credit risk policies applicable to each business line and the quality of the Company's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, also safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are complemented by the methods/models used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Company is diversified across the various industry sectors of the economy. Credit Risk Management department determines concentration limits for each industry sector, sets prohibited sectors and defines sectors which may require prior approval before credit applications are submitted.

The Market & Liquidity Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities as well as reverse repurchase agreements.

Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Company's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Financial Statements.

42. Risk management - Credit risk (continued)

42.1 Maximum exposure to credit risk and collateral and other credit enhancements

Loans and advances to customers
The Credit Risk Management department determines the level and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Company are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on contracts of sale and personal and corporate guarantees.

The Company regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Off-balance sheet exposures
The Company offers guarantee facilities to its customers under which the Company may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee facilities (including standby letters of credit) commit the Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Company to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Other financial instruments
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed. Reverse repurchase agreements are generally secured by bonds.

In accordance with the terms of the reverse repurchase agreements the Company has as at 31 December 2023 of a carrying value of €403 million, the Company accepts collateral that it is permitted to sell. At 31 December 2023, the total fair value of the collateral received was €426 million, none of which had been resold or repledged. An amount of €30 million was placed as cash collateral with the counterparty.

The Company has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 31 December 2023, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 19. Information about the Company's collaterals under derivative transactions is provided in Note 39.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Company sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

Maximum Exposure to credit risk
The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

42. Risk management - Credit risk (continued)

42.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

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

42. Risk management - Credit risk (continued)

42.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

		Fair value of collateral and credit enhancements held by the Company							
	Maximum exposure to credit risk	Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	**Net exposure to credit risk**
2023	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**9,521,812**	-	-	-	-	-	-	-	**9,521,812**
Loans and advances to banks (Note 17)	**353,083**	39,344	-	-	-	-	-	39,344	**313,739**
FVPL debt securities (Note 18)	**2,286**	-	-	-	-	-	-	-	**2,286**
Debt securities classified at amortised cost and FVOCI (Note 18)	**3,540,944**	-	-	-	-	-	-	-	**3,540,944**
Reverse repurchase agreements	**403,199**	-	426,419	-	-	-	(29,524)	396,895	**6,304**
Derivative financial instruments (Note 19)	**51,055**	-	-	-	-	-	-	-	**51,055**
Loans and advances to customers (Note 21)	**9,821,533**	475,241	743,890	149,415	16,755,231	275,344	(9,615,340)	8,783,781	**1,037,752**
Debtors (Note 27)	**7**	-	-	-	-	-	-	-	**7**
Balances with group companies (Note 22)	**28,327**	-	-	-	-	-	-	-	**28,327**
Deferred purchase payment consideration (Note 27)	**243,013**	-	-	-	-	-	-	-	**243,013**
Other assets (Note 27)	**104,756**	-	-	-	-	-	-	-	**104,756**
On-balance sheet total	**24,070,015**	**514,585**	**1,170,309**	**149,415**	**16,755,231**	**275,344**	**(9,644,864)**	**9,220,020**	**14,849,995**
Contingent liabilities									
Acceptances and endorsements	**2,580**	8	-	-	2,570	2	-	2,580	**-**
Guarantees	**708,943**	71,752	1,874	6,797	145,545	255	-	226,223	**482,720**
Commitments									
Documentary credits	**10,251**	140	-	-	21	-	-	161	**10,090**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,987,455**	22,980	10,648	9,764	455,964	17,231	-	516,587	**1,470,868**
Off-balance sheet total	**2,709,229**	**94,880**	**12,522**	**16,561**	**604,100**	**17,488**	**-**	**745,551**	**1,963,678**
	26,779,244	**609,465**	**1,182,831**	**165,976**	**17,359,331**	**292,832**	**(9,644,864)**	**9,965,571**	**16,813,673**

42. Risk management - Credit risk (continued)

42.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2022	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**9,475,388**	-	-	-	-	-	-	-	**9,475,388**
Loans and advances to banks (Note 17)	**166,689**	37,251	-	-	-	-	-	37,251	**129,438**
FVPL debt securities (Note 18)	**7,870**	-	-	-	-	-	-	-	**7,870**
Debt securities classified at amortised cost and FVOCI (Note 18)	**2,492,535**	-	-	-	-	-	-	-	**2,492,535**
Derivative financial instruments (Note 19)	**48,153**	-	-	-	-	-	-	-	**48,153**
Loans and advances to customers (Note 21)	**9,952,921**	505,950	556,487	133,305	15,799,569	273,789	(8,231,543)	9,037,557	**915,364**
Debtors (Note 27)	**10**	-	-	-	-	-	-	-	**10**
Balances with group companies (Note 22)	**566,125**	-	-	-	-	-	-	-	**566,125**
Deferred purchase payment consideration (Note 27)	**311,523**	-	-	-	-	-	-	-	**311,523**
Other assets (Note 27)	**55,957**	-	-	-	-	-	-	-	**55,957**
On-balance sheet total	**23,077,171**	**543,201**	**556,487**	**133,305**	**15,799,569**	**273,789**	**(8,231,543)**	**9,074,808**	**14,002,363**
Contingent liabilities									
Acceptances and endorsements	**5,175**	276	-	-	4,886	13	-	5,175	**-**
Guarantees	**657,219**	99,554	1,039	4,630	197,912	384	-	303,519	**353,700**
Commitments									
Documentary credits	**17,624**	892	4	1,734	4,253	12	-	6,895	**10,729**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,979,462**	32,164	4,069	1,465	406,074	26,876	-	470,648	**1,508,814**
Off-balance sheet total	**2,659,480**	**132,886**	**5,112**	**7,829**	**613,125**	**27,285**	**-**	**786,237**	**1,873,243**
	25,736,651	**676,087**	**561,599**	**141,134**	**16,412,694**	**301,074**	**(8,231,543)**	**9,861,045**	**15,875,606**

42. Risk management - Credit risk (continued)

42.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. The Company's Risk Appetite Statement may impose stricter concentration limits which are monitored by the Company.

The credit risk concentration, which is based on industry (economic activity) and business line, as well as the geographical concentration, is presented below.

The geographical analysis, for credit risk concentration purposes, is based on the Company's Country Risk Policy which is followed for monitoring the Company's exposures. Market and Liquidity Risk department is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies.

2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	868,039	277	40	-	15,340	**883,696**
Manufacturing	287,524	43,971	192	-	31,194	**362,881**
Hotels and catering	928,910	29,454	36,704	-	39,368	**1,034,436**
Construction	486,622	8,332	14	-	-	**494,968**
Real estate	871,544	108,635	1,863	-	51,348	**1,033,390**
Private individuals	4,543,985	9,680	56,074	12,075	48,080	**4,669,894**
Professional and other services	535,994	572	5,242	28	54,809	**596,645**
Shipping	20,622	15	-	-	222,422	**243,059**
Other sectors	512,666	-	-	2	30,201	**542,869**
	9,055,906	**200,936**	**100,129**	**12,105**	**492,762**	**9,861,838**

2023	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Corporate and Large corporate	3,326,556	30,487	193	-	202	**3,357,438**
IBU & International corporate						
- IBU	87,127	1,688	6,544	6,901	18,618	**120,878**
- International corporate	115,212	164,103	43,401	-	439,512	**762,228**
SMEs	945,018	482	1,177	-	1,947	**948,624**
Retail						
- housing	3,345,923	2,190	27,636	86	16,685	**3,392,520**
- consumer, credit cards and other	944,196	757	480	-	740	**946,173**
Restructuring						
- corporate	48,440	-	611	-	-	**49,051**
- SMEs	33,212	-	261	532	61	**34,066**
- retail housing	57,685	-	2,468	122	212	**60,487**
- retail other	19,164	22	2	-	23	**19,211**
Recoveries						
- corporate	6,079	-	182	173	911	**7,345**
- SMEs	13,419	1	1,173	1,623	1,183	**17,399**
- retail housing	50,927	50	14,718	2,399	7,231	**75,325**
- retail other	27,122	8	1,191	269	275	**28,865**
Wealth management	35,826	1,148	92	-	5,162	**42,228**
	9,055,906	**200,936**	**100,129**	**12,105**	**492,762**	**9,861,838**

42. Risk management - Credit risk (continued)

42.2 Credit risk concentration of loans and advances to customers (continued)

2022	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000
Trade	922,093	384	37	-	35	922,549
Manufacturing	323,074	44,978	-	-	27,943	395,995
Hotels and catering	928,346	16,565	35,614	-	40,086	1,020,611
Construction	545,421	8,955	23	1	20	554,420
Real estate	978,708	94,823	1,866	-	51,617	1,127,014
Private individuals	4,496,081	11,146	73,120	19,101	54,987	4,654,435
Professional and other services	551,269	980	5,311	1	37,809	595,370
Shipping	13,338	-	-	-	173,830	187,168
Other sectors	427,535	2	-	3	29,935	457,475
	9,185,865	177,833	115,971	19,106	416,262	9,915,037

2022	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000
Corporate and Large corporate	3,380,559	17,781	50	-	102	3,398,492
IBU & International corporate						
- IBU	90,652	1,722	8,953	11,964	24,583	137,874
- International corporate	139,813	152,143	42,327	-	351,025	685,308
SMEs	1,021,933	1,036	1,451	-	2,188	1,026,608
Retail						
- housing	3,272,253	2,450	36,839	186	18,906	3,330,634
- consumer, credit cards and other	885,558	856	576	1	905	887,896
Restructuring						
- corporate	66,151	-	869	-	932	67,952
- SMEs	48,027	-	432	158	384	49,001
- retail housing	70,283	104	1,841	291	114	72,633
- retail other	24,093	16	21	192	21	24,343
Recoveries						
- corporate	19,063	-	452	170	34	19,719
- SMEs	26,150	-	1,117	2,664	1,774	31,705
- retail housing	69,790	260	19,778	3,431	9,736	102,995
- retail other	31,967	12	1,265	49	337	33,630
Wealth management	39,573	1,453	-	-	5,221	46,247
	9,185,865	177,833	115,971	19,106	416,262	9,915,037

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2023 of €128,705 thousand (2022: €106,701 thousand).

The loans and advances to customers reported within 'Other countries' as at 31 December 2023 include exposures of €1,7 million in Ukraine (2022: €2,6 million) and €4,9 million in Israel (2022: €4,0 million).

42. Risk management - Credit risk (continued)

42.3 Analysis of loans and advances to customers

The movement of the gross loans and advances to customers at amortised cost by staging, is presented in the tables below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	7,867,037	1,565,603	368,939	113,458	**9,915,037**
Transfers to stage 1	786,990	(785,026)	(1,964)	-	**-**
Transfers to stage 2	(514,415)	546,249	(31,834)	-	**-**
Transfers to stage 3	(38,959)	(83,436)	122,395	-	**-**
Foreign exchange and other adjustments	-	-	(1)	-	**(1)**
Write offs	(594)	(588)	(77,699)	(5,282)	**(84,163)**
Interest accrued and other adjustments	388,970	39,662	47,804	8,001	**484,437**
New loans originated or purchased and drawdowns of existing facilities	1,827,530	89,118	8,125	1,847	**1,926,620**
Loans derecognised or repaid (excluding write offs)	(2,038,343)	(210,331)	(107,490)	(22,753)	**(2,378,917)**
Changes to contractual cash flows due to modifications	(2,800)	20	(1,895)	(149)	**(4,824)**
Acquisition of Velocity 2 portfolio	-	-	-	3,649	**3,649**
31 December	**8,275,416**	**1,161,271**	**326,380**	**98,771**	**9,861,838**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
1 January	7,418,432	1,701,255	1,025,311	228,572	10,373,570
Transfers to stage 1	534,045	(532,847)	(1,198)	-	-
Transfers to stage 2	(409,997)	479,829	(69,832)	-	-
Transfers to stage 3	(22,885)	(34,796)	57,681	-	-
Foreign exchange and other adjustments	-	-	17	-	17
Write offs	(788)	(683)	(145,434)	(22,774)	(169,679)
Interest accrued and other adjustments	187,450	69,085	63,857	18,100	338,492
New loans originated or purchased and drawdowns of existing facilities	1,825,387	119,244	12,182	1,191	1,958,004
Loans derecognised or repaid (excluding write offs)	(1,659,230)	(234,770)	(104,623)	(31,596)	(2,030,219)
Changes to contractual cash flows due to modifications	(5,286)	2,669	(4,628)	(704)	(7,949)
Disposal of Helix 3 and Sinope portfolios	(91)	(3,383)	(464,394)	(79,331)	(547,199)
31 December	7,867,037	1,565,603	368,939	113,458	9,915,037

For revolving facilities, overdrafts and credit cards the net positive change in balance by stage excluding write-offs is reported in 'New loans originated' and the net negative change is reported in 'Loans derecognised or repaid'.

The analysis of gross loans and advances to customers at amortised cost by staging and by business line concentration is included in Note 21.

42. Risk management - Credit risk (continued)

42.3 Analysis of loans and advances to customers (continued)

During the year ended 31 December 2023, the Company purchased back certain loans disposed in 2020 as part of Velocity 2. The loans, which relate primarily to retail unsecured facilities, were classified as POCI and have a net book value of €1,1 million as at 31 December 2023.

The movement of gross loans and advances to customers at amortised cost, in the Corporate and Large corporate, IBU & International corporate, SME and Retail business lines in Cyprus (the country where the loans are managed), are presented in the tables below:

2023	**Corporate and Large corporate €000**	**IBU & International corporate €000**	**SME €000**	**Retail €000**
1 January	3,398,492	823,182	1,026,608	4,218,530
Transfers (out of)/in business line	111,905	(35,005)	(38,809)	35,074
Write offs	(25,277)	(173)	(142)	(1,165)
Interest accrued	166,290	56,142	59,465	166,319
New loans originated or purchased	748,197	218,979	192,439	691,828
Loans derecognised or repaid (excluding write offs)	(1,037,422)	(179,763)	(291,534)	(773,641)
Changes to contractual cash flows due to modifications not resulting in derecognition	(4,747)	(256)	597	1,748
31 December	**3,357,438**	**883,106**	**948,624**	**4,338,693**

2022 (restated)	Corporate and Large corporate €000	IBU & International corporate €000	SME €000	Retail €000
1 January	3,344,298	768,141	1,043,588	4,040,108
Transfers in/(out of) business line	(23,764)	(456)	6,695	(5,291)
Write offs	(14)	(225)	(311)	(1,866)
Interest accrued	104,907	37,758	33,799	86,701
New loans originated or purchased	859,742	205,437	179,399	679,538
Loans derecognised or repaid (excluding write offs)	(889,683)	(186,828)	(235,449)	(581,009)
Changes to contractual cash flows due to modifications not resulting in derecognition	3,006	(645)	(1,113)	349
31 December	3,398,492	823,182	1,026,608	4,218,530

42.4 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of the Company. For the purposes of credit scoring, these portfolios are Corporate, Retail and SMEs. Corporate and SME portfolios include legal entities. Retail portfolio includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower's behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months probability of default (PD) is calculated per rating. The following table presents weighted PD per risk level's rating for corporate, retail and SME exposures.

42. Risk management - Credit risk (continued)

42.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

Unrated corporate exposures are assessed using the Company's in-house behavioural scorecard model for corporate legal entities. Unrated retail exposures include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

New customers for corporate and SME legal entities and new lending to retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The portfolios weighted PD per rating is presented below.

