Interim Financial Report 2022

Bank of Cyprus Holdings

Contents

BANK OF CYPRUS HOLDINGS GROUP
Board of Directors and Executives
as at 30 August 2022

Board of Directors of Bank of Cyprus Holdings Public Limited Company	Efstratios-Georgios Arapoglou CHAIRMAN Lyn Grobler VICE-CHAIRPERSON Arne Berggren Panicos Nicolaou Ioannis Zographakis Maria Philippou Nicos Sofianos Paula Hadjisotiriou Constantine Iordanou Eliza Livadiotou
Executive Committee	Panicos Nicolaou CHIEF EXECUTIVE OFFICER Dr. Charis Pouangare DEPUTY CHIEF EXECUTIVE OFFICER & CHIEF OF BUSINESS Eliza Livadiotou EXECUTIVE DIRECTOR FINANCE & LEGACY Demetris Th. Demetriou CHIEF RISK OFFICER Irene Gregoriou EXECUTIVE DIRECTOR PEOPLE & CHANGE George Kousis ACTING EXECUTIVE DIRECTOR TECHNOLOGY & OPERATIONS
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Legal Advisers as to matters of Irish Law	Arthur Cox
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This document contains certain forward looking statements which can usually be identified by terms used such as 'expect', 'should be', 'will be' and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Bank of Cyprus Holdings Group's (the Group) near term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic and ongoing challenges and uncertainties posed by the COVID-19 pandemic for businesses and governments around the world. Russian invasion of Ukraine has led to heightened volatility across global markets and to the coordinated implementation of sanctions on Russia, Russian entities and nationals. The Russian invasion of Ukraine has already caused significant population displacement, and if the conflict continues, the disruption will likely increase. The scale of the conflict and the speed and extent of sanctions, as well as the uncertainty as to how the situation will develop, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.

Further Information

In accordance with Rule 26.1 of the Irish Takeover Rules, a copy of this document will be available on the Company's website at https://www.bankofcyprus.com/en-gb/group/investor-relations/possible-offer/ by no later than 12.00 (noon) (Irish/UK time) on the business day following publication of this document. The content of the website referred to in this document is not incorporated into, and does not form part of, this document. This document is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this document or otherwise. Any offer will be made solely by certain offer documentation which will contain the full terms and conditions of any offer, including details of how it may be accepted.

This document has been prepared in accordance with and in compliance with the applicable laws of Ireland, Cyprus and England and information disclosed may not be the same as that which would have been prepared in accordance with the laws of other jurisdictions.

The distribution of this document in jurisdictions other than Ireland, Cyprus and the United Kingdom and the availability of any offer to shareholders of the Company who are not resident in Ireland, Cyprus or the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore, any persons who are subject to the laws of any jurisdiction other than Ireland, Cyprus or the United Kingdom or shareholders of the Company who are not resident in Ireland, Cyprus or the United Kingdom will need to inform themselves about, and observe, any applicable requirements.

Further Information (continued)

Jurisdiction

The Company is a public limited company incorporated in Ireland with relevant securities listed and admitted to trading on the Main Market of the London Stock Exchange and on the Cyprus Stock Exchange. As a result, any transaction to acquire the Company which constitutes a "takeover bid" (as defined in Directive 2004/25/EC (the "Takeover Bids Directive")) will be subject to the shared jurisdiction of the Irish Takeover Panel and the Cyprus Securities Exchange Commission in line with the procedures set out in Article 4 of the Takeover Bids Directive, as implemented in Ireland and Cyprus. Any transaction to acquire control of the Company which proceeds otherwise than by way of takeover bid will be subject to the jurisdiction of the Irish Takeover Panel under the Irish Takeover Rules. Prior to a determination being made as to the manner in which any transaction to acquire the Company would be implemented, the possible offer is subject to the jurisdiction of both the Irish Takeover Panel and the Cyprus Securities Exchange Commission. There is no certainty that any formal offer to acquire the Company will be made nor as to the terms on which any offer might be made.

Responsibility Statement

The Directors of the Company accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Disclosure requirements of the Irish Takeover Rules

Under Rule 8.3(a) of the Irish Takeover Rules, any person who is 'interested' (directly or indirectly) in 1% or more of any class of 'relevant securities' of the Company must make an 'opening position disclosure' by no later than 3.30pm (Irish/UK time) on 2 September 2022. An 'opening position disclosure' must contain the details specified in Rule 8.6(a) of the Irish Takeover Rules, including details of the person's interests and short positions in any 'relevant securities' of the Company. Relevant persons who deal in any 'relevant securities' of the Company prior to the deadline for making an 'opening position disclosure' must instead make a dealing disclosure as described below.

Under Rule 8.3(b) of the Irish Takeover Rules, any person 'interested' (directly or indirectly) in 1% or more of any class of 'relevant securities' of the Company must disclose all 'dealings' in such 'relevant securities' during the 'offer period'. The disclosure of a 'dealing' in 'relevant securities' by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (Irish/UK time) on the business day following the date of the transaction. A dealing disclosure must contain the details specified in Rule 8.6(b) of the Irish Takeover Rules, including details of the dealing concerned and of the person's interests and short positions in any 'relevant securities' of the Company.

In addition, Lone Star must make an 'opening position disclosure' by no later than 12.00 (noon) (Irish/UK time) on 2 September 2022 and disclose details of any 'dealings' by it or any person 'acting in concert' with it in 'relevant securities' of the Company by no later than 12.00 (noon) (Irish/UK time) on the business day following the date of the transaction.

All 'dealings' in 'relevant securities' of the Company by Lone Star, or by any party acting in concert with Lone Star, must also be disclosed by no later than 12 noon (Irish/UK time) on the 'business' day following the date of the relevant transaction. If two or more persons co-operate on the basis of an agreement, either express or tacit, either oral or written, to acquire for one or more of them an interest in relevant securities, they will be deemed to be a single person for these purposes.

Disclosure tables, giving details of the companies in whose 'relevant securities' 'opening positions' and 'dealings' should be disclosed, can be found on the Irish Takeover Panel's website at www.irishtakeoverpanel.ie.

'Interests' in securities arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks in this section are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a dealing or an opening position under Rule 8, please consult the Irish Takeover Panel's website at www.irishtakeoverpanel.ie or contact the Irish Takeover Panel on telephone number +353 1 678 9020.

Further Information (continued)

Disclosure requirements of the Cypriot Takeover Bids Law

In addition to the requirements under Rule 8 of the Irish Takeover Rules as outlined above, under section 26 of the Cypriot Takeover Bids Law, during the 'period of the takeover bid':

a) Lone Star and every person holding a percentage of five per cent (5%) or more of the voting rights of the Company or Lone Star, must announce immediately, in accordance with the provisions of the Cypriot Takeovers Bids Law, every acquisition of securities in the Company or Lone Star made by themselves or by persons acting in their own name but on their behalf or in concert with them or by undertakings controlled by them, as well as the acquisition price and any voting rights already held in that company; and

b) every person acquiring a percentage equal to half per cent (0.5%) or greater of the voting rights of the Company or Lone Star, must make an announcement for this acquisition in accordance with the provisions of the Cypriot Takeovers Bids Law, as well as every subsequent acquisition of securities of these companies by themselves or by persons acting in their own name but on their behalf or in concert with them or by undertakings controlled by them, as well as the acquisition price and any voting rights already held in that company.

Terms in quotation marks in this section are defined in the Cypriot Takeover Bids Law, which can also be found on the website of the Securities and Exchange Commission of Cyprus at www.cysec.gov.cy.

Profit Forecast / Asset Valuations / Quantified Financial Benefit Statement

The financial results for the period ended 30 June 2022 provided in this document constitute a profit estimate for the purposes of the Irish Takeover Rules and are subject to Rule 28.5. Other than the foregoing, no statement in this document is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company. No statement in this document constitutes an asset valuation or quantified financial benefit statement.

Non-IFRS performance measures

Bank of Cyprus Holdings Public Limited Company's (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Interim 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 30 June position. Refer to 'Definitions and explanations on Alternative Performance Measures Disclosures' on pages 155 to 169 of the Interim Financial Report for the six months ended 30 June 2022 for further information, reconciliations with Consolidated Condensed Interim Financial Statements and calculations of non-IFRS performance measures included throughout this document and the most directly comparable IFRS measures.

The Interim Financial Report for the six months ended 30 June 2022 is available on the Group's website www.bankofcyprus.com (Group/Investor Relations) (the Group's website).

The Interim Financial Report for the six months ended 30 June 2022 of the Group is originally issued in English. The Greek translation of the Interim Financial Report for the six months ended 30 June 2022 will be available on the Group's website from 31 August 2022. In case of a difference or inconsistency between the English document and the Greek document, the English document prevails.

The Interim Financial Report relates to Bank of Cyprus Holdings Public Limited Company (the Company) and together with its subsidiaries the Group, which was listed on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE) as at 30 June 2022.

Activities

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

All Group companies and branches are set out in Note 34 to the Consolidated Condensed Interim Financial Statements. The Group has established branches in Greece. There were no acquisitions of subsidiaries and no material disposals of subsidiaries during the six months ended 30 June 2022. Information on Group companies and acquisitions and disposals during the period are detailed in Note 34 to the Consolidated Condensed Interim Financial Statements.

Group financial results on the underlying basis

The main financial highlights for the six months ended 30 June 2022 are set out below:

Consolidated Condensed Interim Income Statement on the underlying basis

	Six months ended 30 June	
€ million	**2022**[1]	2021[1,2] (restated)
Net interest income	**145**	152
Net fee and commission income	**94**	84
Net foreign exchange gains and net gains/(losses) on financial instruments	**11**	9
Insurance income net of claims and commissions	**33**	31
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**7**	6
Other income	**9**	6
Total income	**299**	288
Staff costs	**(100)**	(101)
Other operating expenses	**(73)**	(70)
Special levy on deposits and other levies/contributions	**(17)**	(15)
Total expenses	**(190)**	(186)
Operating profit before credit losses and impairments	**109**	102
Loan credit losses	**(23)**	(35)
Impairments of other financial and non-financial assets	**(13)**	(11)
Provisions for litigation, claims, regulatory and other matters	**(1)**	(4)
Total loan credit losses, impairments and provisions	**(37)**	(50)
Profit before tax and non-recurring items	**72**	52
Tax	**(12)**	(1)
Profit attributable to non-controlling interests	**(1)**	(0)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**59**	51
Advisory and other restructuring costs-organic	**(5)**	(18)
Profit after tax - organic (attributable to the owners of the Company)	**54**	33
Provisions/net loss relating to NPE sales[3]	**(0)**	(16)
Restructuring and other costs relating to NPE sales[3]	**(1)**	(16)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**(3)**	-
Profit after tax (attributable to the owners of the Company)	**50**	1

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

[2] Comparative information was restated following a reclassification of approximately €1 million loss relating to disposal/dissolution of subsidiaries and associates from 'Net foreign exchange gains and net gains/(losses) on financial instruments' to 'Other income'. More information is provided in Note 3.1 of the Consolidated Condensed Interim Financial Statements.