2023	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	1.32	0.10	0.18
2	1.42	0.17	0.46
3	1.75	0.28	0.96
4	2.38	0.42	3.37
5	3.68	0.89	8.92
6	3.82	7.20	18.16
7	4.88	15.21	36.65

2022	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	1.19	0.66	0.34
2	1.87	0.64	0.66
3	2.02	1.39	1.89
4	2.96	2.64	7.23
5	4.48	4.92	9.46
6	4.97	8.58	14.87
7	10.15	24.02	30.77

Lower rating exposures demonstrate a better capacity to meet financial commitments, with lower probability of default, whereas higher rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost which are managed in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of the Company.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	654,192	8,681	**662,873**	512,071	5,576	517,647
Rating 2	404,127	2,604	**406,731**	235,753	5,858	241,611
Rating 3	857,583	17,943	**875,526**	762,397	94,105	856,502
Rating 4	420,299	75,912	**496,211**	565,591	43,690	609,281
Rating 5	593,987	210,143	**804,130**	592,963	207,831	800,794
Rating 6	97,182	176,247	**273,429**	94,690	292,027	386,717
Rating 7	30,182	10,713	**40,895**	32,481	152,941	185,422
Unrated	230,024	34,157	**264,181**	190,253	18,602	208,855
New customers	397,922	14,956	**412,878**	427,647	37,570	465,217
	3,685,498	**551,356**	**4,236,854**	3,413,846	858,200	4,272,046
Total Stage 3 and POCI			**157,472**			144,920
			4,394,326			4,416,966

42. Risk management - Credit risk (continued)

42.4 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Rating 1	410,510	886	**411,396**	895,267	42,998	938,265
Rating 2	296,784	1,182	**297,966**	1,066,411	29,995	1,096,406
Rating 3	531,271	8,583	**539,854**	845,204	72,153	917,357
Rating 4	1,387,960	59,067	**1,447,027**	592,998	99,388	692,386
Rating 5	915,585	195,178	**1,110,763**	197,743	78,861	276,604
Rating 6	63,506	91,634	**155,140**	64,234	77,217	141,451
Rating 7	104,288	121,092	**225,380**	17,820	80,259	98,079
Unrated	-	2,099	**2,099**	-	2,660	2,660
New customers	308,043	13,166	**321,209**	268,676	13,017	281,693
	4,017,947	**492,887**	**4,510,834**	3,948,353	496,548	4,444,901
Total Stage 3 and POCI			**230,837**			288,998
			4,741,671			4,733,899

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SMEs legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	120,165	3,360	**123,525**	161,411	33,555	194,966
Rating 2	210,856	47,818	**258,674**	175,934	71,421	247,355
Rating 3	108,742	29,117	**137,859**	32,209	29,154	61,363
Rating 4	45,841	14,490	**60,331**	9,432	25,850	35,282
Rating 5	13,021	5,771	**18,792**	6,656	7,842	14,498
Rating 6	5,300	3,328	**8,628**	5,889	10,307	16,196
Rating 7	3,324	2,534	**5,858**	3,431	5,347	8,778
Unrated	-	6,312	**6,312**	49,172	24,648	73,820
New customers	64,722	4,298	**69,020**	60,704	2,731	63,435
	571,971	**117,028**	**688,999**	504,838	210,855	715,693
Total Stage 3 and POCI			**36,842**			48,479
			725,841			764,172

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers

The movement in ECL of loans and advances to customers is as follows:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	22,288	27,041	111,606	15,540	**176,475**
Transfers to stage 1	10,985	(10,504)	(481)	-	**-**
Transfers to stage 2	(1,532)	6,677	(5,145)	-	**-**
Transfers to stage 3	(481)	(2,576)	3,057	-	**-**
Impact on transfer between stages during the year*	(8,860)	3,450	24,794	-	**19,384**
Foreign exchange and other adjustments	-	-	144	-	**144**
Write offs	(594)	(588)	(77,699)	(5,282)	**(84,163)**
Interest (provided) not recognised in the income statement	-	-	3,827	1,079	**4,906**
New loans originated or purchased*	5,953	-	-	992	**6,945**
Loans derecognised or repaid (excluding write offs)*	(2,798)	(782)	(5,433)	(162)	**(9,175)**
Write offs*	455	340	7,981	1,118	**9,894**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	258	7,021	39,891	7,935	**55,105**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(1,469)	178	1,033	(225)	**(483)**
31 December 2023	**24,205**	**30,257**	**103,575**	**20,995**	**179,032**
Individually assessed	8,287	11,983	44,757	13,480	**78,507**
Collectively assessed	15,918	18,274	58,818	7,515	**100,525**
	24,205	**30,257**	**103,575**	**20,995**	**179,032**

* Individual components of the 'Impairment net of reversals on loans and advances to customers' (Note 14).

The impairment loss for the year ended 31 December 2023 was driven mainly from additional net credit losses of €21 million recorded on NPEs as part of the Company's de-risking activities and ECL charge of €11 million relates to the overlays applied during the year 2023, as explained in Note 5.2.

Further, following a deep dive assessment of the loan portfolio during the second half of 2023, exposures of a total amount of €90 million were classified as unlikely to pay ('UTPs'), of which €76 million relate to specific customers with idiosyncratic characteristics. Exposures identified as UTPs were transferred into Stage 3, hence the impact on ECL from 'Impact on transfer between Stages during the year'.

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
2022	€000	€000	€000	€000	€000
1 January	15,457	29,383	456,927	67,781	569,548
Transfers to stage 1	9,737	(9,560)	(176)	-	1
Transfers to stage 2	(1,009)	9,857	(8,848)	-	-
Transfers to stage 3	(106)	(833)	939	-	-
Impact on transfer between stages during the year*	(7,575)	(3,186)	15,387	(31)	4,595
Foreign exchange and other adjustments	9	(2)	988	-	995
Write offs	(798)	(682)	(145,434)	(22,774)	(169,688)
Interest (provided) not recognised in the income statement	-	-	16,687	427	17,114
New loans originated or purchased*	3,877	-	-	35	3,912
Loans derecognised or repaid (excluding write offs)*	(964)	(2,700)	(16,943)	(2,714)	(23,321)
Write offs*	736	485	10,342	995	12,558
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	5,009	2,677	47,617	14,616	69,919
Changes to contractual cash flows due to modifications not resulting in derecognition*	(2,085)	2,226	(3,818)	(391)	(4,068)
Disposal of Helix 3 and Sinope portfolios	-	(624)	(262,062)	(42,404)	(305,090)
31 December 2022	22,288	27,041	111,606	15,540	176,475
Individually assessed	9,066	13,401	54,990	10,664	88,121
Collectively assessed	13,222	13,640	56,616	4,876	88,354
	22,288	27,041	111,606	15,540	176,475

*Individual components of the 'Impairment net of reversals on loans and advances to customers' (Note 14).

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

The analysis of credit losses of loans and advances to customers by business line is presented in the table below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate and Large corporate	12,993	11,727	32,536	5,169	**62,425**
IBU & International corporate					
- IBU	161	323	40	5	**529**
- International corporate	1,498	816	38	6	**2,358**
SMEs	2,424	2,403	1,004	303	**6,134**
Retail					
- housing	3,089	6,365	3,804	486	**13,744**
- consumer, credit cards and other	3,676	5,652	4,968	1,161	**15,457**
Restructuring					
- corporate	21	1,635	6,962	9,964	**18,582**
- SMEs	134	589	4,334	553	**5,610**
- retail housing	75	440	12,393	204	**13,112**
- retail other	108	224	7,060	489	**7,881**
Recoveries					
- corporate	-	-	3,342	267	**3,609**
- SMEs	-	-	4,794	150	**4,944**
- retail housing	-	-	13,772	1,094	**14,866**
- retail other	-	-	8,527	1,141	**9,668**
Wealth management	26	83	1	3	**113**
	24,205	**30,257**	**103,575**	**20,995**	**179,032**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate and Large corporate	13,997	12,096	28,770	1,498	56,361
IBU & International corporate					
- IBU	73	332	65	5	475
- International corporate	567	5	36	4	612
SMEs	2,444	3,009	212	214	5,879
Retail					
- housing	2,378	2,738	5,146	398	10,660
- consumer, credit cards and other	2,552	4,794	5,763	1,020	14,129
Restructuring					
- corporate	22	2,133	7,481	9,005	18,641
- SMEs	184	706	9,157	741	10,788
- retail housing	19	682	9,222	347	10,270
- retail other	29	536	7,309	513	8,387
Recoveries					
- corporate	-	-	7,917	387	8,304
- SMEs	-	-	11,096	288	11,384
- retail housing	-	-	11,937	651	12,588
- retail other	-	-	7,494	465	7,959
Wealth management	23	10	1	4	38
	22,288	27,041	111,606	15,540	176,475

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

The movement of the ECL allowance for the loans and advances to customers in the Corporate and Large corporate, IBU & International corporate and SME Retail business lines in Cyprus (the country where the loans are managed), is presented in the table below:

2023	Corporate and Large corporate €000	IBU & International corporate €000	SME €000	Retail €000
1 January	56,359	1,087	5,879	24,789
Transfer (out of)/in the business line	(660)	112	76	(1,888)
Write offs	(25,276)	(173)	(142)	(1,165)
Interest (provided) not recognised in the income statement	287	-	-	464
New loans originated or purchased	4,058	470	616	1,804
Loans derecognised or repaid (excluding write offs)	(2,627)	(315)	-	(1,615)
Write offs	18	28	135	740
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	12,120	885	242	6,236
Changes to contractual cash flows due to modifications not resulting in derecognition	481	4	(469)	(283)
Impact on transfer between stages during the year	17,665	789	(203)	119
31 December	**62,425**	**2,887**	**6,134**	**29,201**

2022 (restated)	Corporate and Large corporate €000	IBU & International corporate €000	SME €000	Retail €000
1 January	45,541	3,643	6,626	28,215
Transfer in/(out of) the business line	278	8	(99)	(1,812)
Write offs	(14)	(225)	(311)	(1,866)
Interest (provided) not recognised in the income statement	936	5	14	445
New loans originated or purchased	1,950	195	299	1,261
Loans derecognised or repaid (excluding write offs)	(5,699)	(436)	(915)	(818)
Write offs	9	78	127	1,294
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations	11,672	(1,209)	774	2,800
Changes to contractual cash flows due to modifications not resulting in derecognition	(673)	35	123	(203)
Impact on transfer between stages during the year	2,359	(1,007)	(759)	(4,527)
31 December	56,359	1,087	5,879	24,789

During the year ended 31 December 2023 the total non-contractual write-offs recorded by the Company amounted to €66,547 thousand (2022: €134,767 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is €566,451 thousand (2022: €972,621 thousand).

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively both for 2023 and 2022.

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

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

The above assumptions are also influenced by the ongoing regulatory dialogue the Company maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Sensitivity analysis
The Company has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Company with reference date 31 December 2023 and 2022.

The Company has applied sensitivity analysis to the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2023	2022
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**1,297**	1,999
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(1,629)**	(2,077)
Increase the expected recovery period by 1 year	**6,090**	4,955
Decrease the expected recovery period by 1 year	**(7,863)**	(4,344)
Increase the collateral realisation haircut by 5%	**8,816**	11,335
Decrease the collateral realisation haircut by 5%	**(9,495)**	(8,930)
Increase in the PD of stages 1 and 2 by 20%*	**5,424**	7,367
Decrease in the PD of stages 1 and 2 by 20%*	**(5,880)**	(6,964)

*The impact on the ECL also includes the transfer between stages of the loans and advances to customers following the increase/decrease in the PD.

The increase/(decrease) on ECL, for loans and advances to customers at amortised cost, is further analysed, per stage, in the table below:

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

2023	**Stage 1 €000**	**Stage 2 €000**	**Stage 3 €000**	**Total €000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	295	204	798	**1,297**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(235)	(267)	(1,127)	**(1,629)**
Increase the expected recovery period by 1 year	727	1,201	4,162	**6,090**
Decrease the expected recovery period by 1 year	(695)	(1,121)	(6,047)	**(7,863)**
Increase the collateral realisation haircut by 5%	1,037	1,692	6,087	**8,816**
Decrease the collateral realisation haircut by 5%	(900)	(1,406)	(7,189)	**(9,495)**
Increase in the PD of stages 1 and 2 by 20%*	2,624	2,800	-	**5,424**
Decrease in the PD of stages 1 and 2 by 20%*	(1,325)	(4,555)	-	**(5,880)**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	175	321	1,503	1,999
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(139)	(435)	(1,503)	(2,077)
Increase the expected recovery period by 1 year	552	1,590	2,813	4,955
Decrease the expected recovery period by 1 year	(495)	(1,374)	(2,475)	(4,344)
Increase the collateral realisation haircut by 5%	1,036	2,747	7,552	11,335
Decrease the collateral realisation haircut by 5%	(842)	(2,021)	(6,067)	(8,930)
Increase in the PD of stages 1 and 2 by 20%*	406	6,961	-	7,367
Decrease in the PD of stages 1 and 2 by 20%*	(2,217)	(4,747)	-	(6,964)

*The impact on the ECL also includes the transfer between stages of the loans and advances to customers following the increase/decrease in the PD.

42. Risk management - Credit risk (continued)

42.5 Credit losses of loans and advances to customers (continued)

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	2023	**2023**	2022	2022
	€000	**€000**	€000	€000
Corporate and Large corporate	**2,708**	**(2,521)**	2,322	(1,478)
IBU & International corporate				
- IBU	**9**	**(6)**	53	(49)
- International corporate	**65**	**(55)**	68	(30)
SMEs	**365**	**(324)**	487	(409)
Retail				
- housing	**1,124**	**(807)**	1,260	(1,085)
- consumer, credit cards and other	**336**	**(286)**	527	(457)
Restructuring				
- corporate	**1,029**	**(3,337)**	1,253	(1,333)
- SMEs	**233**	**(300)**	628	(633)
- retail housing	**694**	**(616)**	824	(738)
- retail other	**196**	**(175)**	324	(287)
Recoveries				
- corporate	**123**	**(111)**	720	(665)
- SMEs	**932**	**(319)**	948	(819)
- retail housing	**693**	**(455)**	1,378	(690)
- retail other	**305**	**(179)**	540	(255)
Wealth management	**4**	**(4)**	3	(2)
	8,816	**(9,495)**	11,335	(8,930)

42.6 Contingent liabilities and commitments

The Company enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

42.6.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECL are disclosed in the tables below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposures				
1 January	515,186	110,626	36,582	**662,394**
Transfers to stage 1	8,820	(8,755)	(65)	**-**
Transfers to stage 2	(88,817)	91,722	(2,905)	**-**
Transfers to stage 3	(585)	(3,763)	4,348	**-**
Net increase/(decrease)	55,126	(5,003)	(994)	**49,129**
31 December	**489,730**	**184,827**	**36,966**	**711,523**

42. Risk management - Credit risk (continued)

42.6 Contingent liabilities and commitments (continued)

42.6.1 Contingent liabilities (continued)

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Exposures				
1 January	438,591	136,324	45,668	620,583
Transfers to stage 1	30,378	(30,378)	-	-
Transfers to stage 2	(20,997)	22,353	(1,356)	-
Transfers to stage 3	(9)	(3,288)	3,297	-
Net increase/(decrease)	67,223	(14,385)	(11,027)	41,811
31 December	515,186	110,626	36,582	662,394

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	119	110	17,013	**17,242**
Transfers to stage 1	-	-	-	**-**
Transfers to stage 2	-	-	-	**-**
Transfers to stage 3	(35)	(4)	39	**-**
(Credit)/charge for the year*	(84)	(88)	2,122	**1,950**
31 December	**-**	**18**	**19,174**	**19,192**
Individually assessed	-	-	19,174	**19,174**
Collectively assessed	-	18	-	**18**
	-	**18**	**19,174**	**19,192**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
ECL				
1 January	20	124	21,613	21,757
Transfers to stage 1	7	(7)	-	-
Transfers to stage 2	(16)	16	-	-
Transfers to stage 3	-	(27)	27	-
Charge/(credit) for the year*	108	4	(4,627)	(4,515)
31 December	119	110	17,013	17,242
Individually assessed	77	71	17,013	17,161
Collectively assessed	42	39	-	81
	119	110	17,013	17,242

* The credit for the year mainly relates to assets derecognised in the year (2022: Credit for the year mainly relates to assets derecognised in the year).