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

Group financial results on the underlying basis (continued)

Consolidated Condensed Interim Income Statement on the underlying basis (continued)

	Six months ended 30 June	
	2022	2021
Key Performance Ratios[4]		
Net interest margin (annualised)	**1.32%**	1.56%
Cost to income ratio	**63%**	64%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**58%**	59%
Operating profit return on average assets (annualised)	**0.9%**	0.9%
Basic earnings per share attributable to the owners of the Company (€ cent)	**11.23**	0.17
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)[5]	**13.51**	11.24
Return on tangible equity (ROTE) after tax and before non-recurring items (annualised)[6]	**7.3%**	6.1%

Consolidated Condensed Interim Balance Sheet on the underlying basis

€ million	**30 June 2022**[7]	31 December 2021[7]
Cash and balances with central banks	**9,905**	9,231
Loans and advances to banks	**312**	292
Debt securities, treasury bills and equity investments	**2,102**	2,139
Net loans and advances to customers	**10,144**	9,836
Stock of property	**1,054**	1,112
Investment properties	**102**	118
Other assets	**1,877**	1,876
Non-current assets and disposal groups held for sale	**348**	359
Total assets	**25,844**	24,963
Deposits by banks	**492**	457
Funding from central banks	**2,955**	2,970
Customer deposits	**18,450**	17,531
Debt securities in issue	**299**	303
Subordinated liabilities	**312**	340
Other liabilities	**1,243**	1,281
Total liabilities	**23,751**	22,882
Shareholders' equity	**1,850**	1,839
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,070**	2,059
Non-controlling interests	**23**	22
Total equity	**2,093**	2,081
Total liabilities and equity	**25,844**	24,963

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

[5]As of 30 June 2021, management monitors 'Basic earnings/(losses) per share attributable to the owners of the Company' calculated using 'Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)', rather than 'Profit/(loss) after tax – organic (attributable to the owners of the Company)' which was previously the case, as management believes it is a more appropriate measure of monitoring recurring performance, as it excludes 'Advisory and other restructuring costs – organic' which do not relate to the underlying or recurring business of the Group.

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

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

Group financial results on the underlying basis (continued)

Consolidated Condensed Interim Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios[8]	**30 June 2022** (pro forma)[9]	**30 June 2022** (as reported)[8]	31 December 2021 (as reported)[8]
Gross loans (€ million)	**10,477**	11,047	10,856
Allowance for expected loan credit losses (€ million)	**355**	677	792
Customer deposits (€ million)	**18,450**	18,450	17,531
Loans to deposits ratio (net)	**55%**	56%	57%
NPE ratio	**5.7%**	10.6%	12.4%
NPE coverage ratio	**59%**	58%	59%
Leverage ratio	**7.4%**	7.4%	7.6%
Capital ratios and risk weighted assets[8]			
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)[10]	**14.2%**	14.6%	15.1%
Total capital ratio	**19.3%**	19.5%	20.0%
Risk weighted assets (€ million)	**10,260**	10,600	10,694

Commentary on underlying basis

The financial information presented below provides an overview of the Group financial results for the six months ended 30 June 2022 on the 'underlying basis' which management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and one-off items. Reconciliations between the statutory basis and the underlying basis are included in section 'Reconciliation of the Consolidated Condensed Interim Income Statement for the six months ended 30 June 2022 between the statutory and underlying basis' below and in 'Definitions and explanations on Alternative Performance Measures Disclosures' of the Interim Financial Report 2022, to facilitate the comparability of the underlying basis to the statutory information.

References to pro forma figures and ratios as at 30 June 2022 refer to Projects Helix 3 and Sinope (as explained in the paragraphs further below) and to the Voluntary Exist Plan completed in July (VEP) (as explained in the paragraphs further below) (where applicable). All relevant figures are based on 30 June 2022 results, unless otherwise stated. Numbers on a pro forma basis are based on 30 June 2022 underlying basis figures and are adjusted for Projects Helix 3 and Sinope and for VEP (where applicable), and assume their completion. The completion of Project Helix 3 remains subject to customary regulatory and other approvals and is currently expected to occur in the second half of 2022. Project Sinope was completed in August 2022. As at 30 June 2022, the portfolios of loans, as well as the real estate properties included in Project Helix 3 and Project Sinope, were classified as disposal groups held for sale.

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

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

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

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

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

[9] Pro forma for HFS and VEP (as applicable) (please refer to 'Commentary on underlying basis')

[10] The CET1 fully-loaded ratio as at 30 June 2022 amounts to 13.9% and 13.4% pro forma for HFS and completion of VEP, compared to 13.7% as reported and 14.3% pro forma for HFS as at 31 December 2021.

Group financial results on the underlying basis (continued)

Consolidated Condensed Interim Balance Sheet on the underlying basis (continued)

Project Sinope: Project Sinope refers to the agreement the Group reached in December 2021 for the sale of a portfolio of loans with gross book value of €12 million, as well as properties in Romania with carrying value €0.6 million, as at 31 December 2021, the reference date. Project Sinope was completed in August 2022.

VEP: For the purposes of the reference to pro forma figures and ratios as at 30 June 2022, VEP refers to the Voluntary Staff Exit Plan that the Group completed in July 2022, through which approximately 550 applicants were approved to leave at a total cost of approximately €99 million, expected to be recorded in the consolidated income statement in the third quarter of 2022.

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

Reconciliation of the Consolidated Condensed Interim Income Statement for the six months ended 30 June 2022 between the statutory and underlying basis

€ million	**Underlying basis**	**NPE sales**	**Other**	**Statutory basis**
Net interest income	**145**	-	-	145
Net fee and commission income	**94**	-	-	94
Net foreign exchange gains and net gains/(losses) on financial instruments	**11**	-	(1)	10
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**-**	-	2	2
Insurance income net of claims and commissions	**33**	-	-	33
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**7**	-	-	7
Other income	**9**	-	-	9
Total income	**299**	**-**	**1**	**300**
Total expenses	**(190)**	**(1)**	**(9)**	**(200)**
Operating profit before credit losses and impairments	**109**	(1)	(8)	**100**
Loan credit losses	**(23)**	-	23	-
Impairments of other financial and non-financial assets	**(13)**	-	13	-
Provision for litigation, claims, regulatory and other matters	**(1)**	-	1	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	**-**	-	(37)	(37)
Profit before tax and non-recurring items	**72**	**(1)**	**(8)**	**63**
Tax	**(12)**	-	-	(12)
Profit attributable to non-controlling interests	**(1)**	-	-	(1)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**59**	**(1)**	**(8)**	**50**
Advisory and other restructuring costs-organic	**(5)**	-	5	0
Profit after tax - organic* (attributable to the owners of the Company)	**54**	**(1)**	**(3)**	**50**
Provisions/net loss relating to NPE sales	**0**	-	-	0
Restructuring and other costs relating to NPE sales	**(1)**	1	-	0
Restructuring costs – Voluntary Staff Exit Plan (VEP)	**(3)**	-	3	0
Profit after tax (attributable to the owners of the Company)	**50**	**0**	**0**	**50**

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

Group financial results on the underlying basis (continued)

Reconciliation of the Consolidated Condensed Interim Income Statement for the six months ended 30 June 2022 between the statutory and underlying basis (continued)

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

NPE sales

- Total expenses include restructuring costs of €1 million relating to the agreements for the sale of portfolios of NPEs and are presented within 'Restructuring and other costs relating to NPE sales ' under the underlying basis.

Other reclassifications

- Net losses on loans and advances to customers at FVPL of €2 million included in 'Loan credit losses' under the underlying basis are included in 'Net 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.

- 'Net gains/(losses) on derecognition of financial assets measured at amortised cost' of approximately €2 million under the statutory basis comprise of the below items which are reclassified accordingly under the underlying basis as follows:
    - €3 million net gains on derecognition of loans and advances to customers included in 'Loan credit losses' under the underlying basis as to align to the presentation of the loan credit losses arising from loans and advances to customers.
    - Net losses on derecognition of debt securities measured at amortised cost of approximately €1 million included in 'Net foreign exchange gains and net losses on financial instruments' under the underlying basis in order to align their presentation with the gains/(losses) arising on financial instruments.

- Provision for litigation, claims, regulatory and other matters amounting to €1 million included in 'Other operating expenses' under the statutory basis, is separately presented under the underlying basis, since it mainly relates to cases that arose outside the normal activities of the Group.

- Advisory and other restructuring costs of approximately €5 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they comprise mainly fees to external advisors in relation to the transformation programme and other strategic projects of the Group.

- Total expenses under the statutory basis include restructuring costs relating to the voluntary staff exit plan (VEP) of JCC Payment Systems Ltd of €3 million and are separately presented under the underlying basis, since they represent one-off items.

- 'Credit losses on financial assets' and 'impairment net of reversals of non-financial assets' under the statutory basis include: i) credit losses to cover credit risk on loan and advances to customers of €24 million, which are included in 'Loan credit losses' under the underlying basis, and ii) credit losses of other financial instruments of €1 million and impairment net of reversals of non-financial assets of €12 million which are included in 'Impairments of other financial and non-financial assets' under the underlying basis, as to be presented separately from loan credit losses.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,070 million as at 30 June 2022 compared to €2,059 million at 31 December 2021. Shareholders' equity totalled €1,850 million as at 30 June 2022 compared to €1,839 million at 31 December 2021.

The **Common Equity Tier 1 capital (CET1) ratio on a transitional basis** stood at 14.6% as at 30 June 2022 and 14.2% pro forma for held for sale portfolios and Voluntary Staff Exit Plan (collectively referred to as 'pro forma for HFS and VEP'), compared to 15.1% as at 31 December 2021 (and 15.8% pro forma for HFS). During the six months ended 30 June 2022, the CET1 ratio was positively affected mainly by the pre-provision income, and negatively affected mainly by provisions and impairments, the payment of AT1 interest and the movement in the fair value through Other Comprehensive Income reserves. The capital ratios (and pro forma capital ratios) as at 30 June 2022, throughout the Interim Financial Report, include reviewed profits for the six months ended 30 June 2022, unless otherwise stated.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually, with the impact being fully phased-in (100%) by 1 January 2023. The phasing-in for 2022, of the impairment amount from the initial application of IFRS 9 had a negative impact of approximately 60 bps on the CET1 ratio on 1 January 2022. 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 36 bps on Group's CET1 ratio as at 30 June 2022.

The CET1 ratio on a fully loaded basis amounted to 13.9% as at 30 June 2022 and 13.4% pro forma for HFS and VEP compared to 13.7% as at 31 December 2021 (and 14.3% pro forma for HFS).

The Total Capital ratio stood at 19.5% as at 30 June 2022 and 19.3% pro forma for HFS and VEP, compared to 20.0% as at 31 December 2021 (and 20.8% pro forma for HFS).