42. Risk management - Credit risk (continued)

42.6 Contingent liabilities and commitments (continued)

42.6.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of the Company is disclosed in the table below.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	136,335	266	**136,601**	111,875	8	111,883
Rating 2	16,168	2	**16,170**	16,342	-	16,342
Rating 3	33,253	29,663	**62,916**	48,934	388	49,322
Rating 4	26,279	2,686	**28,965**	34,218	7,980	42,198
Rating 5	25,253	30,270	**55,523**	76,807	5,764	82,571
Rating 6	19,494	281	**19,775**	7,845	4,118	11,963
Rating 7	6,485	33	**6,518**	31	4,507	4,538
Unrated	26,003	33,737	**59,740**	22,127	13,622	35,749
New customers	102,235	6,174	**108,409**	89,653	2	89,655
	391,505	**103,112**	**494,617**	407,832	36,389	444,221
Total Stage 3			**8,314**			9,422
			502,931			453,643

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SME legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	42,683	2,796	**45,479**	30,526	38	30,564
Rating 2	6,435	8,181	**14,616**	8,552	747	9,299
Rating 3	1,599	1,950	**3,549**	867	489	1,356
Rating 4	329	907	**1,236**	280	263	543
Rating 5	31	7	**38**	58	94	152
Rating 6	3	14	**17**	1	1	2
Rating 7	4	137	**141**	552	-	552
Unrated	-	50,393	**50,393**	19,630	56,892	76,522
New customers	47,141	122	**47,263**	46,888	738	47,626
	98,225	**64,507**	**162,732**	107,354	59,262	166,616
Total Stage 3			**28,232**			26,573
			190,964			193,189

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Unrated	-	17,208	**17,208**	-	14,975	14,975
	-	**17,208**	**17,208**	**-**	14,975	14,975
Total Stage 3			**420**			587
			17,628			15,562

42. Risk management - Credit risk (continued)

42.6 Contingent liabilities and commitments (continued)

42.6.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECL are disclosed in the tables below:

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,634,939	319,114	43,033	**1,997,086**
Transfers to stage 1	121,814	(121,602)	(212)	**-**
Transfers to stage 2	(100,140)	102,838	(2,698)	**-**
Transfers to stage 3	(4,872)	(3,783)	8,655	**-**
Net increase/(decrease)	52,711	(24,801)	(27,290)	**620**
31 December	**1,704,452**	**271,766**	**21,488**	**1,997,706**

2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Exposure				
1 January	1,570,595	412,589	52,278	2,035,462
Transfers to stage 1	159,869	(159,518)	(351)	-
Transfers to stage 2	(117,601)	118,493	(892)	-
Transfers to stage 3	(276)	(1,205)	1,481	-
Net increase/(decrease)	22,352	(51,245)	(9,483)	(38,376)
31 December	1,634,939	319,114	43,033	1,997,086

2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	90	97	-	**187**
Transfers to stage 1	-	-	-	**-**
Transfers to stage 2	-	-	-	**-**
(Credit)/charge for the year*	(90)	(97)	-	**(187)**
31 December	**-**	**-**	**-**	**-**

2022				
ECL				
1 January	19	169	-	188
Transfers to stage 1	4	(4)	-	-
Transfers to stage 2	(18)	18	-	-
Charge/(credit) for the year*	85	(86)	-	(1)
31 December	90	97	-	187
Individually assessed	68	60	-	128
Collectively assessed	22	37	-	59
	90	97	-	187

*The charge/(credit) for the year mainly relates to changes to inputs.

42. Risk management - Credit risk (continued)

42.6 Contingent liabilities and commitments (continued)

The credit quality of commitments, as per the internal rating system of the Company is disclosed in the table below.

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Corporate legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	319,809	10,252	**330,061**	289,574	13,911	303,485
Rating 2	63,694	1,672	**65,366**	50,364	3,921	54,285
Rating 3	78,107	8,560	**86,667**	83,187	5,579	88,766
Rating 4	77,465	3,669	**81,134**	99,083	5,387	104,470
Rating 5	45,954	22,251	**68,205**	68,953	8,220	77,173
Rating 6	14,720	4,892	**19,612**	8,154	6,905	15,059
Rating 7	2,074	336	**2,410**	1,492	10,390	11,882
Unrated	90,986	51,113	**142,099**	60,960	46,201	107,161
New customers	86,953	707	**87,660**	72,296	10,906	83,202
	779,762	**103,452**	**883,214**	734,063	111,420	845,483
Total Stage 3			**11,981**			14,763
			895,195			860,246

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
SME legal entities	€000	€000	**€000**	€000	€000	€000
Rating 1	275,684	34,643	**310,327**	189,826	75,681	265,507
Rating 2	54,993	56,903	**111,896**	37,089	20,238	57,327
Rating 3	11,146	13,215	**24,361**	9,437	5,941	15,378
Rating 4	2,698	1,811	**4,509**	1,923	2,992	4,915
Rating 5	530	322	**852**	1,322	2,155	3,477
Rating 6	173	152	**325**	303	370	673
Rating 7	7	192	**199**	177	136	313
Unrated	-	8,577	**8,577**	58,779	29,414	88,193
New customers	16,658	915	**17,573**	13,683	980	14,663
	361,889	**116,730**	**478,619**	312,539	137,907	450,446
Total Stage 3			**5,742**			23,916
			484,361			474,362

42. Risk management - Credit risk (continued)

42.6 Contingent liabilities and commitments (continued)

	2023			2022		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Total
Retail individuals	€000	€000	**€000**	€000	€000	€000
Rating 1	145,977	11,477	**157,454**	279,094	17,526	296,620
Rating 2	85,690	5,503	**91,193**	124,039	8,630	132,669
Rating 3	135,923	10,084	**146,007**	63,108	10,745	73,853
Rating 4	90,081	6,541	**96,622**	32,345	8,307	40,652
Rating 5	22,724	5,899	**28,623**	9,304	6,516	15,820
Rating 6	5,317	2,645	**7,962**	3,464	5,395	8,859
Rating 7	1,142	1,459	**2,601**	770	2,690	3,460
Unrated	-	6,832	**6,832**	-	7,437	7,437
New customers	75,947	1,144	**77,091**	76,213	2,541	78,754
	562,801	**51,584**	**614,385**	588,337	69,787	658,124
Total Stage 3			**3,765**			4,354
			618,150			662,478

42.7 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2023 and 2022 by taking possession of collateral held as security, was as follows:

	2023	2022
	€000	€000
Residential property	**5,980**	12,414
Commercial and other property	**14,560**	70,238
	20,540	82,652

The total carrying value of the stock of property and investment properties obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Company (either held directly as stock of properties or investment properties by the Company or through subsidiary properties companies of the Company) as at 31 December 2023, including any expenses capitalised during the year, amounted to €861,675 thousand (2022: €1,087,556 thousand).

The disposals of repossessed assets (including both sales of repossessed properties directly held by the Company and sale of repossessed properties held through subsidiary properties Companies) during 2023 amounted to €173,587 thousand (2022: €249,252 thousand).

42.8 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Company's loans and advances to customers at amortised cost.

	2023	2022
Gross loans at amortised cost	**€000**	€000
Euro	**9,336,476**	9,454,234
US Dollar	**409,555**	334,663
British Pound	**87,610**	89,244
Swiss Franc	**27,358**	35,430
Other currencies	**839**	1,466
	9,861,838	9,915,037

42. Risk management - Credit risk (continued)

42.9 Modified loans and advances to customers

Modified loans and advances to customers are those loans where the original contractual terms of the loans

i. have been modified due to financial difficulties of the borrower and are considered as forborne/restructured (as explained in Note 42.10), and
ii. have been modified due to commercial renegotiations and such loans are considered as non-forborne

Customers classified as Stage 2 and Stage 3 as at 31 December 2022, that had facilities modified (in a prior or the current period), and are classified as Stage 1 as at 31 December 2023 amount to €137,357 thousand (2022: €281,391 thousand) and their corresponding ECL amount to €547 thousand (2022: €895 thousand).

Previously classified Stage 2 and Stage 3 customers (with a carrying amount as at 31 December 2022 of €30,012 thousand (2021: €34,788 thousand)) that had facilities modified during the year and are classified as Stage 1 at 31 December 2023 amount to €19,113 thousand (2022: €30,012 thousand) and their corresponding ECL amount to €36 thousand (2022: €51 thousand). Their related modification loss amounted to €55 thousand (2022: €177 thousand).

Stage 2 and Stage 3 loans that were forborne during the year amounted to €44,827 thousand (2022: €228,804 thousand). Their related modification loss amounted to €3,036 thousand (2022: €4,669 thousand).

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €51,720 thousand (2022: €33,784 thousand) and their corresponding ECL amount to €1,984 thousand (2022: €1,055 thousand) as at 31 December 2023.

42.10 Forbearance/Restructuring

Forborne/restructured loans are those loans that have been modified because the borrower is considered unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Company decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance/restructuring measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

Forborne/restructured loans and advances are facilities for which the Company has modified the repayment programme (e.g. provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest).

For an account to qualify for forbearance/restructuring it must meet certain criteria including the viability of the customer. The extent to which the Company reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory requirements.

Forbearance/restructuring activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Forbearance/restructuring options may be of a short or long-term nature or a combination thereof. The Company has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Company.

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

42. Risk management - Credit risk (continued)

42.10 Forbearance/Restructuring (continued)

Short-term restructuring solutions can include the following:

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

Long-term restructuring solutions can include the following:

i. Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
ii. Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
iii. Sale of Assets: Part of the restructuring can be the agreement with the borrower for immediate or over time sale of assets (mainly real estate) to reduce borrowing.
iv. Modification of existing terms of previous decisions: In the context of the new sustainable settlement/restructuring solution, review any terms of previous decisions that may not be met.
v. Consolidation/refinancing of existing facilities: In cases where the borrower maintains several separate loans with different collaterals, these can be consolidated and a new repayment schedule can be set and the new loan can be secured with all existing collaterals.
vi. Hard Core Current Account Limit: In such cases a loan with a longer repayment may be offered to replace /reduce the current account limit.
vii. Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured to a sustainable repayment program. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro rata (based on the actual repayment of the sustainable part) or restructured.
viii. Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
ix. Liquidation Collateral: An agreement between the Company and a borrower for the voluntary sale of mortgaged assets, for partial or full repayment of the debt.
x. Currency Conversion: This solution is provided to match the credit facility currency and the borrower's income currency.
xi. Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.
xii. Partial or total write off: This solution corresponds to the Company forfeiting the right to legally recover part or the whole of the amount of debt outstanding by the borrower.
xiii. Debt/equity swaps: debt restructuring that allows partial or full repayment of the debt in exchange of obtaining an equivalent amount of equity by the Company, with the remaining debt right sized to the cash flows of the borrower to allow repayment. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
xiv. Debt/asset swaps: agreement between the Company and the borrower to voluntarily transfer the mortgaged asset or other immovable property to the Group, to partially or fully repay the debt. Any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Forbearance modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired and in Stage 3 as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

42. Risk management - Credit risk (continued)

42.10 Forbearance/Restructuring (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.

The below table presents the movement of the Company's forborne loans and advances to customers measured at amortised cost.

	2023	2022
	€000	€000
1 January	**1,105,986**	1,455,521
New loans and advances forborne in the year	**47,274**	130,547
Loans no longer classified as forborne and repayments	**(705,103)**	(241,739)
Write-off of forborne loans and advances	**(41,996)**	(60,580)
Interest accrued on forborne loans and advances	**49,102**	57,795
Foreign exchange adjustments	**153**	(313)
Derecognition of Helix 3 and Sinope portfolios	**-**	(235,245)
31 December	**455,416**	1,105,986

The forborne loans classification is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

The below tables present the Company's forborne loans and advances to customers by staging, economic activity and business line classification as well as the ECL allowance and tangible collateral held for such forborne loans.

	2023	2022
	€000	€000
Stage 1	**-**	-
Stage 2	**261,091**	857,356
Stage 3	**173,404**	215,418
POCI	**20,921**	33,212
	455,416	1,105,986

Fair value of collateral

	2023	2022
	€000	€000
Stage 1	**-**	-
Stage 2	**241,983**	818,138
Stage 3	**154,051**	172,501
POCI	**19,734**	30,188
	415,768	1,020,827

The fair value of collateral presented above has been computed to the extent that the collateral mitigates credit risk.

42. Risk management - Credit risk (continued)

42.10 Forbearance/Restructuring (continued)

Credit risk concentration

	2023	2022
By economic activity	**€000**	€000
Trade	**15,578**	41,038
Manufacturing	**10,195**	17,080
Hotels and catering	**60,129**	282,460
Construction	**82,849**	245,695
Real estate	**61,550**	145,840
Private individuals	**187,537**	279,934
Professional and other services	**34,873**	75,823
Shipping	**-**	-
Other sectors	**2,705**	18,116
	455,416	1,105,986

	2023	2022
By business line	**€000**	€000
Corporate and Large corporate	**207,210**	684,070
IBU & International corporate		
- IBU	**2,386**	11,482
- International corporate	**768**	-
SMEs	**20,823**	74,474
Retail		
- housing	**67,087**	85,319
- consumer, credit cards and other	**17,265**	28,944
Restructuring		
- corporate	**33,098**	47,840
- SMEs	**11,749**	21,002
- retail housing	**34,538**	53,316
- retail other	**7,399**	14,402
Recoveries		
- corporate	**2,480**	6,279
- SMEs	**6,157**	15,635
- retail housing	**34,496**	49,240
- retail other	**9,960**	13,983
	455,416	1,105,986

42. Risk management - Credit risk (continued)

42.10 Forbearance/Restructuring (continued)

2023	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate and Large corporate	-	136,097	71,006	107	**207,210**
IBU & International corporate					
- IBU	-	2,091	295	-	**2,386**
- International corporate	-	768	-	-	**768**
SMEs	-	19,414	1,409	-	**20,823**
Retail					
- housing	-	51,588	13,479	2,020	**67,087**
- consumer, credit cards and other	-	13,047	4,089	129	**17,265**
Restructuring					
- corporate	-	21,254	1,807	10,037	**33,098**
- SMEs	-	3,686	6,760	1,303	**11,749**
- retail housing	-	11,341	21,633	1,564	**34,538**
- retail other	-	1,805	5,249	345	**7,399**
Recoveries					
- corporate	-	-	2,250	230	**2,480**
- SMEs	-	-	5,668	489	**6,157**
- retail housing	-	-	30,643	3,853	**34,496**
- retail other	-	-	9,116	844	**9,960**
	-	**261,091**	**173,404**	**20,921**	**455,416**

2022	Stage 1	Stage 2	Stage 3	POCI	Total
By business line	€000	€000	€000	€000	€000
Corporate and Large corporate	-	628,104	50,376	5,590	684,070
IBU & International corporate					
- IBU	-	10,293	1,188	1	11,482
SMEs	-	72,727	869	878	74,474
Retail					
- housing	-	62,312	20,502	2,505	85,319
- consumer, credit cards and other	-	20,207	7,653	1,084	28,944
Restructuring					
- corporate	-	31,637	6,060	10,143	47,840
- SMEs	-	7,240	11,918	1,844	21,002
- retail housing	-	19,912	30,649	2,755	53,316
- retail other	-	4,924	9,021	457	14,402
Recoveries					
- corporate	-	-	5,837	442	6,279
- SMEs	-	-	14,449	1,186	15,635
- retail housing	-	-	44,191	5,049	49,240
- retail other	-	-	12,705	1,278	13,983
	-	857,356	215,418	33,212	1,105,986

42. Risk management - Credit risk (continued)

42.10 Forbearance/Restructuring (continued)

ECL allowance

	2023	2022
	€000	€000
Stage 1	-	-
Stage 2	8,643	13,939
Stage 3	47,615	68,374
POCI	11,510	11,259
	67,768	93,572

42.11 Credit quality of the Company assets exposed to credit risk other than loans and advances to customers-analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2023	2022
	€000	€000
Aaa - Aa3	227,075	84,543
A1 - A3	23,647	21,189
Baa1 - Baa3	9,526,168	20,251
Ba1 - Ba3	4,467	9,477,497
Unrated	59,007	290
Other receivables from banks	34,531	38,307
	9,874,895	9,642,077

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 17).

Reverse repurchase agreements
Reverse repurchase agreements counterparties are analysed by Moody's Investors Service rating as follows:

	2023	2022
	€000	€000
Unrated	403,199	-

The average rating of the collateral (Note 42.1) received was Aa1 as at 31 December 2023.

42. Risk management - Credit risk (continued)

42.11 Credit quality of the Company assets exposed to credit risk other than loans and advances to customers-analysis by rating agency designation (continued)

Debt securities and other non-equity securities
Investments in debt securities and other non-equity securities are analysed by Moody's Investors Service rating as follows:

Moody's rating	**2023 €000**	2022 €000
Aaa - Aa3	**1,965,134**	1,105,439
A1 - A3	**441,255**	396,985
Baa1 - Baa3	**1,047,437**	87,566
Ba1 - Ba3	**89,404**	883,931
B1 - B3	**-**	14,243
Unrated	**-**	12,241
	3,543,230	2,500,405
Issued by:		
- Cyprus government	**924,530**	829,625
- Other governments	**761,563**	425,460
- Banks and other corporations	**1,857,137**	1,245,320
	3,543,230	2,500,405
Classified as:		
Investments mandatorily measured at FVPL	**2,286**	7,870
Investments at FVOCI	**424,230**	446,416
Investments at amortised cost	**3,116,714**	2,046,119
	3,543,230	2,500,405

2023	FVOCI Stage 1 €000	Amortised cost Stage 1 €000
Aaa - Aa3	59,235	1,903,613
A1 - A3	32,521	408,734
Baa1 - Baa3	313,749	733,688
Ba1 - Ba3	18,725	70,679
B1 - B3	-	-
Unrated	-	-
	424,230	**3,116,714**

2022	FVOCI Stage 1 €000	Amortised cost Stage 1 €000
Aaa - Aa3	82,030	1,015,539
A1 - A3	41,101	355,884
Baa1 - Baa3	-	87,566
Ba1 - Ba3	323,285	560,646
B1 - B3	-	14,243
Unrated	-	12,241
	446,416	**2,046,119**

The ratings are provided for the ISIN or if not available for the specific issuance the rating of the counterparty is used.

43. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, foreign currency exchange rates, property and security prices. The Market and Liquidity Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors property price risk, liquidity risk and credit risk from counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to the Company's capital and earnings arising from adverse movements in interest rates that affect the Company's banking book positions.

Interest rate risk is measured primarily by reference to the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis, where the assets, liabilities and off-balance sheet items are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. Interest rate risk is managed through a 1-Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group TIER 1 regulatory capital and as a percentage of the net interest income. There are overall limits as well as separate limits for the Euro and the US Dollar.

Sensitivity analysis
The table below sets out the impact on the Company’s net interest income, over a one-year period, from reasonably possible changes in the interest rates of the Euro and the US Dollar, being the main currencies, using the assumption of the prevailing market risk policy for the current and the comparative year:

		Impact on Net Interest Income in €000	
Currency	**Interest Rate Scenario**	**2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)**	**2022 (60 bps for Euro and 75 bps for US Dollar)**
All	Parallel up	147,348	73,126
All	Parallel down	(135,973)	(77,043)
All	Steepening	(81,265)	(56,569)
All	Flattening	112,104	59,657
All	Short up	150,679	70,381
All	Short down	(140,778)	(73,896)
Euro	Parallel up	142,318	71,829
Euro	Parallel down	(132,297)	(75,343)
Euro	Steepening	(79,595)	(55,812)
Euro	Flattening	108,998	59,132
Euro	Short up	145,795	69,180
Euro	Short down	(137,046)	(72,216)
US Dollar	Parallel up	5,030	1,298
US Dollar	Parallel down	(3,676)	(1,700)
US Dollar	Steepening	(1,670)	(757)
US Dollar	Flattening	3,106	525
US Dollar	Short up	4,884	1,202
US Dollar	Short down	(3,732)	(1,680)

43. Risk management - Market risk (continued)

The above sensitivities incorporate assumptions on the pass-through rate of time deposits of 40% for the upside scenario and 50% for the downside scenario for 2023 (2022: 50% for the upside scenario and 56% for the downside scenario).

The table below sets out the impact on the Company's equity, from reasonably possible changes in the interest rates under various interest rate scenarios for the Euro and the US Dollar in line with the EBA guidelines.

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)**	**2022 (60 bps for Euro and 75 bps for US Dollar)**
All	Parallel up	62,584	31,739
All	Parallel down	(89,615)	(68,581)
All	Steepening	(511)	11,884
All	Flattening	(11,035)	369
All	Short up	14,117	27,212
All	Short down	(40,727)	(35,032)
Euro	Parallel up	114,640	54,878
Euro	Parallel down	(60,469)	(59,502)
Euro	Steepening	6,669	23,018
Euro	Flattening	20,775	526
Euro	Short up	48,756	47,696
Euro	Short down	(27,450)	(28,040)
US Dollar	Parallel up	10,529	8,599
US Dollar	Parallel down	(29,146)	(9,079)
US Dollar	Steepening	(3,846)	750
US Dollar	Flattening	(21,422)	212
US Dollar	Short up	(10,261)	6,727
US Dollar	Short down	(13,277)	(6,992)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments impacting the profit and loss of the Company.

The equity of the Company is also affected by changes in market interest rates. The impact on the Company's equity arises from changes in the fair value of fixed rate debt securities classified at FVOCI.

43. Risk management - Market risk (continued)

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Company's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
2023	**€000**	**€000**
+1.7% for US Dollar +1.4% for Euro +3% for British Pound	**(2,468)**	**(502)**
-1.1% for US Dollar -1.2% for Euro -3% for British Pound	**2,115**	**430**
2022		
+0.75% for US Dollar +0.6% for Euro +0.4% for British Pound	(466)	(253)
-0.75% for US Dollar -0.6% for Euro -0.4% for British Pound	466	245

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

In order to manage currency risk, the ALCO has approved open position limits for the total foreign currency positions. The foreign currency position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market and Liquidity Risk department.

The Company does not maintain a currency trading book.

The table below sets out the Company's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity (by an approximately equal and opposite impact), but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

43. Risk management - Market risk (continued)

2023	**Change in foreign exchange rate %**	**Impact on profit/loss after tax €000**	**Impact on equity €000**
US Dollar	**+5**	**1,563**	**-**
Russian Rouble	**+60**	**(1,476)**	**-**
Romanian Lei	**+5**	**18**	**(63)**
Swiss Franc	**+5**	**92**	**-**
British Pound	**+5**	**307**	**-**
Japanese Yen	**+5**	**2**	**-**
Other currencies	**+5**	**28**	**-**
US Dollar	**-5**	**(1,414)**	**-**
Russian Rouble	**-30**	**227**	**-**
Romanian Lei	**-5**	**(16)**	**57**
Swiss Franc	**-5**	**(84)**	**-**
British Pound	**-5**	**(278)**	**-**
Japanese Yen	**-5**	**(2)**	**-**
Other currencies	**-5**	**(26)**	**-**
2022			
US Dollar	+10	2,534	-
Russian Rouble	+70	22,073	-
Romanian Lei	+10	3	(349)
Swiss Franc	+10	237	-
British Pound	+10	483	-
Japanese Yen	+10	6	-
Other currencies	+10	65	-
US Dollar	-10	(2,073)	-
Russian Rouble	-40	(2,703)	-
Romanian Lei	-10	(2)	285
Swiss Franc	-20	(356)	-
British Pound	-10	(396)	-
Japanese Yen	-10	(5)	-
Other currencies	-10	(53)	-

Price risk

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

Investments in equities are outside the Company's risk appetite, but may be acquired in the context of delinquent loan workouts. The Company monitors the current portfolio mostly acquired by the Company as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts, with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Company as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Company, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Company.

The table below shows the impact on the profit/loss before tax and on equity of the Company from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

43. Risk management - Market risk (continued)

2023	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Cyprus Stock Exchange	**+40**	**-**	**898**
Athens Exchange	**+50**	**419**	**-**
New York Exchange	**+45**	**-**	**-**
Other stock exchanges and unlisted	**+40**	**-**	**200**
Non-listed (Real Estate)	**+25**	**-**	**1,732**
Cyprus Stock Exchange	**-40**	**-**	**(898)**
Athens Exchange	**-50**	**(419)**	**-**
New York Exchange	**-10**	**-**	**-**
Other stock exchanges and unlisted	**-40**	**-**	**(200)**
Non-listed (Real Estate)	**-10**	**-**	**(693)**

2022	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Cyprus Stock Exchange	+50	-	1,380
Athens Exchange	+34	286	-
New York Exchange	+23	-	-
Other stock exchanges and unlisted	+66	-	319
Non-listed (Real Estate)	+25	-	1,666
Cyprus Stock Exchange	-33	-	(911)
Athens Exchange	-45	(379)	-
New York Exchange	-28	-	-
Other stock exchanges and unlisted	-59	-	(285)
Non-listed (Real Estate)	-10	-	(666)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Company. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes mainly for fixed rate securities. The Company invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Company as at 31 December 2023 was A1 (2022: A2). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2023 was Aa2 (2022: Aa2). Further information on ratings of debt securities is disclosed in Note 42.11.

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Company, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Company.

43. Risk management - Market risk (continued)

The table below indicates how the profit/loss before tax and equity of the Company will be affected from reasonably possible changes in the price of the debt securities held, based on a Monte Carlo, conditional value at risk (CVAR) methodology.

2023	Impact on profit/loss before tax €000	Impact on equity €000
Up scenario:		
Aa3 and above rated bonds	**-**	**3,820**
A3 and above rated bonds	**-**	**1,866**
Baa1 and below rated bonds	**-**	**430**
Cyprus Government bonds	**-**	**27,514**
Down scenario:		
Aa3 and above rated bonds	**-**	**(3,820)**
A3 and above rated bonds	**-**	**(1,866)**
Baa1 and below rated bonds	**-**	**(430)**
Cyprus Government bonds	**-**	**(27,514)**

2022	Impact on profit/loss before tax €000	Impact on equity €000
Up scenario:		
Aa3 and above rated bonds	-	3,801
A3 and above rated bonds	-	3,259
Baa1 and below rated bonds	-	2,389
Cyprus Government bonds	-	34,045
Down scenario:		
Aa3 and above rated bonds	-	(3,801)
A3 and above rated bonds	-	(3,259)
Baa1 and below rated bonds	-	(2,398)
Cyprus Government bonds	-	(34,045)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and equity of the Company from a change in the price of other non-equity instruments held, as a result of reasonably possible changes in the price index of the relevant instruments.

2023	Change in index %	Impact on profit/loss before tax €000	Impact on equity €000
Other non-equity instruments	**+45**	**1,029**	**-**
Other non-equity instruments	**-10**	**(229)**	**-**
2022			
Other non-equity instruments	+23	1,810	-
Other non-equity instruments	-28	(2,204)	-

Property price risk

A significant part of the Company's loan portfolio is secured by real estate, the majority of which is located in Cyprus. Furthermore, the Company holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Company primarily as stock of properties and some are held as investment properties.

43. Risk management - Market risk (continued)

Property risk is the risk that the Company's business and financial position will be affected by adverse changes in the demand for, and prices of, real estate, or by regulatory capital requirements relating to increased charges with respect to the stock of properties held.

44. Risk management - Liquidity and funding risk

Liquidity Risk

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

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has in place an established Liquidity Policy of managing assets taking liquidity into consideration and monitoring cash flows and liquidity on a regular basis. The Company has developed internal control processes and contingency plans for managing liquidity risk.

Management and structure

The Board of Directors sets the Group's Liquidity Risk Appetite which defines the level of risk at which the Group and the Company should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews at frequent intervals the liquidity position of the Company.

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

The Treasury Division is responsible for liquidity management at Company level, ensuring compliance with internal policies and regulatory liquidity requirements and providing direction as to the actions to be taken regarding liquidity needs. Treasury Division assesses on a continuous basis the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored by Market and Liquidity Risk department, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market and Liquidity Risk department reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: establishes the Group's Risk Appetite Statement together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity Policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and reporting on liquidity and funding.

(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a regular basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.

(iv) Early Warning Indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Company. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.

(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.

(vi) Recovery Plan: the Company has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Company to be adequately prepared to respond to stressed conditions and restore the Company's liquidity position.

44. Risk management - Liquidity and funding risk (continued)

Monitoring process

Daily
The daily monitoring of the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Company's activities. Market and Liquidity Risk department prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. Results are made available to members of the Risk and Treasury Divisions. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Company.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

Market and Liquidity Risk department also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Company maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The designing of the stress tests follows guidance and is based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Company. The stress test assumptions are reviewed on an annual basis and approved by the Board through its Risk Committee. Whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market and Liquidity Risk department prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market and Liquidity Risk department prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International business unit deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month's mismatch.

Market and Liquidity Risk department also reports the Liquidity Coverage Ratio (LCR) and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB on a monthly basis.

Quarterly
The results of the stress testing scenarios are reported to ALCO and Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market and Liquidity Risk department also reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

44. Risk management - Liquidity and funding risk (continued)

Annually
The Company prepares on an annual basis its ILAAP package. The ILAAP package provides a holistic view of the Company's liquidity adequacy under normal and stress conditions. Within ILAAP, the Company evaluates its liquidity risk in the context of established policies and processes for the identification, measurement, management and monitoring of liquidity risk as implemented by the institution.

Market and Liquidity Risk department also prepares annually an ECB/SRB liquidity report, the 'Joint liquidity template' that runs for five consecutive days. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity Ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of the Company and describes the measures implemented and to be implemented in the short-term to improve liquidity position if needed.

As part of the procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the Crisis Management Committee for LCP (CMC-LCP). The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is reviewed and tested at least annually.

Liquidity ratios

The LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Company also calculates its NSFR as per Capital Requirements Regulation II (CRR II), with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

Funding risk

Funding risk is the risk that the Company does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Company may fail to meet its obligations, including regulatory ones (e.g. MREL).

Main sources of funding

As at 31 December 2023, the Company's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. Wholesale funding is also becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021, the issuance of senior preferred debt of €300 million in June 2021, the refinancing of AT1 for €220 million in June 2023 and the issuance of senior preferred debt of €350 million in July 2023.

With respect to TLTRO III operations, the carrying value of the ECB funding as at 31 December 2023 (after the early repayment of €1 billion within December 2022), was €2,044 million (2022: €1,977 million).

As at 31 December 2023, the wholesale funding nominal amount was €1,170 million (2022: €820 million). This includes funding of €220 million AT1 as described in Note 32, €300 million Tier 2 issued in April 2021, €300 million senior preferred debt issued in June 2021 and €350 million senior preferred debt issued in July 2023.

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable.

44. Risk management - Liquidity and funding risk (continued)

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Company's encumbered assets as at 31 December 2023 and 31 December 2022 are summarised below:

	2023	2022
	€000	€000
Cash and other liquid assets	**72,800**	73,557
Investments	**260,011**	284,343
Loans and advances	**3,349,118**	3,273,369
	3,681,929	3,631,269

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.

As at 31 December 2023 and 2022, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond.

Loans and advances indicated as encumbered as at 31 December 2023 and 2022 are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,008 million as at 31 December 2023 (2022: €1,007 million) in Cyprus, pledged as collateral for the covered bond issued by the Company in 2011 under its Covered Bond Programme. Furthermore, as at 31 December 2023 housing loans of a nominal amount of €2,329 million (2022: €2,287 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 28).

The Company maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, the Company has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. The Covered Bonds have a maturity date of 12 December 2026 and pay an interest rate of 3-months Euribor plus 1.25% on a quarterly basis. On 9 August 2022, the Company proceeded with an amendment to the terms and conditions of the covered bonds following the implementation of Directive (EU) 2019/2162 in Cyprus. The covered bonds are listed on the Luxemburg Bourse. The covered bonds have a conditional Pass-Through structure. All the bonds are held by the Company. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks include balances of €20,462 thousand as at 31 December 2023 (2022: €29,100 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €40,049 thousand as at 31 December 2023 (2022: €55,152 thousand).

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Company's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

44. Risk management - Liquidity and funding risk (continued)

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December until their contractual maturity date. Amounts placed as collateral (primarily for derivatives) are assigned to different time bands based on either their maturity, or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Company expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Company has the discretion not to accept such early termination of deposits.

Debt securities in issue and subordinated liabilities are classified in the relevant time band according to the remaining contractual maturity.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
Amounts of commitments and contingent liabilities are included in the time band on the basis of their remaining contractual maturities.

In the case of undrawn facilities the Company has the right to cancel them upon relevant notice to the customers and are hence included in the 'On demand and up to one month' time band.