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

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

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

As a result, the Group's minimum phased-in CET1 capital ratio has been set at **10.08%** compared to the previous level of 9.69% (comprising a 4.50% Pillar I requirement, a 1.83% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%) and the Group's Total Capital requirement was set at **15.01%** compared to the previous level of 14.50% (comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 3.26% Pillar II requirement, the Capital Conservation Buffer of 2.50% and the O-SII Buffer of 1.25%). The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G). Pillar II add-on capital requirements derive from the SREP, which is a point in time assessment, and are therefore subject to change over time. The new SREP requirements became effective as from 1 March 2022.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

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.

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

The Group participated in the 2022 ECB supervisory Climate Risk Stress Test and participated in the 2021 ECB SREP Stress Test. For further information please refer to the 'Additional Risk and Capital Management Disclosure s' of the Interim Financial Report 2022 and the Annual Financial Report 2021.

Voluntary Staff Exit Plan

In July 2022, the Group completed a Voluntary Staff Exit Plan with an estimated cost of approximately €99 million which will be recognised in the consolidated income statement in the third quarter 2022, resulting in a negative impact of approximately 95 bps both on the Group's CET1 and Total Capital ratios.

For further information please refer to Section 'Total expenses'.

Project Helix 3

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

Project Helix 3 is expected to have a positive capital impact of approximately 60 bps on the Group's CET1 ratio on the basis of 30 June 2022 figures.

Pro forma calculations are based on 30 June 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

Tier 2 Capital Notes

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

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

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

At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL at a price of 105.50%, after which Old T2 Notes of €43 million remained outstanding. On 19 January 2022, BOC PCL exercised its option and redeemed the outstanding €43 million Old T2 Notes.

The Group continues to monitor opportunities for the optimisation of its capital position, including Additional Tier 1 capital.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Legislative amendments for the conversion of DTA to DTC

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

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

The Group since 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 €5.3 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 €5.3 million was recorded during the year ended 31 December 2021, bringing the total amount provided by the Group for such increased fee to approximately €21 million for the years 2018-2021. In the third quarter of 2022, BOC PCL has been levied an amount within the provisions level maintained.

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

Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

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

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

The MREL ratio of BOC PCL as at 30 June 2022, calculated according to the SRB's eligibility criteria currently in effect and based on the BOC PCL's internal estimate, stood at 18.61% of risk weighted assets (RWA) and at 9.28% of LRE. Pro forma for HFS and VEP, the MREL ratio of BOC PCL as at 30 June 2022, calculated on the same basis, stood at 18.47% of risk weighted assets. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, which stands at 3.75% since 1 January 2022 and is expected to increase to 4.0% on 1 January 2023. Throughout the Interim Financial Report, the MREL ratios (and MREL ratios pro forma for HFS and VEP) as at 30 June 2022 include unaudited/unreviewed profits for the six months ended 30 June 2022, unless otherwise stated.

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

Funding and Liquidity

Funding

Funding from Central Banks

At 30 June 2022, BOC PCL's funding from central banks amounted to €2,955 million (including accrued interest), which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €2,970 million as at 31 December 2021.

BOC PCL borrowed an overall amount of €3 billion under TLTRO III by June 2021, despite its comfortable liquidity position, given the favourable borrowing terms, in combination with the relaxation of collateral requirements. The participation in TLTRO III is expected to be maintained to maturity, subject to no change in terms and conditions.

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

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and Liquidity (continued)

Funding (continued)

Deposits

Customer deposits totalled €18,450 million at 30 June 2022 (compared to €17,531 million at 31 December 2021).

BOC PCL's deposit market share in Cyprus reached 36.8% as at 30 June 2022, compared to 34.8% as at 31 December 2021. Customer deposits accounted for 71% of total assets and 78% of total liabilities at 30 June 2022.

The net Loans to Deposits (L/D) ratio stood at 56% as at 30 June 2022 (compared to 57% as at 31 December 2021 on the same basis). Pro forma for HFS, the L/D ratio as at 30 June 2022 stood at 55%.

Subordinated liabilities

At 30 June 2022, the Group's subordinated liabilities (including accrued interest) amounted to €312 million (compared to €340 million at 31 December 2021) and relate to unsecured subordinated Tier 2 Capital Notes.

For further information please refer to Section 'Capital Base'.

Debt securities in issue

At 30 June 2022, the Group's debt securities in issue (including accrued interest) amounted to €299 million (compared to €303 million at 31 December 2021) and relate to senior preferred notes.

For further information please refer to Section 'Bank Recovery and Resolution Directive (BRRD) / Minimum Requirement for Own Funds and Eligible Liabilities (MREL)'.

Liquidity

At 30 June 2022, the Group Liquidity Coverage Ratio (LCR) stood at 299% (compared to 298% at 31 December 2021), well above the minimum regulatory requirement of 100%. The LCR surplus as at 30 June 2022 amounted to €6.7 billion (compared to €6.3 billion at 31 December 2021), well positioned to benefit from further interest rates increases. The increase is mainly driven by the increase in customer deposits.

At 30 June 2022, the Group Net Stable Funding Ratio (NSFR) stood at 160% (compared to 147% at 31 December 2021), well above the minimum regulatory requirement of 100%, enforced in June 2021 as per CRR II.

Loans

Group gross loans (inclusive of those classified as held for sale) totalled €11,047 million at 30 June 2022, compared to €10,856 million at 31 December 2021, increased by 2% since the beginning of the year.

New lending granted in Cyprus reached €1,159 million for the six months ended 30 June 2022 (compared to €894 million for the six months ended 30 June 2021), reaching higher levels than the equivalent period pre-pandemic (i.e. during the six months ended 30 June 2019), whilst maintaining strict lending criteria. The increase is driven by increase in lending activity across all sectors, with corporate being the main driver. New lending in the six months ended 30 June 2022 comprised €496 million of corporate loans, €392 million of retail loans (of which €273 million were housing loans), €119 million of SME loans and €152 million of shipping and international loans.

At 30 June 2022, the Group net loans and advances to customers (excluding those classified as held for sale) totalled €10,144 million (compared to €9,836 million at 31 December 2021).

In addition, at 30 June 2022 net loans and advances to customers of €247 million were classified as held for sale in line with IFRS 5, of which €241 million related to Project Helix 3 and €6 million to Project Sinope (see below), compared to €250 million as at 31 December 2021, of which €243 million related to Project Helix 3 and €7 million to Project Sinope.

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loans (continued)

BOC PCL is the single largest credit provider in Cyprus with a market share of 41.2% at 30 June 2022, compared to 38.8% at 31 December 2021. The increase during the six months ended 30 June 2022 is due to a reduction in loans in the banking system.

Loan portfolio quality

The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking is largely complete, the Group's priorities include maintaining high quality new lending and preventing asset quality deterioration following the deteriorating macroeconomic landscape.

The loan credit losses for the six months ended 30 June 2022 totalled €23 million (excluding 'Provisions/net loss relating to NPE sales'), compared to €35 million for the six months ended 30 June 2021. Further details regarding loan credit losses are provided in Section 'Profit before tax and non-recurring items'.

While defaults have been limited, the additional monitoring and provisioning for sectors vulnerable to the deteriorated macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

The Group will continue to monitor the situation, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments are timely captured.

Non-performing exposures reduction

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €175 million to €1,168 million during the six months ended 30 June 2022 (compared to €1,343 million as at 31 December 2021) (comprising net organic NPE reductions of €170 million and further net NPE reductions of €5 million relating to the NPE sales lockbox). **Pro forma for HFS, NPEs are reduced by a further €568 million to €600 million** on the basis of 30 June 2022 figures.

The NPEs account for 10.6% of gross loans as at 30 June 2022, compared to 12.4% as at 31 December 2021, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. **Pro forma for HFS, the NPE ratio is reduced to 5.7%** on the basis of 30 June 2022 figures.

The NPE coverage ratio stands at 58% at 30 June 2022, compared to 59% as at 31 December 2021 on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. **Pro forma for HFS, NPE coverage ratio is 59%** on the basis of 30 June 2022 figures.

Project Helix 3

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

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

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

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Non-performing exposure reduction (continued)

Project Helix 3(continued)

Project Helix 3 represents a milestone in the delivery of one of the Group's core strategic priorities of improving asset quality through the reduction of NPEs. Pro forma for HFS, the Group's NPE ratio is in mid-single digit. Helix 3 reduced the stock of NPEs by 50% to €600 million pro forma on the basis of 30 June 2022 figures, and its NPE ratio by 5 p.p., to 5.7% pro forma on the basis of 30 June 2022 figures.

All relevant figures and pro forma calculations are based on 30 June 2022 financial results, unless otherwise stated, and assume completion of the transaction, which remains subject to customary regulatory and other approvals.

Project Sinope

In December 2021, BOC PCL entered into an agreement for the sale of a portfolio of NPEs, with a contractual balance of €146 million and a gross book value of €12 million as at 31 December 2021, as well as properties in Romania with carrying value €0.6 million as at 31 December 2021 (known as 'Project Sinope'). The portfolio has been classified as held for sale since 31 December 2021. Project Sinope was completed in August 2022.

Overall, since the peak in 2014 and pro forma for HFS, the stock of NPEs has been reduced by €14.4 billion or 96% to €0.6 billion and the NPE ratio by over 57 percentage points, from 63% to 5.7%.

The Group has already achieved a mid-single digit NPE ratio and is on track to achieve a target NPE ratio of approximately 5% by the end of 2022 and less than 3% by the end of 2025.

Real Estate Management Unit (REMU)

The **Real Estate Management Unit (REMU)** is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales since the beginning of 2017 amount to €1.46 billion and exceed properties on-boarded in the same period of €1.35 billion.

During the six months ended 30 June 2022 the Group completed disposals of €87 million (compared to €76 million in the six months ended 30 June 2021), resulting in a profit on disposal of €8 million (compared to a profit on disposal of €7 million during the six months ended 30 June 2021). During the six months ended 30 June 2022 asset disposals are across all property classes, with over 60% of sales by value relating to land .

As at 30 June 2022 the carrying value of assets held by REMU classified as 'non-current assets and disposal groups held for sale' amounted to €90 million (compared to €98 million at 31 December 2021). They relate to Project Helix 3 and Project Sinope and comprise stock of property of €85 million and investment property of €5 million as at 30 June 2022 (compared to stock of property of €93 million and investment properties of €5 million as at 31 December 2021).

During the six months ended 30 June 2022, the Group executed sale-purchase agreements (SPAs) for disposals of 373 properties with contract value of approximately €99 million, compared to SPAs for disposals of 387 properties (with contract value of €85 million) for the six months ended 30 June 2021.

In addition, the Group had a strong pipeline of €81 million by contract value as at 30 June 2022, of which €41 million related to SPAs signed (compared to a pipeline of €85 million as at 30 June 2021, of which €48 million related to SPAs signed).