44. Risk management - Liquidity and funding risk (continued)

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	9,571,852	14,661	23,159	3,995	654	**9,614,321**
Loans and advances to banks	260,827	1,609	467	79,899	10,281	**353,083**
Reverse Repurchase Agreements	-	-	-	403,199	-	**403,199**
Fair value of derivative assets	220	99	540	35,263	14,933	**51,055**
Investments at FVPL	837	-	-	2,286	-	**3,123**
Investments not at FVPL	86,322	76,184	483,759	1,810,771	1,093,579	**3,550,615**
Loans and advances to customers	1,100,075	188,261	723,362	2,798,404	5,011,431	**9,821,533**
Balances with Group companies	17,673	-	7,007	-	3,647	**28,327**
Other assets	62,131	45	123,280	147,232	15,088	**347,776**
	11,099,937	**280,859**	**1,361,574**	**5,281,049**	**6,149,613**	**24,173,032**
Financial liabilities						
Deposits by banks	145,701	18,737	35,481	210,135	69,479	**479,533**
Funding from central banks	-	1,752,836	313,174	-	-	**2,066,010**
Customer deposits	15,175,687	1,538,792	2,424,392	214,190	-	**19,353,061**
Balances with Group companies	89,259	16,269	5,559	-	-	**111,087**
Debt securities in issue	-	-	33,323	779,464	-	**812,787**
Subordinated liabilities	-	-	19,885	94,663	384,739	**499,287**
Fair value of derivative liabilities	13,362	516	201	2,515	1,386	**17,980**
Lease liabilities	1,630	2,055	3,945	15,205	-	**22,835**
Other liabilities	113,644	17,227	31,611	6,834	3,417	**172,733**
	15,539,283	**3,346,432**	**2,867,571**	**1,323,006**	**459,021**	**23,535,313**
Net financial (liabilities)/assets	**(4,439,346)**	**(3,065,573)**	**(1,505,997)**	**3,958,043**	**5,690,592**	**637,719**

44. Risk management - Liquidity and funding risk (continued)

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	9,541,655	9,471	13,489	1,480	703	**9,566,798**
Loans and advances to banks	96,559	1,215	36	64,558	4,321	**166,689**
Fair value of derivative assets	507	160	238	10,811	36,437	**48,153**
Investments at FVPL	6,814	-	-	1,898	-	**8,712**
Investments not at FVPL	42,553	70,637	318,427	1,787,097	284,003	**2,502,717**
Loans and advances to customers	907,783	219,362	641,082	3,161,840	5,022,854	**9,952,921**
Balances with Group companies	81,889	3,742	37,600	442,156	738	**566,125**
Other assets	50,506	180	90,340	224,939	1,525	**367,490**
	10,728,266	**304,767**	**1,101,212**	**5,694,779**	**5,350,581**	**23,179,605**
Financial liabilities						
Deposits by banks	138,027	20,320	33,128	215,446	120,811	**527,732**
Funding from central banks	-	-	-	2,028,300	-	**2,028,300**
Customer deposits	15,096,274	1,591,894	2,278,574	38,116	-	**19,004,858**
Balances with Group companies	77,488	14,704	5,321	-	-	**97,513**
Debt securities in issue	-	-	7,500	339,725	-	**347,225**
Subordinated liabilities	-	-	19,875	89,626	420,618	**530,119**
Fair value of derivative liabilities	10,274	255	9	4,412	1,219	**16,169**
Lease liabilities	579	959	4,031	13,712	3,138	**22,419**
Other liabilities	126,694	4,485	29,620	7,442	3,291	**171,532**
	15,449,336	**1,632,617**	**2,378,058**	**2,736,779**	**549,077**	**22,745,867**
Net financial (liabilities)/assets	**(4,721,070)**	**(1,327,850)**	**(1,276,846)**	**2,958,000**	**4,801,504**	**433,738**

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	56,545	6,059	2,646	-	-	**65,250**
Contractual amounts payable	(56,310)	(5,992)	(2,599)	-	-	**(64,901)**
	235	**67**	**47**	**-**	**-**	**349**
Financial liabilities						
Contractual amounts receivable	907,453	136,201	2,617	-	-	**1,046,271**
Contractual amounts payable	(920,105)	(136,063)	(2,637)	-	-	**(1,058,805)**
	(12,652)	**138**	**(20)**	**-**	**-**	**(12,534)**

44. Risk management - Liquidity and funding risk (continued)

2023	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,321	879	380	-	-	**2,580**
Guarantees	146,639	77,973	250,404	203,993	29,934	**708,943**
Commitments						
Documentary credits	1,242	3,830	5,179	-	-	**10,251**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,987,455	-	-	-	-	**1,987,455**
	2,136,657	**82,682**	**255,963**	**203,993**	**29,934**	**2,709,229**

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	149,604	83,265	1,230	-	-	234,099
Contractual amounts payable	(149,166)	(83,215)	(1,222)	-	-	(233,603)
	438	50	8	-	-	496
Financial liabilities						
Contractual amounts receivable	1,034,973	65,093	1,222	-	-	1,101,288
Contractual amounts payable	(1,045,050)	(65,224)	(1,223)	-	-	(1,111,497)
	(10,077)	(131)	(1)	-	-	(10,209)

2022	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	1,756	2,890	529	-	-	5,175
Guarantees	151,303	108,220	228,922	130,112	38,662	657,219
Commitments						
Documentary credits	1,206	6,900	9,268	-	250	17,624
Undrawn formal standby facilities, credit lines and other commitments to lend	1,979,462	-	-	-	-	1,979,462
	2,133,727	118,010	238,719	130,112	38,912	2,659,480

45. Capital management

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

45. Capital management (continued)

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Company's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non credit impaired financial assets and phasing-in this starting from 2022 (phasing-in at 25% in 2022, 50% in 2023 and 75% in 2024) 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 Company elected to apply and implemented from the third quarter of 2020. This temporary treatment was in effect until 31 December 2022.

The Group and the Company have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to the CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive and were endorsed in December 2023 by the preparatory bodies of the Council and European Parliament. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. Although still subject to legal revision and to the final vote in the Plenary, no changes in substance are expected until its adoption by the European Parliament by the second quarter of 2024. It is expected that these provisions will come into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased-in over time.

Additional information on regulatory capital is disclosed in the 'Risk and Capital Management Report' (unaudited), which is included in the Annual Financial Report, and in the 'Pillar III Disclosures Report 2023' (unaudited), which is published on the Group's website.

46. Related party transactions

Related parties of the Company include Group companies, associates and joint ventures, key management personnel, members of the Board of Directors and their connected persons.

46. Related party transactions (continued)

Connected persons for the purpose of this disclosure include spouses, minor/dependent children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties also include entities providing key management personnel services to the Company where relevant.

Aggregate amounts outstanding at year end and additional transactions

	2023	2022
	€000	€000
Loans and advances as at 31 December		
Board of Directors	**77**	105
Key management personnel	**1,843**	2,017
Connected persons-Board of Directors	**85**	86
Connected persons-key management personnel	**491**	216
	2,496	2,424
Deposits as at 31 December		
Board of Directors	**1,919**	3,582
Key management personnel	**1,874**	1,898
Connected persons - Board of Directors	**969**	1,373
Connected persons - Key management personnel	**2,334**	1,544
	7,096	8,397
Interest income for the year	**104**	62
Interest expense for the year	**8**	-
Commission income for the year	**-**	6
Insurance premium income for the year	**463**	433
Insurance expenses and subscriptions for the year	**3**	294

The above table does not include year end balances for members of the Board of Directors, key management personnel and their connected persons who resigned during the year, nor balances of customers that do not meet the definition of connected persons as at 31 December 2023.

As at 31 December 2023 there were 7 Directors in office (2022: 10) and 17 key management personnel in office (2022: 18).

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

During the year ended 31 December 2022 connected persons of key management personnel transacted with REMU for the purchase of a property amounting to €58 thousand. The transaction was made on normal business terms as for comparable transactions with third parties. No similar transaction took place during the year ended 31 December 2023.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €116 thousand as at 31 December 2023 (2022: €120 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €1,138 thousand as at 31 December 2023 (2022: €1,134 thousand).

46. Related party transactions (continued)

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals, and assigning no value to other types of collaterals) at 31 December 2023 amounted to €1,415 thousand (2022: €1,093 thousand).

There were no other transactions during the years ended 31 December 2023 and 2022 with connected persons of the current members of the Board of Directors or with any members who resigned during the year.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing. A number of loans and advances have been extended to key to management personnel on the same terms as those applicable to the rest of the Company's employees and their connected persons on the same terms as those of customers of a similar credit standing.

Fees and emoluments of members of the Board of Directors and key management personnel

	2023	2022 (restated)
Directors' emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**1,061**	1,046
Variable remuneration - STIP	**400**	-
Retirement benefit plan costs	**94**	82
Total directors' emoluments	**1,555**	1,128
Key management personnel emoluments		
Salaries and other short-term benefits	**2,846**	2,645
Termination benefits	**-**	200
Variable remuneration - STIP	**610**	-
Retirement benefit plan costs	**244**	198
Total key management personnel emoluments	**3,700**	3,043
Total	**5,255**	4,171

Fees and benefits are included for the period that they serve as members of the Board of Directors. Key management personnel emoluments are included for the period that they serve as key management personnel.

The retirement benefit plan costs relate to contributions paid for defined contributions plan.

46. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and key management personnel (continued)

Executive Directors' emoluments
A cost of €235 thousand has been recorded by the Company in its Income Statement in relation to awards granted in 2022 and 2023 to the Executive Directors under the Long Term Incentive Plan (LTIP) as described in Note 12.2 (2022: cost for awards granted in 2022 of €118 thousand) in relation to LTIP awards granted but not yet vested. The recognition of such cost is in accordance with the accounting policy described in Note 2.31 of the Consolidated Financial Statements of the Group. No LTIP cycles had a performance period ending during the years ended 31 December 2023 and 2022, and as such no amounts have been included in the amount of remuneration within the table above (compared to the 2022 Annual Financial Report in which this cost recorded by the Company for LTIP awards granted but not vested was included in the tables).

The amount included for the short term incentive award represents the full amount as approved by the Board and relevant Board Committees. As disclosed in Note 12.3 the short term incentive award is primarily awarded in the form of cash and in case the award for an individual exceeds a threshold as per regulatory guidelines, the short term incentive award is awarded 50% in cash and 50% in shares. In the case of the Executive Directors, the award will be 50% in the form of cash and 50% in the form of shares. In case the award to an individual comprises both a cash and a share component, vesting conditions as described in Note 12.3 apply.

Key management personnel
The emoluments of key management personnel include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and the emoluments of other members of the Senior Management team (Extended EXCO) (prior to the change in the Group organisational structure, in 2022 the key management personnel included those members of the management team who reported directly to the Chief Executive Officer or to the Deputy Chief Executive Officer & Chief of Business).

Further, employer's contributions in relation to the emoluments of key management personnel of €326 thousand have been recorded in the Income Statement during the year ended 31 December 2023 (2022: €307 thousand). Such amounts are not considered part of the remuneration, but rather an incremental cost to the Group, and as such have been excluded from the table above (compared to the 2022 Annual Financial Report in which amounts were included in the relevant tables).

Further, a cost of €360 thousand has been recorded by the Company in its Income Statement in relation to awards granted in 2022 and 2023 to the key management personnel under the Long Term Incentive Plan (LTIP) (2022: cost for awards granted in 2022 of €204 thousand) in relation to awards granted but not yet vested. The recognition of such cost is in accordance with the Group accounting policy described in Note 2.31 of the Consolidated Financial Statements of the Group. No LTIP cycles had a performance period ended during the years ended 31 December 2023 and 2022 and as such no amounts have been included in the amount of remuneration within the table above (compared to the 2022 Annual Financial Report in which this cost recorded by the Company was included in the tables).

The amount included for the short term incentive award represents the full amount as approved by the Board and relevant Board Committees. The short term incentive award is primarily awarded in the form of cash and in case the award for an individual exceeds a threshold as per regulatory guidelines, the short term incentive award is awarded 50% in cash and 50% in shares. In the case of the other key management personnel an amount of €560 thousand will be in the form of cash and an amount of €50 thousand in the form of shares. In case the award to an individual comprises both a cash and a share component, vesting conditions as described in Note 12.3 apply.

46. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and key management personnel (continued)

Executive Directors
The fees and emoluments of the Executive Directors are analysed as follows:

	2023	2022 (restated)
	€000	€000
Panicos Nicolaou (Chief Executive Officer)		
Salaries and other short-term benefits	**761**	761
Variable remuneration - STIP	**300**	-
Retirement benefit plan costs	**68**	60
	1,129	821
Eliza Livadiotou (Executive Director Finance)		
Salaries and other short-term benefits	**300**	285
Variable remuneration - STIP	**100**	-
Retirement benefit plan costs	**26**	22
	426	307
Total	**1,555**	1,128

The share-based benefits expense recorded in the Income Statement during the year ended 31 December 2023 for the share awards granted under the LTIP amounts to €186 thousand (2022: €93 thousand) for the Chief Executive Officer and to €49 thousand (2022: €25 thousand) for the Executive Director Finance.

Further, employer's contributions of €64 thousand have been recorded in the Income Statement during the year ended 31 December 2023, of which €38 thousand relate to the Chief Executive Officer and €26 thousand relate to the Executive Director Finance (2022: total employer's contribution of €63 thousand, of which €38 thousand relate to the Chief Executive Officer and €25 thousand to the Executive Director Finance). Such amounts are not considered part of the remuneration of Directors but rather an incremental cost to the Company, and as such have been excluded from the table above (compared to the 2022 Annual Financial Report in which amounts were presented as part of the table).

Non-executive Directors
Non-executive director fees are expensed by Bank of Cyprus Holdings Public Limited Company and as a result no non-executive director fees are disclosed. However, these are recharged by the holding company back to the Company and the recharge cost is included within 'Other operating expenses'.

Balances and transactions with Group Companies are disclosed in Note 22. Further, the subordinated liability with the holding Company is disclosed in Note 30.

47. Subsidiary companies

The main subsidiary companies and branches of the Company, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2023 are:

Company	Country	Activities	Percentage holding (%)
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Development of inter-banking systems processing of card transactions, other payment services and other activities	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, brokerage, discretionary asset management and investment advice services	100
Jinius Ltd	Cyprus	Digital Economy Platform	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections - In run-down	100
MC Investment Assets Management LLC	Russia	Problem asset management company - In run-down	100
Fortuna Astrum Ltd	Serbia	Problem asset management company - In run-down	100

47. Subsidiary companies (continued)

In December 2022, BOCH incorporated Jinius Ltd, a 100% subsidiary, which has been set up to provide and administrate a Digital Economy Platform. During 2023, the activities of the Company in relation to the Digital Economy Platform were transferred to Jinius Ltd. As at 31 December 2023 Jinius Ltd is a 100% subsidiary of the Company.

In February 2023, the Group proceeded with a restructuring of its investment banking and brokerage activities through the absorption by CISCO of BOC Asset Management Ltd's activities. BOC Asset Management Ltd was subsequently dissolved.

In addition to the above companies, as at 31 December 2023 the Company had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Tolmeco Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Cranmer Properties Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Camela Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Maledico Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Coeval Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Odolo Properties Ltd, Molemo Properties Ltd, Samilo Properties Ltd, Baleland Properties Ltd, Alezia Properties Ltd, Zenoplus Properties Ltd, Enelo Properties Ltd, Monata Properties Ltd, Vertilia Properties Ltd, Amary Properties Ltd, Aparno Properties Ltd, Lomenia Properties Ltd, Midelox Properties Ltd, Montira Properties Ltd, Orilema Properties Ltd, Cramonco Properties Ltd, Carilo Properties Ltd, Olisto Properties Ltd and Philiki Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2023 the Company had 100% shareholding in Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2023 the Company had 100% shareholding in BOC Terra AIF V.C.I.C Plc which is a real estate alternative investment fund, currently inactive.

At 31 December 2023 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Holstone Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd and Larizemo Properties Ltd.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Bonayia Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

47. Subsidiary companies (continued)

The Company also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Paneuropean Ltd, Nelcon Transport Co. Ltd, Canosa Properties Ltd, Homirova Properties Ltd and Settle Cyprus Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All companies listed above have share capital consisting of ordinary shares.

Acquisitions of subsidiaries

During the years ended 31 December 2023 and 2022 there were no acquisitions of subsidiaries.

Dissolution and disposal of subsidiaries

There were no material disposals of subsidiaries during the year ended 31 December 2023. Salecom Ltd, Romaland Properties Ltd, Trecoda Properties Ltd, Weinco Properties Ltd, Aktilo Properties Ltd, Stormino Properties Ltd, Tavoni Properties Ltd, Ameleto Properties Ltd, Folimo Properties Ltd, Steparco Ltd, Thames Properties Ltd, Finerose Properties Ltd and Cyprialife Ltd were dissolved during the year ended 31 December 2023. In November 2023 Edoric Properties Ltd was merged with the Company and its activities were absorbed by the Company, and was subsequently dissolved. Thelemic Properties Ltd, Arlona Properties Ltd, Tebane Properties Ltd, Fareland Properties Ltd, Sendilo Properties Ltd, Dilero Properties Ltd, Calinora Properties Ltd, Lynoco Properties Ltd, Ofraco Properties Ltd, Asianco Properties Ltd, Nigora Properties Ltd, Bascone Properties Ltd, Calandomo Properties Ltd, Irisa Properties Ltd, Marcozaco Properties Ltd, Alepar Properties Ltd and Nivamo Properties Ltd were disposed of during the year ended 31 December 2023.

As at 31 December 2023, the following subsidiaries were in the process of dissolution or in the process of being struck off: Fantasio Properties Ltd, Demoro Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Fairford Properties Ltd, Sylvesta Properties Ltd, Battersee Real Estate SRL, Iperi Properties Ltd, Prodino Properties Ltd, Thryan Properties Ltd, Obafemi Holdings Ltd, Birkdale Properties Ltd, CYCMC IV Ltd and Ensolo Properties Ltd.

During the year ended 31 December 2023 net gains of disposal/dissolution of subsidiary companies of €1,840 thousand (2022: €781 thousand) were recorded in the income statement (Note 11).

Carrying value of investments in subsidiaries

	2023	2022
	€000	€000
1 January	**161,550**	91,218
Contribution/transfer from Balances with Group Companies (net)	**531,672**	76,382
Additions	**7,288**	-
Disposals/dissolution of subsidiaries	**(73,700)**	(3,418)
Contribution to/(from) subsidiaries-net	**(16,610)**	-
Impairment of investments in subsidiaries (Note 14)	**(57,623)**	(2,632)
31 December	**552,577**	161,550

48. Events after the reporting period

KEDIPES Loan portfolio acquisition
In December 2023, the Company entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of approximately €58 million with reference date 31 December 2022 (the 'Transaction'). The Transaction is broadly neutral to the Company's and Group's income statement and capital position. Regulatory approvals have been obtained and the Transaction was completed in March 2024.

48. Events after the reporting date (continued)

Distribution in respect of 2023 earnings
The Company, in March 2024, obtained regulatory approval from the European Central Bank (ECB) for a distribution in respect of 2023 earnings of a total amount of €137 million, comprising a cash dividend. Following ECB approval, the Board of Directors of the Company recommended a final cash dividend to shareholders of €0.01 per ordinary share in respect of earnings for the year ended 31 December 2023 (totalling €137 million based on the total number of ordinary shares currently outstanding). This is subject to shareholder approval at the Annual General Meeting in May 2024. The financial statements for the year ended 31 December 2023 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2024.

Dividends are funded out of distributable reserves.

No other significant non-adjusting events have taken place since 31 December 2023.

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Limited

Report on the Audit of the Separate Financial Statements

Our opinion

In our opinion, the accompanying separate financial statements (the "financial statements") give a true and fair view of the financial position of parent company Bank of Cyprus Public Company Limited (the "Company") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 relating to separate financial statements.

What we have audited

We have audited the financial statements which are presented in pages 359 to 500 and comprise:

- the balance sheet as at 31 December 2023;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including accounting policy information.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality	• Overall materiality: €28 million, which represents approximately 5% of the Company's profit before tax as presented on the income statement by line item 'Profit before tax'.
Key audit matters	We have identified the following key audit matters: • Impairment of loans and advances to customers. • Litigation provisions and regulatory and other claims. • Valuation of stock of properties. • Privileged user access over financial reporting systems.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€28 million.
How we determined it	Based on approximately 5% of the Company's profit before tax as presented on the income statement by line item 'Profit before tax'
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark (2022: net assets), because in our view this is a metric against which the recurring performance of the Company is commonly measured to assess its performance. We chose 5%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.400 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers Refer to Note 5.2, "Calculation of expected credit losses" within Note 5 "Significant and other judgements, estimates and assumptions, Note 21, "Loans and advances to customers" and Note 42, "Risk management - Credit risk". The Company has developed complex models to calculate expected credit losses ("ECL") on its loans and advances to customers. Impairment provisions are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant or which meet specific criteria determined by management. We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including: • The interpretations and assumptions used to build the models, including the segmentation employed;	We understood and evaluated the design of the overall control framework relevant to the measurement of impairment of loans and advances to customers and tested the operating effectiveness of key controls across processes relevant to the calculation of ECL. We read and considered the minutes of the Joint Audit & Risk committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk committee. We assessed the appropriateness of the key assumptions used in the methodologies and collective ECL model developed by the Company and their compliance with the requirements of IFRS 9. We tested the completeness and accuracy of data inputs to the collective ECL model on a sample basis.

- The allocation of loans and advances to customers within Stages 1, 2 or 3 including consideration of relevant overlays, where applicable;

- Identifying 'Significant Increase in Credit Risk'; and

- The inputs, assumptions and probability weights assigned to multiple economic scenarios as used by the Company.

We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the allocation of loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered the impact of staging overlays, where applicable.

We compared, with the assistance of PwC credit risk experts, the forward-looking macroeconomic assumptions used in the base, favourable and adverse scenarios to publicly available information. We also assessed the reasonableness of the adverse and favourable assumptions together with the scenario weightings applied by management.

We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of the collective ECL model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator model which mathematically checked the calculation of collective ECL.

We evaluated the Company's individual loan impairment assessments for a sample of Stage 3 exposures for compliance with the Company's policies, developments during 2023 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records.

We evaluated the appropriateness of the Company's disclosures particularly in relation to significant judgements and estimates.

We concluded that the methodologies and judgements used by management in determining the impairment of loans and advances to customers were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.

Litigation provisions and regulatory and other claims Refer to Note 5.4 “Provisions for pending litigations, claims, regulatory and other matters” within Note 5 “Significant and other judgements, estimates and assumptions” and Note 36 “Provisions for pending litigations, claims, regulatory and other matters”. The Company is subject to various legal claims, investigations and other proceedings. Provisions for pending litigation, claims, regulatory and other matters amounted to €125 million as at 31 December 2023. Management together with the Company’s compliance and legal departments and where necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for cases assessed individually and collectively, and evaluate the probability of economic outflow from the Company. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters requires a significant level of judgement by management. The judgements relate to the probability of obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	We obtained an understanding of and evaluated the design of controls relevant to the recognition and measurement of litigation provisions and regulatory and other claims. We tested the operating effectiveness of controls we wished to rely on. We tested a risk based sample of management’s assessment of individual cases, including whether an economic outflow was assessed as probable. We assessed management’s proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary, we confirmed case facts and judgements directly with external legal advisors. For a sample of cases where economic outflow was assessed as probable by management, and therefore a provision recorded, we recalculated the provision and performed sensitivity analysis on key assumptions used by management. We understood the basis of management’s collective provisions, in circumstances where these are applied, assessed the key assumptions used by reference to past experience and recalculated provisions booked. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or relevant developments in current cases, including the minutes of the Settlement of Legal Cases Committee. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2023. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.

Valuation of stock of properties

Refer to Note 5.3, "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 26 "Stock of property".

The Company has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property and measured at the lower of their cost or net realisable value in accordance with IAS 2.

Valuations obtained from external valuers and the holding periods for assets are key inputs to determine the appropriate carrying value.

We have determined this to be a key audit matter in light of the large volume of properties held, the carrying value of these properties of €347 million at 31 December 2023 and the uncertainty around market conditions when estimating the carrying amount.

We understood and evaluated the design of the overall control framework relevant to repossessed properties and tested the operating effectiveness of key controls around their valuation.

We focused on the key inputs and assumptions underlying the valuation of the properties.

We evaluated the competence, capability and objectivity of management's external experts (property valuers).

For a sample of external valuation reports, we assessed the methodology and assumptions used with the assistance of PwC valuation experts, where relevant.

We tested the accuracy of the application by management of illiquidity discounts for a sample of properties held at year end.

For a sample of properties acquired during the year, we tested "cost" by reference to signed "debt-for-asset" agreements entered into with borrowers, and we tested the "net realisable value" at year end by reference to external valuation reports.

We performed look-back procedures by comparing the price achieved for disposals during 2023 to the carrying values for those assets at 31 December 2022.

We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards.

We concluded that the judgements and estimates used by management in determining the carrying amount of stock of property were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.

Privileged user access over financial reporting systems

The Company's financial reporting is heavily reliant on IT systems which have been in place for a number of years and which are inherently complex, thereby creating an elevated risk to financial reporting.

The Company relies on privileged user access controls which are critical to ensuring that changes to applications and underlying data are made in an appropriate manner and to mitigate the risk of potential fraud or error.

We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data.

With the assistance of PwC IT audit specialists, we obtained an understanding of the Company's IT environment and evaluated the design and tested the operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting.

Where deficiencies in privileged user access controls were identified, we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we:

- Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to test the completeness of access rights within the Company's user access tool that supports the management of user access, for the provision, deprovision, and recertification of privileged access;

- Extracted the list of privileged users on the Company's data warehouse and considered the appropriateness of access during 2023;

- Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and considered the appropriateness of developer access; and

- Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Company's password policy requirements.

After evaluating the results of these additional audit procedures, where necessary, our team performed further audit procedures such that we concluded that any residual audit risk was reduced to an acceptable level.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Forward Looking Statements and Notes, Management Report of Bank of Cyprus Public Limited Company, Risk and Capital Management Report, ESG Disclosures, Additional Information - EU taxonomy Disclosures and the Alternative Performance Measures Disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 March 2024 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the Management Report of Bank of Cyprus Public Limited Company.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report of Bank of Cyprus Public Limited Company has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report of Bank of Cyprus Public Limited Company. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023.

The engagement partner on the audit resulting in this independent auditor's report is Anna Loizou.

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

28 March 2024

Alternative Performance Measures Disclosures 2023

DEFINITIONS

Adjusted recurring profitability	The Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.
Advisory and other transformation costs	Comprise mainly of fees of external advisors in relation to: (i) the transformation program and other strategic projects of the Group and (ii) customer loan restructuring activities, where applicable.
Allowance for expected loan credit losses	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale, where applicable), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale, where applicable), (iii) allowance for expected credit losses for off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities, and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
Basic earnings per share (attributable to the owners of the Company)	Basic earnings per share (attributable to the owners of the Company) is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the year, excluding treasury shares.
Carbon neutral	The reduction and balancing (through a combination of offsetting investments or emission credits) of greenhouse gas emissions from own operations.
Cost to Income ratio	Cost-to-income ratio is calculated as total expenses (as defined), divided by total income (as defined).
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, cash withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Diluted earnings per share	Diluted earnings per share is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of ordinary shares in issue adjusted for the ordinary shares that may arise in respect of share awards granted to executive directors and senior management of the Group under the Long-Term Incentive Plan.
Green Asset ratio	The proportion of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets.
Green Mortgage ratio	The proportion of a credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgage assets.

Gross loans	Gross loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale, where applicable) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. The residual fair value adjustment on initial recognition relates mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired at acquisition date).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus reverse repurchase agreements, plus net loans and advances to customers (including net loans and advances to customers classified as non-current assets held for sale, where applicable) (as defined), plus deferred consideration receivable ('DPP'), plus investments (excluding equities, mutual funds and other non-interest bearing investments).
Legacy exposures	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) Non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company and other equity instruments minus intangible assets.
Loan credit losses (PL)	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost relating to loans and advances to customers and (iii) net gains on loans and advances to customers at FVPL, for the reporting period/year.
Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year-to-date) is calculated as the loan credit losses (as defined) (annualised based on year-to-date days) divided by the average gross loans (as defined). The average gross loans are calculated as the average of the opening balance and the closing balance of Gross loans (as defined), for the reporting period/year.
Market Shares	Both deposit and loan market shares are based on data from the CBC.
Net Interest Margin	Net interest margin is calculated as the net interest income (annualized based on year-to-date days) divided by the 'quarterly average interest earning assets' (as defined).
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding net loans included in the legacy exposures (as defined).
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments

New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year-to-date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises: Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instruments (excluding net gains on loans and advances to customers at FVPL), Net insurance result, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.

Non-performing exposures (NPEs)

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

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy.
(iii) Material exposures as set by the CBC, which are more than 90 days past due.
(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures previously classified as NPEs that present more than 30 days past due within the probation period.

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

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

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

Material arrears/excesses are defined as follows:

- Retail exposures: Total arrears/excess amount greater than €100,
- Exposures other than retail: Total arrears/excess amount greater than €500

and the amount in arrears/excess of the customer's total exposure is at least 1%.

The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).

Non-recurring items	Non-recurring items as presented in the 'Consolidated Income Statement – Underlying basis' relate to 'Advisory and other transformation costs - organic' (2022: Non-recurring items relate to: (i) Advisory and Other transformation costs – organic, (ii) Net profit/(loss)/provisions relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs – Voluntary Staff Exit Plan (VEP), as applicable).
NPE coverage ratio	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	NPE ratio is calculated as the NPEs (as defined) divided by Gross loans (as defined).
Operating profit	Operating profit on the underlying basis comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for pending litigations, regulatory and other provisions (net of reversals), tax, profit attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Profit after tax and before non-recurring items (attributable to the owners of the Company)	Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) is the operating profit (as defined) adjusted for loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for litigation, claims, regulatory and other matters (net of reversals), tax and (profit)/loss attributable to non-controlling interests.
Profit/(loss) after tax – organic (attributable to the owners of the Company)	Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (as defined) (attributable to the owners of the Company), adjusted for the 'Advisory and other transformation costs – organic'.
Return on Tangible equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised - (based on year-to-date days)), divided by the quarterly average of shareholders' equity minus intangible assets at each quarter end.
Return on Tangible equity (ROTE) excluding amounts reserved for distributions	Return on Tangible equity (ROTE) excluding amounts reserved for distributions is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised - (based on year - to - date days)), divided by the quarterly average of Shareholders' equity minus intangible assets and the amounts approved/recommended for distribution in respect of earnings of the relevant year the distribution relates to.
Shareholders' equity	Shareholders' equity comprise total equity adjusted for non-controlling interest and other equity instruments.
Tangible book value per share	Tangible book value per share is calculated as the total equity attributable to the owners of the Company, (i.e. Shareholders' equity as defined) less intangible assets at each quarter end, divided by the number of shares in issue, excluding treasury shares.
Tangible equity	Tangible equity comprises of equity attributable to the owners of the company (as per statutory basis) and other equity instruments minus intangible assets.

Time deposits pass-through	Calculated as a percentage of the cost (interest expense) of Time and Notice deposits over the average 6-month Euribor rate of the period.
Total expenses	Total expenses on the underlying basis comprise the total staff costs, special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other transformation costs-organic', (on an underlying basis) as reconciled in the table further below) (2022: total expenses on the underlying basis comprise total staff costs (excluding 'Restructuring costs – Voluntary Staff Exit Plan (VEP)') (on an underlying basis as reconciled in the table further below), special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other transformation costs-organic', 'Restructuring and other costs relating to NPE sales', on an underlying basis as reconciled in the table further below)).
Total income	Total income on the underlying basis comprises the total of net interest income, net fee and commission income, net foreign exchange gains, net gains/(losses) on financial instruments (excluding net gains/(losses) on loans and advances to customers at FVPL), net insurance result, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property and other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Management Report under section 'Group financial results on the underlying basis'.
Underlying basis	The underlying basis is computed by adjusting the results as per the statutory basis for reclassification of certain items as explained in the 'Reconciliation of the Consolidated Income Statement for the year ended 31 December 2023 between the audited statutory basis and the underlying basis' within the Management Report.

Reconciliations

Reconciliation between the Consolidated Income Statement under the statutory basis and the underlying basis in the Management Report is included in Section 'Reconciliation of the Consolidated Income Statement for the year ended 31 December 2023 between the audited statutory basis and the underlying basis' of the Management Report.

Reconciliations between the non-IFRS performance measures and the most directly comparable IFRS measures which allow for the comparability of the underlying basis to the statutory basis are disclosed below.

For the purpose of the 'Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2023.

On 1 January 2023, the Group adopted IFRS 17 'Insurance Contracts'. As required by the standard, the Group applied the requirements retrospectively with comparative information previously published under IFRS 4 'Insurance Contracts' restated from 1 January 2022, the transition date, and therefore comparative information for Reconciliations of alternative performance measures and Key Performance Ratios Information have also been restated where applicable.

1. Reconciliation of Gross loans and advances to customers

	2023	2022
	€000	€000
Gross loans and advances to customers as per the underlying basis (*as defined above*)	**10,069,828**	10,217,453
Reconciling items:		
Residual fair value adjustment on initial recognition (*Note 23*)	**(69,534)**	(89,029)
Loans and advances to customers measured at FVPL (*Note 23*)	**(138,727)**	(214,359)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**947**	3,270
Gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (*Note 23*)	**9,862,514**	9,917,335

2. Reconciliation of Allowance for expected credit losses (ECL) on loans and advances to customers

	2023	2022
	€000	€000
Allowance for expected credit losses (ECL) on loans and advances to customers as per the underlying basis (*as defined above*)	**267,232**	281,630
Reconciling items:		
Residual fair value adjustment on initial recognition (*Note 23*)	**(69,534)**	(89,029)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**947**	3,270
Provisions for financial guarantees and commitments (*Note 33*)	**(19,192)**	(17,429)
Allowance for ECL of loans and advances to customers as per the Consolidated Financial Statements (*Note 23*)	**179,453**	178,442

Reconciliations (continued)

3. Reconciliation of NPEs

	2023	2022
	€000	€000
NPEs as per the underlying basis (*as defined above*)	**365,450**	410,563
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(37,273)**	(37,742)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 (*Note 23*)	**(1,294)**	(1,803)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (*Note 23*)	**326,883**	371,018

NPE ratio	**2023**	2022
NPEs (*as per table above*) (€000)	**365,450**	410,563
Gross loans and advances to customers (*as per table 1 above*) (€000)	**10,069,828**	10,217,453
Ratio of NPE/Gross loans (%)	**3.6%**	4.0%

NPE Coverage ratio	**2023**	2022
Allowance for expected credit losses on loans and advances to customers (ECL) (*as per table 2 above*) (€000)	**267,232**	281,630
NPEs (*as per table above*) (€000)	**365,450**	410,563
NPE Coverage ratio (%)	**73%**	69%

Note 1: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €37,273 thousand POCI - NPEs (out of a total of €100,197 thousand POCI loans) (2022: €37,742 thousand POCI - NPEs (out of a total of €115,544 thousand POCI loans)) as disclosed in Note 23.