REMU on-boarded €26 million of assets in the six months ended 30 June 2022 (compared to additions of €21 million in the six months ended 30 June 2021), via the execution of debt for asset swaps and repossessed properties.

As at 30 June 2022, assets held by REMU (excluding assets classified as held for sale) had a carrying value of €1,146 million (comprising properties of €1,054 million classified as 'Stock of property' and €92 million as 'Investment properties'), compared to €1,215 million as at 31 December 2021 (comprising properties of €1,112 million classified as 'Stock of property' and €103 million as 'Investment properties').

Group financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Real Estate Management Unit (REMU)

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €10 million as at 30 June 2022 (compared to €15 million as at 31 December 2021) are not managed by REMU. These relate mainly to legacy properties held by the Group before the set-up of REMU in January 2016 and to assets classified as 'Investment properties' following a change in use.

Income Statement Analysis

Total income

Net interest income (NII) for the six months ended 30 June 2022 amounted to €145 million, compared to €152 million in the six months ended 30 June 2021. The decrease reflects the foregone NII on the Helix 2 portfolio (approximately €15 million in the six months ended 30 June 2021), partially offset by the growth in the performing (non-legacy) loan book and loan yield improvement in line with the interest rate environment during the six months ended 30 June 2022.

Quarterly average interest earning assets (AIEA) for the six months ended 30 June 2022 amounted to €22,235 million, driven by the increase in liquid assets following the increase in deposits by €1.6 billion since 30 June 2021.

Net interest margin (NIM) for the six months ended 30 June 2022 amounted to 1.32% (compared to 1.56% for the six months ended 30 June 2021) negatively impacted by the corresponding decrease in NII and the increase in average interest earning assets.

Non-interest income for the six months ended 30 June 2022 amounted to €154 million (compared to €136 million for the six months ended 30 June 2021), comprising net fee and commission income of €94 million, net foreign exchange gains and net gains/(losses) on financial instruments of €11 million, net insurance income of €33 million, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €7 million and other income of €9 million. The increase compared to 30 June 2021 is mainly due to higher net fee and commission income, following the introduction of a revised price list and extension of liquidity fees to a wider customer group in the first quarter of 2022.

Net fee and commission income for the six months ended 30 June 2022 amounted to €94 million, compared to €84 million for the six months ended 30 June 2021. The increase was driven mainly by the introduction of a revised price list in February 2022 and the extension of liquidity fees to a wider customer group in March 2022.

Net foreign exchange gains and net gains/(losses) on financial instruments of €11 million for the six months ended 30 June 2022 (comprising net foreign exchange gains of €12 million and net losses on financial instruments of €1 million), compared to €9 million for the six months ended 30 June 2021 (comprising net foreign exchange gains of €7 million and net gains on financial instruments of €2 million). The increase in the six months ended 30 June 2022 is mainly due to the lower net foreign exchange gains in the six months ended 30 June 2021, which was impacted by the lockdown and the higher interest rates compared to previous years.

Net insurance income for the six months ended 30 June 2022 amounted to €33 million, comprising of income from assets under insurance and reinsurance contracts of €30 million and a credit for expenses from liabilities under insurance and reinsurance contracts of €3 million, compared to €31 million for the six months ended 30 June 2021 (comprising of income from assets under insurance and reinsurance contracts of €104 million and expenses from liabilities under insurance and reinsurance contracts of €73 million respectively). The increase in net insurance income of €2 million, which corresponds to an increase of 6% compared to 30 June 2021, is mainly due to increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims. The decrease in income from assets under insurance and reinsurance contracts is impacted by the valuation on the unit-linked investments, which in turn has a positive impact on the respective technical reserves, whose movement is reported under expenses from liabilities under insurance and reinsurance contracts.

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 six months ended 30 June 2022 amounted to €7 million (comprising a profit on disposal of stock of properties of €8 million and net losses from revaluation and disposal of investment properties of €1 million), compared to €6 million for the six months ended 30 June 2021 (comprising a profit on disposal of stock of properties of €7 million and net losses from revaluation of investment properties of €1 million). REMU profit remains volatile.

Total income for the six months ended 30 June 2022 amounted to €299 million, compared to €288 million for the six months ended 30 June 2021, mainly driven by the changes in the non-interest income as explained above.

Total expenses

Total expenses for the six months ended 30 June 2022 were €190 million, compared to €186 million for the six months ended 30 June 2021. Of these, 53% related to staff costs (€100 million), 38% to other operating expenses (€73 million) and 9% to special levy on deposits and other levies/contributions (€17 million). The increase of 2% compared to 30 June 2021 is driven partly by the increase in other operating expenses and partly by the increase in special levy on deposits and other levies/contributions.

Total operating expenses amounted to €173 million for the six months ended 30 June 2022, compared to €171 million for the six months ended 30 June 2021.

Staff costs for the six months ended 30 June 2022 were €100 million, compared to €101 million for the six months ended 30 June 2021, resulting from the combined impact of the voluntary staff exit plans that took place in the previous quarters, the renewal of the collective agreement, and despite rising inflation. The Group employed 3,422 persons as at 30 June 2022 compared to 3,438 persons as at 31 December 2021.

In July 2022, the Group completed a Voluntary Staff Exit Plan, through which approximately 550 applicants were approved to leave at a total cost of approximately €99 million, expected to be recorded in the consolidated income statement in the third quarter of 2022. Following the completion of the VEP, the overall number of employees is reduced by approximately 16%, with an estimated annual saving of approximately €37 million or approximately 19% of staff costs.

In addition, in January 2022 the Group, through one of its subsidiaries, completed a Voluntary Staff Exit Plan (VEP), through which a small number of its employees were approved to leave at a total cost of €3 million, recorded in the consolidated income statement in the first quarter of 2022 as a non-recurring item in the underlying basis.

Other operating expenses for the six months ended 30 June 2022 were €73 million, compared to €70 million in the six months ended 30 June 2021. The increase reflects the pandemic-related lockdown in the first quarter of 2021 and the seasonally higher marketing expenses.

Special levy on deposits and other levies/contributions for the six months ended 30 June 2022 amounted to €17 million, compared to €15 million for the six months ended 30 June 2021 driven by the increase in deposits of over €1.6 billion since 30 June 2021.

The **cost to income ratio excluding special levy on deposits and other levies/contributions** for the six months ended 30 June 2022 was 58%, compared to 59% for the six months ended 30 June 2021.

The cost to income ratio excluding special levy on deposits and other levies/contributions for 2022 is revised downwards to around current levels from initial expectations of mid-60s, reflecting mainly the rising revenue on improving interest rate environment and management's ongoing efforts to contain costs. In 2023 the cost to income ratio excluding special levy on deposits and other levies/contributions is expected to decrease further to approximately 50%, as efficiency actions on staff and branch reduction unlock meaningful savings in 2023.

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Profit before tax and non-recurring items

Operating profit before credit losses and impairments for the six months ended 30 June 2022 was €109 million, compared to €102 million for the six months ended 30 June 2021.

Loan credit losses for the six months ended 30 June 2022 totaled €23 million, compared to €35 million for the six months ended 30 June 2021.

Cost of risk for the six months ended 30 June 2022 was 43 bps, compared to a cost of risk of 61 bps for the six months ended 30 June 2021, down by 18 bps mainly as the cost of risk for the six months ended 30 June 2021 included 21 bps credit losses related to COVID-19.

At 30 June 2022, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to 'Definitions and explanations of Alternative Performance Measures Disclosures' of the Interim Financial Report 2022) totalled €677 million (compared to €792 million at 31 December 2021) and accounted for 6.1% of gross loans including portfolios held for sale (compared to 7.3% of gross loans including portfolios held for sale at 31 December 2021).

Impairments of other financial and non-financial assets for the six months ended 30 June 2022 amounted to €13 million, compared to €11 million for the six months ended 30 June 2021, impacted mainly by higher impairment charges on net legacy overseas exposures.

Provisions for litigation, claims, regulatory and other matters for the six months ended 30 June 2022 amounted to €1 million, compared to €4 million for the six months ended 30 June 2021.

Profit before tax and non-recurring items for the six months ended 30 June 2022 totalled €72 million, compared to €52 million for the six months ended 30 June 2021.

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

The **tax charge** for the six months ended 30 June 2022 amounted to €12 million, compared to €1 million for the six months ended 30 June 2021.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for the six months ended 30 June 2022 is €59 million, compared to €51 million for the six months ended 30 June 2021. Return on Tangible Equity (ROTE) before non-recurring items calculated using 'profit after tax and before non-recurring items (attributable to the owners of the Company)' amounts to 7.3% (on an annualised basis) for the six months ended 30 June 2022, compared to 6.1% for the six months ended 30 June 2021.

Advisory and other restructuring costs - organic for the six months ended 30 June 2022 amounted to €5 million, compared to €18 million for the six months ended 30 June 2021, down by 70% mainly due to ad-hoc cost related to the tender offer for Existing Tier 2 Capital Notes amounting to €12 million in 2021. Advisory and other restructuring costs – organic relate to the transformation program of BOC PCL and other strategic projects of the Group.

Profit after tax arising from the organic operations (attributable to the owners of the Company) for the six months ended 30 June 2022 amounted to €54 million, compared to €33 million for the six months ended 30 June 2021.

Provisions/net loss relating to NPE sales for the six months ended 30 June 2022 amounted to less than €1 million relating to Helix 3, compared to €16 million for the six months ended 30 June 2021 (relating to Helix 2).

Restructuring and other costs relating to NPE sales for the six months ended 30 June 2022 was €1 million, compared to €16 million for the six months ended 30 June 2021 (relating to the agreements for the sale of portfolios of NPEs).

Group financial results on the underlying basis (continued)

Income Statement Analysis (continued)

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

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €3 million for the six months ended 30 June 2022, compared to nil for the six months ended 30 June 2021. For further details please refer to Section 'Total expenses'.

Profit after tax attributable to the owners of the Company for the six months ended 30 June 2022 was €50 million, compared to €1 million for the six months ended 30 June 2021.

Operating Environment

Real GDP increased by 6.1% in the second quarter 2022 on a seasonally adjusted basis, compared to 6% in the first quarter 2022, which was revised upwards from an initial estimate of 5.6%. Economic growth in the first six months of 2022 was 6.1% compared to 5.6% in 2021, facilitated mainly by the faster-than-expected recovery of tourism and the continuing expansion of exports of other services. The economic fallout of the war in Ukraine and Western sanctions on Russia was offset by strong economic activity broadly in the economy, but significant headwinds remain, as a result of higher inflation, the ongoing energy crisis and monetary tightening.

Tourism in Cyprus and in Europe in general, is expected to be stronger than in 2021. Governments have rolled back COVID-19-related travel restrictions and as a result entering countries does not require pre-departure tests. Airlines have increased capacity in anticipation of firmer passenger demand. Tourism-dependent economies like Cyprus are expected to benefit from a recovery in arrivals in 2022, although significant uncertainty remains regarding demand for tourism in 2023.

Tourist arrivals in the first seven months of 2022 reached 1.7 million people or 77% of the corresponding arrivals in 2019, recovering towards pre-pandemic levels. Likewise, receipts in the first six months of the year reached 83% of corresponding receipts in 2019. The prospects for the sector remain positive for the remainder of the tourist season, based on data on planned international flights and surveys on reservations for tourist accommodation, despite a sizeable loss of tourism from Russia (approximately 20% of 2019 levels).

Other short-term indicators are relatively mixed on the supply side and stronger on the demand side. Thus, retail sales in volume terms recovered strongly in May-June 2022, driven by non-food items except of automotive fuel, after a slump in March-April 2022. Total car registrations were down in January-July 2022, which may reflect global supply constraints in car manufacturing and export. In the construction sector the volume of building permits in the first five months of 2022 were down driven by drops in April and March after positive first three months.

Consumer inflation has been accelerating from the third quarter of 2021 onward, as a result mainly of supply chain disruptions, the resulting higher energy and food prices, and other shortages in commodities and industrial goods. The harmonised index of consumer prices increased by 7.4% in the Euro area on average in January-July, from one year earlier, rising by 8.9% in July alone according to the Eurostat. Respectively in Cyprus, the harmonised index of consumer prices increased by 7.7% in January-July and by 10.6% in July. Energy prices increased by 35% in Cyprus in January-July 2022. The overall index excluding energy increased by 4.9% and by 4.3% when food is also excluded. The all-services index was up 4.4% in the period. Thus, core inflation is considerably lower than headline inflation, but still higher than in previous periods.

Higher and more persistent inflation has driven the ECB to adopt a more aggressive monetary stance. In their last meeting of the policy setting governing council in July 2022, the ECB raised its main refinancing operations rate, by 50 basis points, the first interest rate increase in eleven years, and also approved a new policy tool, the Transmission Protection Instrument (TPI). This is a country specific bond purchasing instrument, designed to counter undue pressures on individual member countries' bond yields, that are not justified by their economic fundamentals and to prevent marked interest rate divergences in the euro area. By approving the new instrument, the ECB has signalled its resolve to intervene as necessary to keep market dynamics from disrupting its policy transmission mechanism.

Operating Environment (continued)

Rising inflation and interest rates do not pose any immediate threats to financial stability in the Eurozone provided highly indebted countries ensure debt sustainability in the medium term, which presupposes a series of reforms and restructuring. The debt-to-GDP ratio drops for a period of time, as inflation and nominal GDP rise in tandem.

The recovery in 2021 underpinned a significant increase in general government revenue and a relative drop in government spending. As a result, the budget deficit narrowed to 1.6% of GDP from a deficit of 5.7% of GDP in 2020 when the government implemented measures to support the economy amidst a deep recession induced from the COVID-19 pandemic. The public debt to GDP ratio dropped to 103.6% in 2021 from a bloated 115% in 2020. During the first six months of 2022 there has been a significant improvement in public finances. Driven by higher inflation and a higher nominal GDP, total revenues increased by 16.7% from the year before while total spending declined by 1%. As a result, the budget was near balanced in the period, and a small surplus may be expected for the year as a whole. The debt-to-GDP ratio is expected to decline further in 2022.

The underlying resilience of the banking system improved steadily in recent years, and starting positions are vastly different today than what they were more than ten years ago. Banks restructured their operations, shrunk their balance sheets, and bolstered liquidity and capital positions. They refocused their operations domestically and reduced markedly their overseas exposures. Prudential oversight has been strengthened within the EU supervisory framework. However, weaknesses persist evidenced in high cost to income, low profitability and concerns about a renewed rise in NPEs if problems in some sectors related with the COVID-19 pandemic and the Ukrainian crisis, persist. Banks managed to weather the pandemic crisis well, with their liquidity and capital buffers intact. Non-performing loans continued their declining trend attributed mostly to sales packages by the two largest banks. However, amidst uncertain condition asset quality remains a focal point for bank management and the supervisory authorities. The Russia-Ukraine war poses new challenges, and close monitoring of developments will be required. Total NPEs at the end of May 2022 amounted to €3 billion, unchanged since December 2021. The ratio to gross loans was 11.4% and the coverage ratio of provisions to non-performing exposures was 50.7%. Loans to residents excluding the government, dropped to €23.3 billion at the end of June 2022, or about 90% of expected nominal GDP at year end.

Cyprus received the first disbursement from the Recovery and Resilience Facility of €157 million in September 2021 and applied for the second disbursement of €85 million in July 2022. The allocation in grants and loans amount to €1.2 billion in total (€1 billion in grants and €200 million in loans) and will be conditional on the implementation of the reforms agreed in the national recovery plan. The plan allocates 41% of the funds to green investments and an additional 23% to digital investments. Reforms include increasing the efficiency of the public sector and local government; improving the governments of state-owned enterprises; improving the efficiency of the judicial system; and accelerating anti-corruption reforms.

Economic activity remained resilient in the year so far, despite the fallout of the war in Ukraine and Western sanctions on Russia. According to an announcement from the press office of the Minister of Finance, real GDP is expected to grow by over 5% in 2022, significantly outperforming the Euro area. Real GDP is expected to slow in 2023, as the external environment, particularly in Europe is expected to deteriorate.

Sanctions and Russia's retaliation by cutting supplies, will exacerbate Europe's energy crisis in the coming winter. Gas shortages can be expected, and rationing may become necessary in the industrial sectors. Households will be affected, and industrial activity may be disrupted. All countries will be impacted by soaring energy prices, fall in confidence and weaker external trade. Europe's efforts to decouple from Russia and secure alternative sources of gas supply will continue but will face limitations. In these conditions the risk of disruption increases, and confidence is undermined. The agreement reached in the EU for the voluntary reduction of gas usage by 15% will be helpful in reducing disruption but sharing across member states may become necessary in some cases. Higher prices will likely persist which will have real income effects.

Sovereign ratings

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

Operating Environment (continued)

Sovereign ratings (continued)

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

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

Also in March 2022, S&P Global Ratings affirmed Cyprus' investment grade rating of BBB- and positive outlook. The positive outlook reflects the view that Cyprus' sovereign rating could be upgraded within the next 24 months if the country's economic and budgetary performance continues to strengthen, supported by the Government's implementation of structural reforms. While the crisis in Ukraine weighs on Cyprus' economic performances via the sanctions imposed on Russia, medium-term economic prospects remain solid according to S&P.

In April 2022, DBRS Morningstar upgraded the Republic of Cyprus's Long-Term Foreign and Local Currency – Issuer Ratings from BBB (low) to BBB and changed the trend from Positive to Stable. The rating upgrades reflect Cyprus' stronger-than-anticipated economic and public finance performance during 2021 and the expectation of DBRS Morningstar that medium term conditions remain supportive of Cyprus' debt reduction efforts, despite risks posed by Russia's invasion of Ukraine and the pandemic.

Business Overview

Credit ratings

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

Strategic priorities for the medium term

The Group is a diversified, leading, financial and technology hub in Cyprus. In February 2022, the Group updated its medium term strategic targets with an increased focus on creating shareholder value and increased its medium term return on tangible equity (ROTE) target to over 10% (2025), providing the foundations for a return to dividend distributions, subject to performance and relevant approvals. The prolonged geopolitical crisis in Ukraine has changed the economic landscape, reflecting potential slowdown in economic growth impacted by the escalating inflationary pressures and rising interest rate outlook**.** As a result of the changing and dynamic economic outlook, the Group will benefit substantially from the interest rate increases, setting NII to growth trajectory and outweighing potential pressures on total operating costs and cost of risk. Overall, return on tangible equity (ROTE) is now expected to reach to over 10% in 2023, supporting the ability to make meaningful dividend distributions from 2023 onwards, subject to regulatory approvals and market conditions. A ROTE in excess of 10% for 2024-2025 is reaffirmed.

Business Overview (continued)

Strategic priorities for the medium term (continued)

Favourable interest rate environment
The structure of the Group's balance sheet is geared towards higher interest rates. As at 30 June 2022, cash balances with ECB (including TLTRO of approximately €3.0 billion and Exempt Tier of approximately €1.0 billion) amounted to approximately €9.9 billion and following the uplift of 50 bps of ECB deposit rate in July 2022, the Group will have an immediate NII benefit of approximately €12 million. The repricing of the reference rates will gradually benefit the interest income on loans, as around 50% of the loan book is priced on Euribor. Overall, the rising interest rate environment facilitates faster growth in net interest income, with Financial Year 2022 NII expected to reach to approximately €320 million. NII is expected to increase further in 2023 by a range of €100 million to €120 million on a yearly basis. These improvements in NII demonstrate faster repricing of loans and liquids than funding costs and incorporate assumptions on partial pass-through to deposits, gradual change in deposit mix, and higher wholesale funding costs.

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

The Group has continued to provide high quality new loans in the six months ended 30 June 2022 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries more in line with BOC PCL's target risk profile.

During the six months ended 30 June 2022, new lending amounted to €1.2 billion, increased by 30% year-on-year, returning to pre-pandemic levels, whilst maintaining strict lending criteria. The year-on-year increase is driven by increased activity across all sectors. As a result, the net performing loan book expanded further to €9.7 billion reflecting an increase of 4% during the six months ended 30 June 2022. Aiming at supporting investments by SMEs and Mid-Caps, BOC PCL continues its collaboration with the European Investment Bank (EIB), the European Investment Fund (EIF) and the Cyprus Government.

Separately, the Group aims to increase revenues over the medium term through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. In the first quarter of 2022, a revised price list for charges and fees was implemented and liquidity fees were extended to a wider customer group. As a result, net fee and commission income for the six months ended 30 June 2022 remained strong at €94 million, reflecting an increase of 12% year-on-year. Net fee and commission income is likely to be under pressure in the near term mainly due to the phasing out of liquidity fees in 2023.

Net fee and commission income is also enhanced by transaction fees from the Group's subsidiary, JCC Payment Systems Ltd (JCC), a leading player in the card processing business, 75% owned by BOC PCL. JCC's net fee and commission income contributed 9% of non-interest income and amounted to €12 million for the six months ended 30 June 2022, backed by strong transaction volume.

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's **insurance companies,** EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring income, diversifying the Group's income streams.

The insurance income net of claims and commissions for the six months ended 30 June 2022 contributed to 21% of non-interest income and amounted to €33 million, up 6% compared to the six months ended 30 June 2021, driven by increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims. Specifically, Eurolife increased its total regular income by 19% year-on-year, whilst GIC increased its gross written premiums by 8% year-on-year. Furthermore, there are initiatives underway to further enhance the value of the insurance companies by business growth supported by digitisation and a lean operating structure. For information on IFRS 17 please refer to the relevant subsection below.