4. Reconciliation of Loan credit losses

	2023	2022
	€000	€000
Loan credit losses as per the underlying basis	**62,749**	46,717
Reconciling items:		
Reversal of loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Net loss/provisions relating to NPE sales' under the underlying basis	**-**	(685)
	62,749	46,032
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers (*Note 16*)	**73,294**	56,510
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers (*see further below*)	**(8,144)**	(6,428)
Net gains on loans and advances to customers measured at FVPL (*Note 11*)	**(2,401)**	(4,050)
	62,749	46,032

Reconciliations (continued)

4. Reconciliation of Loan credit losses (continued)

Net gains on derecognition of financial assets measured at amortised cost in the Consolidated Income Statement amount to €6,361 thousand (2022: €5,235 thousand) and comprise €8,144 thousand (2022: €6,428 thousand) net gains on derecognition of loans and advances to customers and €1,783 thousand (2022: €1,193 thousand) net losses on derecognition of debt securities measured at amortised cost.

5. Reconciliation of Adjusted recurring profitability to Profit after tax for the year attributable to the owners of the Company

	2023	2022 (restated)
	€000	€000
Adjusted recurring profitability as per the underlying basis (*as defined above*)	**448,866**	147,730
Reconciling items:		
Advisory and other transformation costs (*Note 15*)	**(2,253)**	(14,136)
Staff costs - voluntary exit plan and other termination benefits, separately presented under the underlying basis *(as per table 2.1.1 below)*	**-**	(104,325)
Reversal of loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Net loss/provisions relating to NPE sales' under the underlying basis *(as per table 4 above)*	**-**	685
Payment of coupon to AT1 holders *(Note 34)*	**27,339**	27,500
Cost for repurchase of other equity instruments* (*Note 34*)	**6,820**	-
Profit after tax for the year attributable to the owners of the Company as per the Consolidated Income Statement	**480,772**	57,454

***** Comprises accrued AT1 coupon as at the date of the repurchase and amount paid for the repurchase in excess of the nominal price.

Key Performance Ratios Information

For the purpose of the 'Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2023.

1. Net Interest Margin (NIM)

The various components for the calculation of net interest margin are provided below:

	2023	2022 (restated)
1.1. Net interest income used in the calculation of NIM	**€000**	€000
Net interest income as per the underlying basis/statutory basis	**793,192**	371,279

1.2. Interest earning assets	**31 December 2023**	30 September 2023	30 June 2023	31 March 2023	31 December 2022
	€000	€000	€000	€000	€000
Cash and balances with central banks (*Note 41*)	**9,614,502**	9,565,413	9,127,429	9,247,705	9,567,258
Loans and advances to banks (*Note 41*)	**384,802**	409,903	431,812	415,832	204,811
Reverse repurchase agreements	**403,199**	-	-	-	-
Loans and advances to customers (*Note 23*)	**9,823,127**	9,917,922	10,013,576	10,018,739	9,961,642
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') (*Note 28*)	**243,013**	325,990	320,655	315,755	311,523
Investments					
Debt securities (*Note 20*)	**3,547,782**	3,488,862	3,178,127	2,746,790	2,499,894
Total interest earning assets	**24,016,425**	23,708,090	23,071,599	22,744,821	22,545,128
1.3. Quarterly average interest earning assets (€000)					
- 2023					**23,217,213**
- 2022					22,488,389

1.4. Net Interest Margin (NIM)	**2023**	2022 (restated)
Net interest income (*as per table 1.1. above*) (€000)	**793,192**	371,279
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**23,217,213**	22,488,389
NIM (%)	**3.42%**	1.65%

Key Performance Ratios Information (continued)

2. Cost to income ratio

2.1 Reconciliation of the various components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.1.1 Reconciliation of Staff costs	**2023**	2022 (restated)
	€000	€000
Staff costs as per the underlying basis	**192,266**	180,829
Reclassifications for:		
Restructuring costs – voluntary exit plan and other termination benefits, separately presented under the underlying basis *(Note 14)*	**-**	104,325
Staff costs as per the statutory basis *(Note 14)*	**192,266**	285,154

2.1.2 Reconciliation of Other operating expenses	**2023**	2022 (restated)
	€000	€000
Other operating expenses as per the underlying basis	**156,292**	144,104
Reclassifications for:		
Operating expenses and restructuring costs relating to NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis	**-**	2,911
Advisory and other transformation costs – organic, separately presented under the underlying basis *(Note 15)*	**2,253**	11,225
Other operating expenses as per the statutory basis *(Note 15)*	**158,545**	158,240

2.1.3 Total Expenses as per the underlying basis	**2023**	2022 (restated)
	€000	€000
Staff costs as per the underlying basis *(as per table 2.1.1 above)*	**192,266**	180,829
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**42,380**	38,492
Other operating expenses as per the underlying basis *(as per table 2.1.2 above)*	**156,292**	144,104
Total Expenses as per the underlying basis	**390,938**	363,425

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

2.2 Reconciliation of the various components of total income used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.2.1 Total Income as per the underlying basis	**2023**	2022 (restated)
	€000	€000
Net interest income as per the underlying basis/statutory basis (*as per table 1.1 above*)	**793,192**	371,279
Net fee and commission income as per the underlying basis/statutory basis	**181,023**	192,284
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis *(as per table 2.2.2 below)*	**37,184**	25,434
Net insurance result* (as per the statutory basis)	**53,488**	44,566
Net gains/(losses) from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**10,015**	12,971
Other income (as per the statutory basis)	**18,337**	16,681
Total Income as per the underlying basis	**1,093,239**	663,215

**Net insurance result comprises the aggregate of captions 'Net insurance finance income/(expense) and net reinsurance finance income/(expense)', 'Net insurance service result' and 'Net reinsurance service result' per the statutory basis.*

2.2.2 Reconciliation of Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost between the statutory basis and the underlying basis	**2023**	2022 (restated)
	€000	€000
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**37,184**	25,434
Reclassifications for:		
Net gains on loans and advances to customers at FVPL disclosed within 'Loan credit losses' per the underlying basis (*Note 11*)	**2,401**	4,050
Net gains on derecognition of financial assets measured at amortised cost-loans and advances to customers, disclosed within 'Loan credit losses' per the underlying basis (*as per table 4 in Section 'Reconciliations' above*)	**8,144**	6,428
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**47,729**	35,912
Net foreign exchange gains, Net gains/(losses) on financial instruments and Net gains on derecognition of financial assets measured at amortised cost (as per table above) are reconciled to the statutory basis as follows:		
Net foreign exchange gains	**28,588**	31,291
Net gains/(losses) on financial instruments (*Note 11*)	**12,780**	(614)
Net gains on derecognition of financial assets measured at amortised cost	**6,361**	5,235
	47,729	35,912

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

2.2 Reconciliation of the various components of total income used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below: (continued)

	2023	2022 (restated)
Cost to income ratio		
Total expenses (*as per table 2.1.3 above*) (€000)	**390,938**	363,425
Total income (*as per table 2.2.1 above*) (€000)	**1,093,239**	663,215
Total expenses/Total income (%)	**36%**	55%

Cost to income ratio excluding special levy on deposits and other levies/contributions	**2023**	2022 (restated)
Total expenses (*as per table 2.1.3 above*) (€000)	**390,938**	363,425
Less: Special levy on deposits and other levies/contributions (*as per table 2.1.3 above*) (€000)	**(42,380)**	(38,492)
Total expenses excluding special levy on deposits and other levies/contributions	**348,558**	324,933
Total income (*as per table 2.2.1 above*) (€000)	**1,093,239**	663,215
Total expenses excluding special levy on deposits and other levies/contributions/Total income (%)	**32%**	49%

3. Operating profit return on average assets

The various components used in the determination of the operating profit return on average assets are provided below:

	31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022 (restated)
	€000	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the Consolidated Balance Sheet	**26,629,813**	26,358,882	25,712,270	25,392,302	25,296,856
Quarterly average total assets (€000)					
- 2023					**25,878,025**
- 2022 (restated)					25,360,909

	2023	2022 (restated)
Total income (*as per table 2.2.1 above*) (€000)	**1,093,239**	663,215
Total expenses (*as per table 2.1.3 above*) (€000)	**(390,938)**	(363,425)
Operating profit (€000)	**702,301**	299,790
Quarterly average total assets (*as per table above*) (€000)	**25,878,025**	25,360,909
Operating profit return on average assets (%)	**2.7%**	1.2%

Key Performance Ratios Information (continued)

4. Cost of Risk

	2023	2022
	€000	€000
Loan credit losses (*as per table 4 in Section 'Reconciliations' above*)	**62,749**	46,717
Average gross loans *(as defined)* (*as per table 1 in Section 'Reconciliations' above*)	**10,143,641**	10,537,056
Cost of Risk (CoR) %	**0.62%**	0.44%

5. Basic earnings per share attributable to the owners of the Company

The various components used in the determination of the 'Basic earnings per share attributable to the owners of the Company (€ cent)' are provided below:

	2023	2022 (restated)
Profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the year ended 31 December (€000)	**480,772**	57,454
Weighted average number of shares in issue during the year, excluding treasury shares (thousand) (*Note 18*)	**9,597,945**	9,597,945
Basic earnings per share attributable to the owners of the Company (€ cent)	**5.0**	0.6

6. Return on tangible equity (ROTE)

The various components used in the determination of 'Return on tangible equity (ROTE)' are provided below:

	2023	2022 (restated)
Profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the year ended 31 December (€000)	**480,772**	57,454
Quarterly average tangible total equity as at 31 December (*as per table 6.2 below*) (€000)	**1,964,761**	1,744,049
ROTE after tax (%)	**24.5%**	3.3%

Key Performance Ratios Information (continued)

6. Return on tangible equity (ROTE) (continued)

6.1 Tangible shareholder's equity	**31 December 2023**	30 September 2023	30 June 2023	31 March 2023	31 December 2022 (restated)
	€000	€000	€000	€000	€000
Equity attributable to the owners of the Company per the statutory basis	**2,247,933**	2,117,509	1,989,097	1,903,297	1,810,024
Less: Intangible assets per the statutory basis	**(48,635)**	(45,899)	(47,546)	(49,430)	(52,546)
Total tangible shareholder's equity	**2,199,298**	2,071,610	1,941,551	1,853,867	1,757,478
6.2 Quarterly average tangible shareholder's equity (€000)					
- 2023					**1,964,761**
- 2022 (restated)					1,744,049

7. Return on tangible equity (ROTE), excluding amounts reserved for future distributions

The various components used in the determination of 'Return on tangible equity (ROTE), excluding amounts reserved for future distributions' are provided below:

	2023	2022 (restated)
Profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the year ended 31 December (€000)	**480,772**	57,454
Quarterly average tangible total equity as at 31 December (*as per table 7.2 below*) (€000)	**1,928,519**	1,739,587
ROTE after tax), excluding amounts reserved for future distributions (%)	**24.9%**	3.3%

7.1 Tangible shareholder's equity	**31 December 2023**	30 September 2023	30 June 2023	31 March 2023	31 December 2022 (restated)
	€000	€000	€000	€000	€000
Equity attributable to the owners of the Company per the statutory basis	**2,247,933**	2,117,509	1,989,097	1,903,297	1,810,024
Less: Intangible assets per the statutory basis	**(48,635)**	(45,899)	(47,546)	(49,430)	(52,546)
Less: amounts reserved for future distributions	**(136,590)**	n/a	n/a	(22,310)	(22,310)
Total tangible shareholder's equity	**2,062,708**	2,071,610	1,941,551	1,831,557	1,735,168

Key Performance Ratios Information (continued)

7. Return on tangible equity (ROTE), excluding amounts reserved for future distributions (continued)

Amounts reserved for distribution for 2022 refer to the dividend out of 2022 earnings for which approval was obtained from the ECB in April 2023. Following relevant recommendation by the Board of Directors, a final dividend for 2022 was approved by the shareholders at the May 2023 AGM. The amount was recorded by the Company as a distribution and deducted from equity attributable to the owners of the Company per the statutory basis in the second quarter of 2022. As a result, the amount of the distribution in relation to year 2022 are presented as amounts reserved for distribution in the amounts for March 2023 and December 2022 in the table above. In relation to the distribution out of 2023 earnings, the amount recommended by the Board of Directors to the shareholders for approval at the May 2024 AGM has been reflected as amounts reserved for distribution for 31 December 2023 in the table above.

7.2 Quarterly average tangible shareholder's equity (€000)					
- 2023					**1,928,519**
- 2022 (restated)					1,739,587

8. Tangible book value per share

	2023	2022 (restated)
	€000	€000
Total tangible shareholder's equity (*as per table 6.1 above*) (€000)	**2,199,298**	1,757,478
Number of shares in issue, excluding treasury shares (thousand) (*Note 34*)	**9,597,945**	9,597,945
Tangible book value per share (€)	**0.23**	0.18

9. Leverage ratio

	2023	2022 (restated)
Tangible total equity (including Other equity instruments) (*as per table 9.1 below*) (€000)	**2,419,298**	1,977,478
Total assets as per the statutory basis (€000)	**26,629,813**	25,296,856
Leverage ratio	**9.1%**	7.8%

9.1 Tangible total equity	**2023**	2022 (restated)
	€000	€000
Equity attributable to the owners of the Company per the statutory basis	**2,247,933**	1,810,024
Other equity instruments per the statutory basis	**220,000**	220,000
Less: Intangible assets per the statutory basis	**(48,635)**	(52,546)
Tangible total equity	**2,419,298**	1,977,478

Additional Information – EU Taxonomy Disclosure Tables

2023

Additional Information – EU Taxonomy Disclosure Tables

Introduction

These disclosures represent the EU Taxonomy disclosures of Bank of Cyprus Holdings Public Limited Company ('the Group') as at 31 December 2023. They have been prepared in accordance with the requirements of Article 8 of Regulation (EU) 2020/852 which requires undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council to disclose how and to what extent their activities are associated with environmentally sustainable economic activities.

The information and all the tables included are unaudited and have been prepared in line with current available guidance and market practice.

Information based on Annex VI in the Disclosures Delegated Act - Regulation (EU) 2021/2178

Credit institutions shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes V and XI of the Disclosures Delegated Act - Regulation (EU) 2021/2178 which supplements Regulation (EU) 2020/852. Article 8(1) of Regulation (EU) 2020/852 requires undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council to disclose how and to what extent their activities are associated with environmentally sustainable economic activities. Article 8(2) of Regulation (EU) 2020/852 requires non-financial undertakings to disclose information on the proportion of the turnover, capital expenditure and operating expenditure of their activities related to assets or processes associated with environmentally sustainable economic activities. That provision, however, does not specify equivalent key performance indicators for financial undertakings, that is credit institutions, asset managers, investment firms and insurance and reinsurance undertakings. For credit institutions this information shall be presented in tabular form by using the template set out in Annex VI in the Disclosures Delegated Act - Regulation (EU) 2021/2178.

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.1 Assets for the calculation of GAR (Turnover Based)																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Million EUR		31st December 2023														
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**7,249**	**3,881**	-	-	-	-	-	-	-	-	**3,881**	-	-	-	-
2	**Financial undertakings**	**2,279**	**148**	-	-	-	-	-	-	-	-	**148**	-	-	-	-
3	**Credit institutions**	**1,971**	**146**	-	-	-	-	-	-	-	-	**146**	-	-	-	-
4	Loans and advances	505	5	-	-	-	-	-	-	-	-	5	-	-	-	-
5	Debt securities, including UoP	1,465	141	-	-	-	-	-	-	-	-	141	-	-	-	-
6	Equity instruments	1	-	-		-	-	-	-		-	-	-		-	-
7	**Other financial corporations**	**308**	**2**	-	-	-	-	-	-	-	-	**2**	-	-	-	-
8	**of which investment firms**	**1**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12	**of which management companies**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
16	**of which insurance undertakings**	**6**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	2	-	-		-	-	-	-		-	-				
20	**Non-financial undertakings**	**154**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	**111**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-				
24	**Households**	**4,781**	**3,732**	-	-	-	-	-	-	-	-	**3,732**	-	-	-	-
25	of which loans collateralised by residential immovable property	3,726	3,726	-	-	-	-	-	-	-	-	3,726	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	139	6	-	-	-	-					6	-	-	-	-
28	**Local governments financing**	**35**	**1**	-	-	-	-	-	-	-	-	**1**	-	-	-	-
29	Housing financing	1	1	-	-	-	-	-	-	-	-	1	-	-	-	-
30	Other local government financing	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**560**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**7,809**	3,881	-	-	-	-	-	-	-	-	**3,881**	-	-	-	-

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.1 Assets for the calculation of GAR (Turnover Based) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		31st December 2023														
	Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)	**6,688**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Non-financial undertakings**	**4,900**														
34	**EU SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations**	**4,576**														
35	Loans and advances	4,565														
36	of which loans collateralised by commercial immovable property	3,706														
37	of which building renovation loans	-														
38	Debt securities	-														
39	Equity instruments	11														
40	**Non-EU country counterparties not subject to NFRD disclosure obligations**	**324**														
41	Loans and advances	324														
42	Debt securities	-														
43	Equity instruments	-														
44	**Derivatives**	**49**														
45	**On demand interbank loans**	**275**														
46	**Cash and cash-related assets**	**93**														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	**1,371**														
48	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**14,497**	**3,881**	**-**	**-**	**-**	-	-	-	-	-	**3,881**	**-**	**-**	**-**	**-**
49	**Assets not covered for GAR calculation**	**11,444**														
50	**Central governments and Supranational issuers**	1,920														
51	**Central banks exposure**	9,522														
52	**Trading book**	2														
53	**Total assets**	**25,941**														
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	**Financial guarantees**	**451**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
55	**Assets under management**[1]	**4,031**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
56	Of which debt securities															
57	Of which equity instruments															

[1] For the 2023 report Assets Under Management has been provided. Future reports will provide detail on AUM split across Debt Securities and Equity Instruments. In addition, EU Taxonomy Eligible and EU Taxonomy Aligned information will be provided, where possible, after collaboration with third party data vendors regarding existing data limitations faced in the area of EU Taxonomy.

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.2 Assets for the calculation of GAR (CapEx Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		31st December 2023														
	Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**7,249**	**3,886**	**1**	**1**	**1**	**-**	-	-	-	-	**3,886**	**1**	**1**	**1**	**-**
2	**Financial undertakings**	**2,279**	**150**	**-**	**-**	**-**	**-**	-	-	-	-	**150**	**-**	**-**	**-**	**-**
3	**Credit institutions**	**1,971**	**146**	**-**	**-**	**-**	**-**	-	-	-	-	**146**	**-**	**-**	**-**	**-**
4	Loans and advances	505	5	-	-	-	-	-	-	-	-	5	-	-	-	-
5	Debt securities, including UoP	1,465	141	-	-	-	-	-	-	-	-	141	-	-	-	-
6	Equity instruments	1	-	-		-	-	-	-		-	-	-		-	-
7	**Other financial corporations**	**308**	**4**	**-**	**-**	**-**	**-**	-	-	-	-	**4**	**-**	**-**	**-**	**-**
8	**of which investment firms**	**1**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**-**
9	Loans and advances	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12	**of which management companies**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**-**
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
16	**of which insurance undertakings**	**6**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	**-**	**-**	**-**	**-**	**-**
17	Loans and advances	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	2	-	-		-	-	-	-		-	-	-		-	-
20	**Non-financial undertakings**	**154**	**4**	**1**	**1**	**1**		**-**	-	-	-	**4**	**1**	**1**	**1**	**-**
21	Loans and advances	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	**111**	4	1	1	1	-	-	-	-	-	4	1	1	1	-
23	Equity instruments	**-**	-	-		-	-	-	-		-	-	-		-	-
24	**Households**	**4,781**	**3,732**	**-**	**-**	**-**	**-**	-	-	-	-	**3,732**	**-**	**-**	**-**	**-**
25	of which loans collateralised by residential immovable property	3,726	3,726	-	-	-	-	-	-	-	-	3,726	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	139	6	-	-	-	-					6	-	-	-	-
28	**Local governments financing**	**35**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
29	Housing financing	1	1	-	-	-	-	-	-	-	-	1	-	-	-	-
30	Other local government financing	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	560	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**7,809**	**3,886**	**1**	**1**	**1**	**-**	-	-	-	-	**3,886**	**1**	**1**	**1**	**-**

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.2 Assets for the calculation of GAR (CapEx Based) (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Million EUR	31st December 2023														
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)	**6,688**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Non-financial undertakings**	**4,900**														
34	**EU SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations**	**4,576**														
35	Loans and advances	4,565														
36	of which loans collateralised by commercial immovable property	3,706														
37	of which building renovation loans	-														
38	Debt securities	-														
39	Equity instruments	11														
40	**Non-EU country counterparties not subject to NFRD disclosure obligations**	**324**														
41	Loans and advances	324														
42	Debt securities	-														
43	Equity instruments	-														
44	**Derivatives**	**49**														
45	**On demand interbank loans**	**275**														
46	**Cash and cash-related assets**	**93**														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	**1,371**														
48	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**14,497**	**3,886**	**1**	**1**	**1**	**-**	-	-	-	-	**3,886**	**1**	**1**	**1**	**-**
49	**Assets not covered for GAR calculation**	**11,444**														
50	**Central governments and Supranational issuers**	**1,920**														
51	**Central banks exposure**	**9,522**														
52	**Trading book**	**2**														
53	**Total assets**	**25,941**														
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	**Financial guarantees**	**451**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
55	**Assets under management [1]**	**4,031**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
56	Of which debt securities															
57	Of which equity instruments															

[1] For the 2023 report Assets Under Management has been provided. Future reports will provide detail on AUM split across Debt Securities and Equity Instruments. In addition, EU Taxonomy Eligible and EU Taxonomy Aligned information will be provided, where possible, after collaboration with third party data vendors regarding existing data limitations faced in the area of EU Taxonomy.

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.3 GAR sector information (Turnover Based)

		a	b	c	d	e	f	g	h	i	j	k	l
		Climate Change Mitigation (CCM)				**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**			
	Breakdown by sector - NACE 4 digits level (code and label)	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
1	C.10.5 - Manufacture of dairy products	5	-			-	-			5	-		
2	C.11.0 - Manufacture of beverages	10	-			-	-			10	-		
3	C.14.1 - Manufacture of wearing apparel, except fur apparel	5	-			-	-			5	-		
4	C.20.4 - Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	20	-			-	-			20	-		
5	C.21.1 - Manufacture of basic pharmaceutical products	20	-			-	-			20	-		
6	C.26.2 - Manufacture of computers and peripheral equipment	10	-			-	-			10	-		
7	C.26.3 - Manufacture of communication equipment	10	-			-	-			10	-		
8	G.47.1 - Retail sale in non-specialised stores	11	-			-	-			11	-		
9	J.60.2 - Television programming and broadcasting activities	10	-			-	-			10	-		
10	J.61.3 - Satellite telecommunications activities	10	-			-	-			10	-		

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.4 GAR sector information (CapEx Based)													
		a	b	c	d	e	f	g	h	i	j	k	l
	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
1	C.10.5 - Manufacture of dairy products	5	-			-	-			5	-		
2	C.11.0 - Manufacture of beverages	10	-			-	-			10	-		
3	C.14.1 - Manufacture of wearing apparel, except fur apparel	5	0.2			-	-			5	0.2		
4	C.20.4 - Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	20	-			-	-			20	-		
5	C.21.1 - Manufacture of basic pharmaceutical products	20	0.4			-	-			20	0.4		
6	C.26.2 - Manufacture of computers and peripheral equipment	10	-			-	-			10	-		
7	C.26.3 - Manufacture of communication equipment	10	-			-	-			10	-		
8	G.47.1 - Retail sale in non-specialised stores	11	-			-	-			11	-		
9	J.60.2 - Television programming and broadcasting activities	10	-			-	-			10	-		
10	J.61.3 - Satellite telecommunications activities	10	-			-	-			10	-		

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.5 GAR KPI stock (Turnover Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	% (compared to total covered assets in the denominator)	**31 December 2023**														
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**54%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**54%**	**0%**	**0%**	**0%**	**0%**	**28%**
2	**Financial undertakings**	**6%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**6%**	**0%**	**0%**	**0%**	**0%**	**9%**
3	**Credit institutions**	**7%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**7%**	**0%**	**0%**	**0%**	**0%**	**8%**
4	Loans and advances	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	1%
5	Debt securities, including UoP	10%	0%	0%	0%	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%	6%
6	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
7	**Other financial corporations**	**1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**	**0%**	**0%**	**0%**	**0%**	**1%**
8	of which investment firms	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
9	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
10	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
11	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
12	of which management companies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
13	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
14	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
15	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%
16	of which insurance undertakings	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
17	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
19	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
20	**Non-financial undertakings**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**
21	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
22	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
23	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
24	**Households**	**78%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**78%**	**0%**	**0%**	**0%**	**0%**	**18%**
25	of which loans collateralised by residential immovable property	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	14%
26	of which building renovation loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
27	of which motor vehicle loans	4%	0%	0%	0%	0%					4%	0%				1%
28	**Local governments financing**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**
29	Housing financing	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
30	Other local government financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**
32	**Total GAR assets**	**27%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**27%**	**0%**	**0%**	**0%**	**0%**	**30%**

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.6. GAR KPI stock (CapEx Based)																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
% (compared to total covered assets in the denominator)		31 December 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**54%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**54%**	**0%**	**0%**	**0%**	**0%**	**28%**
2	**Financial undertakings**	**7%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**7%**	**0%**	**0%**	**0%**	**0%**	**9%**
3	**Credit institutions**	**7%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**7%**	**0%**	**0%**	**0%**	**0%**	**8%**
4	Loans and advances	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	2%
5	Debt securities, including UoP	10%	0%	0%	0%	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%	6%
6	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
7	**Other financial corporations**	**1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**	**0%**	**0%**	**0%**	**0%**	**1%**
8	of which investment firms	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
9	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
10	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
11	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
12	of which management companies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
13	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
14	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
15	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%
16	of which insurance undertakings	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
17	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
19	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
20	**Non-financial undertakings**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**0%**	**0%**	**0%**	**0%**	**1%**
21	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
22	Debt securities, including UoP	3%	1%	1%	1%	0%	0%	0%	0%	0%	3%	1%	1%	1%	0%	0%
23	Equity instruments	0%	0%		0%	0%	0%	0%			0%	0%		0%	0%	0%
24	**Households**	**78%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**78%**	**0%**	**0%**	**0%**	**0%**	**18%**
25	of which loans collateralised by residential immovable property	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	14%
26	of which building renovation loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
27	of which motor vehicle loans	4%	0%	0%	0%	0%					4%	0%				1%
28	**Local governments financing**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**
29	Housing financing	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
30	Other local government financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**
32	**Total GAR assets**	**27%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**27%**	**0%**	**0%**	**0%**	**0%**	**30%**

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.7 GAR KPI flow (Turnover Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	% (compared to total covered assets in the denominator)	31 December 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	<u>**GAR - Covered assets in both numerator and denominator**</u>															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**30%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**30%**	**0%**	**0%**	**0%**	**0%**	**45%**
2	**Financial undertakings**	**4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**4%**	**0%**	**0%**	**0%**	**0%**	**24%**
3	**Credit institutions**	**4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**4%**	**0%**	**0%**	**0%**	**0%**	**22%**
4	Loans and advances	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	13%
5	Debt securities, including UoP	9%	0%	0%	0%	0%	0%	0%	0%	0%	9%	0%	0%	0%	0%	9%
6	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
7	**Other financial corporations**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2%**	**0%**	**0%**	**0%**	**0%**	**2%**
8	of which investment firms	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
9	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
10	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
11	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
12	of which management companies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
13	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
14	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
15	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%
16	of which insurance undertakings	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
17	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
19	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
20	**Non-financial undertakings**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**
21	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
22	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
23	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
24	**Households**	**64%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**64%**	**0%**	**0%**	**0%**	**0%**	**20%**
25	of which loans collateralised by residential immovable property	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	13%
26	of which building renovation loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
27	of which motor vehicle loans	12%	0%	0%	0%	0%					12%	0%				1%
28	**Local governments financing**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	0%	0%	0%	0%	0%
29	Housing financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
30	Other local government financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**
32	**Total GAR assets**	**18%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**18%**	**0%**	**0%**	**0%**	**0%**	**46%**

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.8 GAR KPI flow (CapEx Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	% (compared to total covered assets in the denominator)	31 December 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**31%**	**0.04%**	**0.04%**	**0.04%**	**0%**	**0%**	**0%**	**0%**	**0%**	**31%**	**0%**	**0%**	**0%**	**0%**	**45%**
2	**Financial undertakings**	**4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**4%**	**0%**	**0%**	**0%**	**0%**	**24%**
3	**Credit institutions**	**4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**4%**	**0%**	**0%**	**0%**	**0%**	**22%**
4	Loans and advances	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	13%
5	Debt securities, including UoP	9%	0%	0%	0%	0%	0%	0%	0%	0%	9%	0%	0%	0%	0%	9%
6	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
7	**Other financial corporations**	**5%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**5%**	**0%**	**0%**	**0%**	**0%**	**2%**
8	of which investment firms	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
9	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
10	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
11	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
12	of which management companies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
13	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
14	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
15	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
16	of which insurance undertakings	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
17	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18	Debt securities, including UoP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
19	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
20	**Non-financial undertakings**	10%	**2%**	**2%**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**10%**	**2%**	**2%**	**2%**	**0%**	**1%**
21	Loans and advances	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
22	Debt securities, including UoP	20%	3%	3%	3%	0%	0%	0%	0%	0%	20%	3%	3%	3%	0%	1%
23	Equity instruments	0%	0%		0%	0%	0%	0%		0%	0%	0%		0%	0%	0%
24	**Households**	**64%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**64%**	**0%**	**0%**	**0%**	**0%**	**20%**
25	of which loans collateralised by residential immovable property	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	13%
26	of which building renovation loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
27	of which motor vehicle loans	12%	0%	0%	0%	0%					12%	0%				1%
28	**Local governments financing**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
29	Housing financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
30	Other local government financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
32	**Total GAR assets**	**19%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**19%**	**0%**	**0%**	**0%**	**0%**	**46%**

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.9 KPI stock off-balance sheet exposures (Turnover Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance sheet assets)		**31 December 2023**													
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	2%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%
2	Assets under management (AuM KPI)[1]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

1 Future reports will provide detail on AUM EU Taxonomy Eligible and Aligned information, where possible, after collaboration with third party data vendors regarding existing data limitations.

1.10 KPI stock off-balance sheet exposures (CapEx Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance sheet assets)		**31 December 2023**													
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	2%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%
2	Assets under management (AuM KPI)[1]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

1 Future reports will provide detail on AUM EU Taxonomy Eligible and Aligned information, where possible, after collaboration with third party data vendors regarding existing data limitations.

Additional Information – EU Taxonomy Disclosure Tables (continued)

1.11 KPI flow off-balance sheet exposures (Turnover Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance sheet assets)[1]		**31 December 2023**													
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	3%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%
2	Assets under management (AuM KPI)[1]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

1 Future reports will provide detail on AUM EU Taxonomy Eligible and Aligned information, where possible, after collaboration with third party data vendors regarding existing data limitations. Due to data limitations flow eligibility ratio for Financial Guarantees is aligned to stock ratio in this disclosure.

1.12 KPI flow off-balance sheet exposures (CapEx Based)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
% (compared to total eligible off-balance sheet assets)[1]		**31 December 2023**													
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA)**				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	3%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%
2	Assets under management (AuM KPI)[1]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

1 Future reports will provide detail on AUM EU Taxonomy Eligible and Aligned information, where possible, after collaboration with third party data vendors regarding existing data limitations. Due to data limitations flow eligibility ratio for Financial Guarantees is aligned to stock ratio in this disclosure.

Additional Information – EU Taxonomy Disclosure Tables (continued)

Information based on Annex XII in the Disclosures Delegated Act - Regulation (EU) 2021/2178

The disclosure requirements of Article 8(6) and (7) along with Annex XII of Regulation (EU) 2021/2178 were inserted by the Complimentary Climate Delegated Act and applied from 1 January 2023. This Act included specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.

Row	**Nuclear energy related activities**	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

The Group does not carry out any nuclear and fossil gas related activities. The Group has limited funding to fossil gas related activities.

Templates 2 and 3 of Annex XII of the Complementary Climate Delegated Act are not applicable and accordingly have not been included as none of the exposures to nuclear energy and fossil gas related activities are Taxonomy-aligned. Templates 4 and 5 of Annex XII of the Complementary Climate Delegated Act have not been included due to limitations on availability of data. Data limitations and their impacts will be reduced in future reports through collaboration with our third-party data vendors.