Business Overview (continued)

Strategic priorities for the medium term (continued)

Growing revenues in a more capital efficient way (continued)

Finally, the Group through the **Digital Economy Platform (Jinius)** aims to generate new revenue sources over the medium term, leveraging on BOC PCL's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The Platform is expected to allow BOC PCL to enhance the engagement of its customer base, attract new customers, optimise the cost of BOC PLC's own processes, and position BOC PCL next to the customer at the point and time of need.

Lean operating model

Striving for a **lean operating model** is a key strategic pillar for the Group in order to deliver shareholder value in the medium term, whilst funding its digital transformation and investing in the business. Management also expects that **restructuring costs will be effectively eliminated** as balance sheet de-risking is largely complete.

Management remains focused on **further improvement in efficiency**, through for example further branch footprint optimisation and substantial streamline of workforce. In July 2022 the Group successfully completed a voluntary staff exit plan (VEP) through which approximately 550 applicants were approved to leave at a total cost of approximately €99 million. Following the completion of the Plan, the overall number of employees is reduced by approximately 16% whilst the annual savings are estimated at approximately €37 million or 19% of staff costs. Additionally in January 2022 one of BOC PCL's subsidiaries completed a small-scale targeted voluntary staff exit plan (VEP), through which a small number of full-time employees were approved to leave at a total cost of €3 million. In relation to branch restructuring, the Group has reduced its number of branches by 20 year-to-date to 60, a reduction of 25%. Through these two successful initiatives, the Group has delivered **ahead of schedule** on its commitment to reduce its workforce by approximately 15% and its number of branches by 25%.

The **cost to income ratio** excluding special levy on deposits and other levies/contributions in 2022 is revised downwards to around current levels compared to initial expectations of mid-60%, reflecting mainly the rising revenue on improving interest rate environment and management's ongoing efforts to contain costs. In 2023 the cost to income ratio excluding special levy on deposits and other levies/contributions is expected to decrease further to approximately 50%, as efficiency actions on staff and branch reduction unlock meaningful savings in 2023.

Transformation plan
The Group continues to work towards becoming a more 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 its distribution model across existing and new channels, (iii) digitally transform the way the Group serves its customers and operate internally, and (iv) improve employee engagement through a robust set of organisational health initiatives.

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

During the second quarter of the year, BOC PCL continued to enrich and improve its digital portfolio launching a new innovative service to its customers, the mobile cheque deposit functionality, which allows BOC PCL's retail customers to deposit their cheques through BOC mobile app without the need to visit a branch for this service. This solution further differentiates BOC PCL within the Cypriot market and enhances its status as a digital leader in banking.

Business Overview (continued)

Strategic priorities for the medium term (continued)

Lean operating model (continued)

Digital transformation (continued)
The adoption of digital products and services continued to grow and gained momentum in the second quarter of 2022 and beyond. As at the end of July 2022, 93.0% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 26.6 p.p. from 66.4% in September 2017 when the digital transformation programme was initiated). In addition, 79.9% of individual customers were digitally engaged (up by 19.7 p.p. from 60.2% in September 2017), choosing digital channels over branches to perform their transactions. As at the end of July 2022, active mobile banking users and active QuickPay users have grown by 17.4% and 37.4% respectively in the last 12 months. The highest number of QuickPay users to date was recorded in July 2022 with 154 thousand active users. Likewise, the highest number of QuickPay payments was recorded in July 2022 with 470 thousand transactions. New features, such as managing fixed deposits accounts, as well as the opening of new lending products entirely through the Group's digital channels will soon be available to customers.

Strengthening asset quality

Ensuring BOC PCL's loan portfolio quality remains healthy is a priority for the Group and is aiming to maintain high quality of new lending and complete legacy de-risking.

Balance sheet normalisation continued in the first six months of 2022 with approximately a further €170 million of organic NPE reduction, reducing the Group's NPE ratio to 5.7%, pro forma for NPE sales. During 2021, the Group completed Project Helix 2 and reached an agreement for Project Helix 3. Overall, since the beginning of 2021, and including organic NPE reductions of approximately €570 million, the Group reduced its NPEs by 81% and its NPE ratio from 25.2% to 5.7%, on a pro forma basis. For further information please refer to Section 'Loan portfolio quality'.

The Group has already achieved a mid-single digit NPE ratio and is on track to achieve a target ratio of approximately 5% by the end of 2022 and less than 3% by the end of 2025.

In 2022 the cost of risk is expected to reach to approximately 50 bps. The cost of risk is expected to range between 50-80 bps in 2023, reflecting the prevailing uncertainty on macroeconomic outlook. The normalised cost of risk target of 40-50 bps, remains unchanged.

Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda
Moving to a sustainable economy is the challenge of our time. As part of its vision to be the leading financial hub in Cyprus, BOC PCL is determined to **lead the transition of Cyprus to a sustainable future.**

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

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

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

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

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- ≥30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the Extended EXCO) by 2030

Business Overview (continued)

Strategic priorities for the medium term (continued)

Strengthening asset quality (continued)

The Board composition of the Company and BOC PCL is diverse, with one third of the Board members being female as at 30 June 2022. The Board displays a strong skill set stemming from broad international experience. Moreover, BOC PCL aspires to achieve a representation of at least 30% women in Group's management bodies (defined as the EXCO and the Extended EXCO) by 2030. As at 30 June 2022, there is a 26% representation of women in Group's management bodies and 38% representation of women at key positions below the Extended EXCO level (defined as positions between Assistant Manager and Manager).

Ukrainian crisis

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 accelerates, impacted by the soaring energy prices and disruptions in supply chains. The escalating inflation weighs on business confidence and consumers' purchasing power. In this context the Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required and has assessed the impact it has on the Group's operations and financial performance.

Direct impact
The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. The Group has run down its legacy net exposure to less than €1 million as at 30 June 2022 in Russia through write-offs and provisions.

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

The Group has limited direct exposure with loans related to Ukraine, Russia and Belarus, representing 0.4% of total assets or 1% of net loans as at 30 June 2022. The net book value of these loans stood at €108 million as at 30 June 2022, of which €95 million are performing, whilst the remaining were classified as NPEs well before the current crisis. The portfolio is granular and secured mainly by real estate properties in Cyprus.

Customer deposits related to Ukrainian, Russian and Belarusian customers account for only 5% of total customer deposits as at 30 June 2022. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €6.7 billion (LCR ratio of 299%) as at 30 June 2022.

Only approximately 3% of the Group's 2021 net fee and commission income is derived from Ultimate Beneficiary Owners (UBOs) from Ukraine, Russia or Belarus.

Indirect impact
Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains.

At this stage, it is considered that the impact on the Cypriot economy is expected to come from higher inflation and a consequential slowdown in economic activity. The performance of tourism sector in the first seven months of 2022 is better than initially anticipated and represents 77% of 2019 respective levels, despite the loss from Russia and Ukraine. The Group continues to monitor the exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary.

Cyprus has no energy dependence on Russia as it imports oil from Greece, Italy and the Netherlands; however it is indirectly affected by pricing pressures in the international energy markets.

Professional services account for approximately 10% of GDP (based on financial year 2020) of which some relate to Russia or Ukraine and thus expected to be adversely impacted. There is however no credit risk exposure as the sector is not levered.

Business Overview (continued)

Ukrainian crisis (continued)

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

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

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

IFRS 17

IFRS 17, an accounting standard that will be effective from 1 January 2023, impacts the phasing of profit recognition for insurance contracts. Upon implementation, the Group's insurance-related retained earnings will be restated and the reporting of insurance new business revenue will be spread over time, as the Group provides service to its policyholders (versus recognised up-front under current accounting standards), with the quantum and timing of the impact dependent on, inter alia, the amount and mix of new business and extent of assumption changes in any given year following implementation. As highlighted in the 2021 Annual Financial Report, IFRS 17 requires a number of key changes compared with the Group's current accounting policies for insurance.

- Under IFRS 17, there will be no present value of in-force insurance contracts ('PVIF') asset recognised. Instead, the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under IFRS 17.
- IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities hence insurance liabilities and related assets will be adjusted to reflect IFRS 17 measurement requirements.
- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in operating expenses.

The Group continues to make progress on the implementation of IFRS 17 and preliminary management estimate on the impact is as previously communicated and included below. However, industry practice and interpretation of the standard are still developing, hence uncertainty remains as to the final transition impact. Additionally, the impact on the forecast future returns of the Group's insurance business is dependent on the growth, duration and composition of its insurance contract portfolio. These estimates are therefore subject to change in the period up to adoption of the standard.

For the purposes of planning the Group's financial resources, the initial estimate is that the accounting changes will result in:

a) the removal of value in force from the insurance business (including associated deferred tax liability) of approximately €105 million as per the Group's consolidated balance sheet as at 30 June 2022, which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and

b) the remeasurement of insurance assets and liabilities and the creation of a contractual service margin (CSM) liability, which will increase both the insurance business' and the Group's equity by an amount of approximately €50 million, predominantly relating to the life business of the Group.

Business Overview (continued)

IFRS 17 (continued)

The adoption of IFRS 17 may result in a modest annual negative impact on the contribution to profits of the Group's insurance business in the near term which has been incorporated in the Group business plan.

The day 1 benefit from IFRS 17 arising from the net remeasurement of insurance liabilities of approximately €50 million (including the creation of the CSM liability), referred to in (b) above, enables an equivalent dividend distribution to BOC PCL which would benefit Group regulatory capital by an equivalent amount (upon the payment of dividend by the subsidiary), enhancing CET1 ratio by approximately 50 bps.

Strategy and Outlook

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

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

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

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN THE FIRST HALF 2022 AND TO DATE	PLAN OF ACTION
Growing revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital Economy)	• A revised price list for charges and fees was implemented in February 2022 • Liquidity fees were extended to a wider customer group in March 2022 • Net performing loan book grew to €9.7 billion, an increase of 4% in the six months ended 30 June 2022 *For further information, please refer to Section 'Loan portfolio quality' and Section 'Business Overview'*	• **Grow net performing book** and increase in new lending over the medium term • **Enhance fee and commission income**, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of **Digital Economy Platform** • Phasing out of liquidity fees in 2023 • **Profitable insurance business with further opportunities to grow,** e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by digital transformation
Improving operating efficiency; by achieving leaner operations through digitisation and automation	• Completion of a Voluntary staff exit plan in July 2022, through which approximately 550 applicants were approved to leave at a total cost of approximately €99 million; estimated annual saving of approximately €37 million (19%) of staff costs • Rationalisation of branch footprint as 15 branches closed down in July 2022; a reduction of 25% year-to-date • Completion of a small-scale targeted voluntary staff exit plan (VEP) in the first quarter 2022, by one of BOC PCL's subsidiaries, through which a small number of the Group's full-time employees were approved to leave at a total cost of €3 million • Further developments in the Transformation Plan and the digitisation of BOC PCL	• Effectively eliminate restructuring costs as de-risking is largely complete • Enhance procurement control • Cost to income ratio (excluding special levy on deposits and other levies/contributions) revised downwards to around current levels for 2022, compared to initial expectations of mid-60s

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN THE FIRST HALF 2022 AND TO DATE	PLAN OF ACTION
Strengthening asset quality	• Balance sheet normalisation continued in the six months ended 30 June 2022 with further approximately €170 million of organic NPE reduction • NPE ratio (pro forma for HFS) reduced to mid-single digit of 5.7% as at 30 June 2022 *For further information, please refer to Section 'Loan portfolio quality' and Section 'Business Overview'*	• The Group is on track to achieve a target NPE ratio of **approximately 5% by the end of 2022 and of less than 3% by the end of 2025.**
Enhancing organisational resilience and ESG (Environmental, Social and Governance) agenda; by continuing to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities	• Initiations of ESG training to Board of Directors and staff to increase awareness • Initiation of decarbonisation of the Group's operations and portfolio • Approval of Green Lending Policy based on the Green Loan Principles (GLPs) • Environmental products launched e.g. under the Fil-eco product scheme *For further information, please refer to Section 'Business Overview'*	• **Implement ESG strategy** with a shift of focus on environment • **Embed ESG sustainability in BOC PCL's culture** • Continuous enhancement of structure and corporate governance Invest in people and promote talent

In November 2020 the Group, after a considerable period of change, announced for the first time its medium-term targets and its priorities to set the Group on a path for sustainable profitability. These included completion on balance sheet de-risking, delivery of sustainable profitability, enhancement on operating efficiency, modernisation of BOC PCL's franchise, including IT and digital investment, addressing challenges from low rates and surplus liquidity, initiation of MREL issuance and Tier 2 refinancing and optimisation on capital management. Since then, the Group's progress was remarkable, delivering on all fronts. In summary the key achievements were:

- 81% NPE reduction through organic and inorganic actions; NPE ratio is approaching to 5% and is on track with 2022 target
- Completion of several Voluntary Staff Exit Plans and branch footprint rationalisation
- 26% increase in active digital users
- Net interest income bottomed out and now is reverting to growth
- Inaugural MREL issuance and Tier 2 refinancing, regaining market access

The medium-term recurring ROTE target of approximately 7% (annualised) was achieved in the first half 2022, two years ahead of schedule and the Group is on path to achieve a double-digit ROTE in 2023. The CET1 ratio since September 2020 remained broadly flat, absorbing in full the restructurings and is now positioned for dividend resumptions.

As a result the medium-term strategic targets have evolved, reflecting a dynamic strategy, capitalising on the changed macroeconomic outlook and the Group's strong performance.

Overall, a return on tangible equity (ROTE) over 10% is now expected to be achieved in 2023 and to be sustained for the following years 2024 and 2025, supporting the ability to make meaningful dividend distributions from 2023 onwards, subject to regulatory approvals and market conditions.

Strategy and Outlook (continued)

Also, higher profitability will be positive for the Group's CET1 ratio, which is expected to be further increased following the adoption of IFRS 17 on 1 January 2023. Specifically, a day 1 benefit from IFRS 17 on Group regulatory capital by approximately €50 million is estimated, thereby enhancing Group CET1 ratio by approximately 50 bps.

The Group's progress is being noticed. In an announcement on 19 August 2022 the Board noted the announcement made by LSF XI Investments LLC ('Lone Star') and confirmed that it has received and unanimously rejected three unsolicited, conditional, non-binding proposals from Lone Star relating to a possible cash offer for the entire issued, and to be issued, share capital of the Company.

The Board expressed its confidence in the Group's strategy and remains committed to delivering its strategy of becoming a stronger, safer and a more focused institution capable of further supporting the recovery of the Cypriot economy. In addition, the Board remains confident in its ability to implement its strategic objectives, delivering strong shareholder returns in the medium and long term, and accordingly has unequivocally rejected the proposal from Lone Star.

The evolution of the Group's medium-term strategic targets are set out below

<table>
<tr><th colspan="2">Key Metrics</th><th>November 2020</th><th>February 2022</th><th>May 2022</th><th>August 2022</th></tr>
<tr><td colspan="2"></td><td>2024</td><td>2025</td><td>2025</td><td>2025</td></tr>
<tr><td rowspan="2">Profitability</td><td>Return on Tangible Equity (ROTE)[1]</td><td>approximately 7% in 2024</td><td>>10% in 2025</td><td>>10% from 2024</td><td>>10% from 2023 onwards</td></tr>
<tr><td>Cost to income ratio[2]</td><td>Mid-50s</td><td>50-55%</td><td>50%-55%</td><td><approximately 50%</td></tr>
<tr><td rowspan="2">Asset Quality</td><td>NPE ratio</td><td>Approximately 5%</td><td><3%</td><td><3%</td><td><3%</td></tr>
<tr><td>Cost of risk</td><td>70-80 bps</td><td>40-50 bps</td><td>40-50 bps</td><td>40-50 bps</td></tr>
<tr><td>Capital returns</td><td>Dividend</td><td>No guidance</td><td>Consider from 2023 onwards[3]</td><td>Consider meaningful from 2023 onwards[3]</td><td>Meaningful from 2023 onwards[4]</td></tr>
<tr><td>Capital</td><td>CET1 ratio</td><td>at least 13%</td><td colspan="2">Supported by CET1 ratio of 13.5%-14.5%</td><td>Supported by CET1 ratio of 13.5%-14.5%</td></tr>
</table>

1. Return on Tangible Equity (ROTE) is calculated as Profit after Tax (annualised) divided by Shareholders' equity minus intangible assets.
2. Calculated using total operating expenses which comprise staff costs and other operating expenses. Total operating expenses do not include the special levy on deposits or other levies/contributions and do not include any advisory or other restructuring costs.
3. Subject to performance and regulatory approvals
4. Subject to regulatory approvals and market conditions

Going concern

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

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

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

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

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 30 June 2022 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 monitors, manages and mitigates these risks through various control mechanisms. Credit risk, liquidity and funding risk, market risk (arising from adverse movements in exchange rates, interest rates, security prices and property prices) and insurance and re-insurance risk, are some of the key significant risks the Group faces. In addition, key risks facing the Group also include operational risk which includes also compliance, legal and reputational risk, regulatory risk, information security and cyber risk, digital transformation and technology risk as well as business model and strategic risk.

Information relating to the principal risks the Group faces and risk management is set out in Notes 29 to 32 of the Consolidated Condensed Interim Financial Statements and in the 'Additional Risk and Capital Management Disclosures', both of which form part of the Interim Financial Report for the six months ended 30 June 2022 and in the 'Interim Pillar III disclosures 2022'. In addition, in relation to legal risk arising from litigations, investigations, claims and other matters, further information is disclosed in Note 25 of the Consolidated Condensed Interim 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 17 to the Consolidated Condensed Interim Financial Statements.

The Group activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment, as described in the 'Operating environment' section of this Interim Management Report and changes in the macroeconomic conditions and geopolitical developments as described in the 'Additional Risk and Capital Management Disclosures' which form part of the Interim Financial Report for the six months ended 30 June 2022.

In addition, details of the significant and other judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 6 to the Consolidated Condensed Interim Financial Statements.

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

Details of the financial instruments and hedging activities of the Group are set out in Note 14 of the Consolidated Condensed Interim Financial Statements.

The Russian - Ukraine military conflict and the sanctions imposed on Russia rose new challenges for the Group and closed monitoring of developments will be required. The Group's direct exposure is limited, however any indirect impact will depend on the duration and severity of the crisis in Ukraine and its impact on the Cypriot economy, mainly due to a negative impact on the tourism sector, the increasing energy prices resulting in inflationary pressures and disruptions to global supply chains. Further disclosures are provided in 'Business Overview' and 'Operating Environment' sections of this Interim Management Report.

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

Events after the reporting date

Voluntary exit plan

In July 2022 the Group proceeded with a VEP for its employees, with a cost of approximately €99 million. In total around 550 employees accepted the VEP and are expected to leave the Group in the second half of 2022.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Financial Report in accordance with International Accounting Standard (IAS) 34 on 'Interim Financial Reporting' as adopted by the European Union, the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

Each of the Directors, whose names and functions are listed on page 1, confirms that to the best of each person's knowledge and belief:

- the Consolidated Condensed Interim Financial Statements, prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 30 June 2022, and its profit for the period then ended; and
- the Interim Financial Report includes a fair review of:
  a. important events that have occurred during the first six months of the year, and their impact on the Consolidated Condensed Interim Financial Statements;
  b. a description of the principal risks and uncertainties for the next six months of the financial year;
  c. details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2022; and
  d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

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

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

30 August 2022

Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021 (restated)
	Notes	**€000**	€000
Turnover	*7*	**414,996**	390,624
Interest income		**181,470**	179,272
Income similar to interest income		**9,518**	17,626
Interest expense		**(37,541)**	(28,670)
Expense similar to interest expense		**(7,752)**	(16,015)
Net interest income		**145,695**	152,213
Fee and commission income		**98,086**	87,610
Fee and commission expense		**(4,447)**	(3,753)
Net foreign exchange gains		**11,898**	6,550
Net losses on financial instruments	*8*	**(2,060)**	(13,196)
Net gains on derecognition of financial assets measured at amortised cost		**1,648**	1,053
Income from assets under insurance and reinsurance contracts		**29,859**	103,824
Expenses from liabilities under insurance and reinsurance contracts		**3,010**	(72,756)
Net losses from revaluation and disposal of investment properties		**(1,372)**	(1,381)
Net gains on disposal of stock of property		**8,242**	7,372
Other income		**8,927**	5,854
Total operating income		**299,486**	273,390
Staff costs	*9*	**(103,135)**	(100,866)
Special levy on deposits and other levies/contributions	*9*	**(16,507)**	(15,255)
Other operating expenses	*9*	**(80,393)**	(95,588)
Operating profit before credit losses and impairment		**99,451**	61,681
Credit losses on financial assets	*10*	**(24,965)**	(52,163)
Impairment net of reversals on non-financial assets	*10*	**(12,157)**	(7,398)
Profit before tax		**62,329**	2,120
Income tax	*11*	**(11,579)**	(968)
Profit after tax for the period		**50,750**	1,152
Attributable to:			
Owners of the Company		**50,088**	739
Non-controlling interests		**662**	413
Profit for the period		**50,750**	1,152
Basic and diluted profit per share attributable to the owners of the Company (€ cent)	*12*	**11.2**	0.2

		Six months ended 30 June	
		2022	2021
	Notes	**€000**	€000
Profit for the period		**50,750**	1,152
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods		**(20,412)**	1,059
Fair value reserve (debt instruments)		**(17,909)**	2,258
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)		**(17,421)**	2,258
Transfer to the consolidated income statement on disposal		**(488)**	-
Foreign currency translation reserve		**(2,503)**	(1,199)
Profit/(loss) on translation of net investments in foreign branches and subsidiaries		**1,576**	(5,003)
(Loss)/profit on hedging of net investments in foreign branches and subsidiaries	*14*	**(4,079)**	3,867
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries		**-**	(63)
OCI not to be reclassified in the consolidated income statement in subsequent periods		**(211)**	6,967
Fair value reserve (equity instruments)		**(2,051)**	576
Net (losses)/gains on investments in equity instruments designated at FVOCI		**(2,051)**	576
Property revaluation reserve		**-**	(40)
Deferred tax	*11*	**-**	(40)
Actuarial gains on defined benefit plans		**1,840**	6,431
Remeasurement gains on defined benefit plans		**1,840**	6,431
Other comprehensive (loss)/income for the period net of taxation		**(20,623)**	8,026
Total comprehensive income for the period		**30,127**	9,178
Attributable to:			
Owners of the Company		**29,465**	8,780
Non-controlling interests		**662**	398
Total comprehensive income for the period		**30,127**	9,178

	Notes	**30 June 2022**	31 December 2021 (restated)
Assets		**€000**	€000
Cash and balances with central banks	27	**9,904,549**	9,230,883
Loans and advances to banks	27	**312,308**	291,632
Derivative financial assets	14	**38,150**	6,653
Investments at FVPL	13	**181,318**	199,194
Investments at FVOCI	13	**529,872**	748,695
Investments at amortised cost	13	**1,391,487**	1,191,274
Loans and advances to customers	16	**10,144,099**	9,836,405
Life insurance business assets attributable to policyholders		**533,696**	551,797
Prepayments, accrued income and other assets	18	**621,955**	616,219
Stock of property	17	**1,054,034**	1,111,604
Deferred tax assets	11	**265,430**	265,481
Investment properties		**102,040**	117,745
Property and equipment		**245,693**	252,130
Intangible assets		**171,403**	184,034
Non-current assets and disposal groups held for sale	19	**347,698**	358,951
Total assets		**25,843,732**	24,962,697
Liabilities			
Deposits by banks		**492,022**	457,039
Funding from central banks	20	**2,954,808**	2,969,600
Derivative financial liabilities	14	**9,485**	32,452
Customer deposits	21	**18,450,216**	17,530,883
Insurance liabilities		**689,798**	736,201
Accruals, deferred income, other liabilities and other provisions	23	**394,117**	361,977
Pending litigation, claims, regulatory and other matters		**104,793**	104,108
Debt securities in issue	22	**298,899**	302,555
Subordinated liabilities	22	**311,738**	340,220
Deferred tax liabilities	11	**45,235**	46,435
Total liabilities		**23,751,111**	22,881,470
Equity			
Share capital	24	**44,620**	44,620
Share premium	24	**594,358**	594,358
Revaluation and other reserves		**182,329**	213,192
Retained earnings		**1,028,218**	986,623
Equity attributable to the owners of the Company		**1,849,525**	1,838,793
Other equity instruments	24	**220,000**	220,000
Non-controlling interests		**23,096**	22,434
Total equity		**2,092,621**	2,081,227
Total liabilities and equity		**25,843,732**	24,962,697

Mr. E.G. Arapoglou	Chairman	**Mr. P. Nicolaou**	Chief Executive Officer
Mr. N. Sofianos	Director	**Mrs. E. Livadiotou**	Executive Director Finance & Legacy

	Attributable to the owners of the Company											
	Share capital (Note 24)	Share premium (Note 24)	Treasury shares (Note 24)	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 24)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2022	44,620	594,358	(21,463)	986,623	80,060	23,285	113,651	17,659	**1,838,793**	220,000	22,434	**2,081,227**
Profit for the period	-	-	-	50,088	-	-	-	-	**50,088**	-	662	**50,750**
Other comprehensive income/(loss) after tax for the period	-	-	-	1,840	-	(19,960)	-	(2,503)	**(20,623)**	-	-	**(20,623)**
Total comprehensive income/(loss) after tax for the period	-	-	-	51,928	-	(19,960)	-	(2,503)	**29,465**	-	662	**30,127**
Decrease in value of in-force life insurance business	-	-	-	9,600	-	-	(9,600)	-	**-**	-	-	**-**
Tax on decrease in value of in-force life insurance business	-	-	-	(1,200)	-	-	1,200	-	**-**	-	-	**-**
Defence contribution	-	-	-	(4,983)	-	-	-	-	**(4,983)**	-	-	**(4,983)**
Payment of coupon to AT1 holders (Note 24)	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
30 June 2022	**44,620**	**594,358**	**(21,463)**	**1,028,218**	**80,060**	**3,325**	**105,251**	**15,156**	**1,849,525**	**220,000**	**23,096**	**2,092,621**

	Attributable to the owners of the Company											
	Share capital (Note 24)	Share premium (Note 24)	Treasury shares (Note 24)	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 24)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2021	44,620	594,358	(21,463)	982,513	79,515	22,894	110,401	17,806	**1,830,644**	220,000	24,410	**2,075,054**
Profit for the period	-	-	-	739	-	-	-	-	**739**	-	413	**1,152**
Other comprehensive income/(loss) after tax for the period	-	-	-	6,431	(30)	2,834	-	(1,194)	**8,041**	-	(15)	**8,026**
Total comprehensive income/(loss) after tax for the period	-	-	-	7,170	(30)	2,834	-	(1,194)	**8,780**	-	398	**9,178**
Increase in value of in-force life insurance business	-	-	-	(3,886)	-	-	3,886	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	486	-	-	(486)	-	**-**	-	-	**-**
Payment of coupon to AT1 holders (Note 24)	-	-	-	(13,750)	-	-	-	-	**(13,750)**	-	-	**(13,750)**
30 June 2021	**44,620**	**594,358**	**(21,463)**	**972,533**	**79,485**	**25,728**	**113,801**	**16,612**	**1,825,674**	**220,000**	**24,808**	**2,070,482**

		Six months ended 30 June	
		2022	2021 (restated)
	Note	**€000**	€000
Profit before tax		**62,329**	2,120
Adjustments for:			
Share of profit from associates		**-**	(137)
Depreciation of property and equipment and amortisation of intangible assets		**16,908**	17,591
Impairment of stock of property and other non-financial assets		**12,157**	7,398
Change in value of in-force life insurance business		**9,600**	(3,886)
Credit losses of financial assets	*10*	**24,965**	52,163
Net gains on derecognition of financial assets measured at amortised cost		**(1,648)**	(1,053)
Amortisation of discounts/premiums and interest on debt securities		**(8,767)**	(10,273)
Dividend income		**(368)**	(462)
Net loss on disposal of investment in debt securities		**2,826**	-
Loss from revaluation of debt securities designated as fair value hedges		**38,007**	7,886
Interest on subordinated liabilities and debt securities in issue		**14,258**	11,699
Negative interest on loans and advances to banks and balances with central banks		**20,104**	13,141
Negative interest on funding from central banks		**(14,792)**	(9,469)
(Profit)/loss on disposal/dissolution of subsidiaries and associates		**(179)**	880
Loss from buyback of subordinated loan stock	*8*	**-**	12,433
Net gains on disposal of stock of property and investment properties		**(8,358)**	(7,615)
(Profit)/loss on sale and write offs of property and equipment and intangible assets		**(51)**	62
Interest expense on lease liability		**-**	44
Net losses from revaluation of investment properties and investment properties held for sale		**1,488**	1,624
		168,479	94,146
Change in:			
Loans and advances to banks		**36,345**	(34,402)
Deposits by banks		**34,983**	8,732
Obligatory balances with central banks		**(7,883)**	(1,278)
Customer deposits		**919,333**	268,039
Life insurance assets and liabilities		**(28,302)**	(7,137)
Loans and advances to customers		**(356,885)**	(117,251)
Prepayments, accrued income and other assets		**(16,810)**	(14,913)
Pending litigation, claims, regulatory and other matters		**685**	4,986
Accruals, deferred income, other liabilities and other provisions		**34,092**	32,290
Derivative financial instruments		**(54,464)**	12,459
Investments measured at FVPL		**17,876**	4,432
Stock of property		**86,519**	81,047
		833,968	331,150
Tax paid		**(441)**	(813)
Net cash from operating activities		**833,527**	330,337
Cash flows from investing activities			
Purchases of debt, treasury bills and equity securities		**(329,751)**	(603,791)
Proceeds on disposal/redemption of investments in debt and equity securities		**295,856**	304,990
Interest received from debt securities		**17,230**	11,660
Dividend income from equity securities		**368**	462
Proceeds on disposal of held for sale portfolios	*19*	**-**	144,300
Deposits on held for sale portfolios		**900**	-
Proceeds on disposal of subsidiaries and associates		**-**	9,084
Purchases of property and equipment		**(817)**	(942)
Purchases of intangible assets		**(6,046)**	(4,840)
Proceeds on disposals of property and equipment and intangible assets		**109**	1,138
Proceeds on disposals of investment properties		**23,384**	2,577
Net cash from/(used in) investing activities		**1,233**	(135,362)

		Six months ended 30 June	
		2022	2021 (restated)
	Note	**€000**	€000
Cash flow from financing activities			
Payment of AT1 coupon	*24*	**(13,750)**	(13,750)
Payment of defence contribution		**(4,983)**	-
Net proceeds of funding from central banks		**-**	2,000,000
Proceeds from issue of subordinated liabilities (net of costs)		**-**	297,551
Repayments of subordinated liabilities		**(35,605)**	(223,627)
Proceeds from the issue of debt securities (net of costs)		**-**	298,505
Interest on subordinated liabilities		**(3,293)**	(23,125)
Interest on debt securities in issue		**(7,500)**	-
Negative interest on loans and advances to banks and balances with central banks		**(20,104)**	(13,141)
Principle elements of lease payments		**(3,507)**	(3,901)
Net cash (used in)/from financing activities		**(88,742)**	2,318,512
Net increase in cash and cash equivalents		**746,018**	2,513,487
Cash and cash equivalents 1 January		**9,255,210**	5,890,135
Foreign exchange adjustments		**(23,236)**	(10,100)
30 June	*27*	**9,977,992**	8,393,522

Non-cash transactions

Repossession of collaterals

During the six months ended 30 June 2022, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €23,058 thousand (six months ended 30 June 2021: €24,692 thousand).

Disposal of Project Helix 2

During the six months ended 30 June 2021 and upon the completion of the disposal of Project Helix 2, the Group recognised an amount of €381,567 thousand in other financial assets, which represents the fair value of the deferred consideration receivable for the transaction (the 'DPP'). Please refer to Note 18 for further details.

1. Corporate information

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

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

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

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

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

Consolidated Condensed Interim Financial Statements
The Consolidated Condensed Interim Financial Statements of the Company for the six months ended 30 June 2022 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 30 August 2022.

The Consolidated Financial Statements are available on the Group's website www.bankofcyprus.com (Group/Investor Relations/Financial Results).

2. Unaudited financial statements

The Consolidated Financial Statements have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

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

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 28.

Comparative information
Comparative information was restated following certain changes in the presentation of the primary statements for the six months ended 30 June 2022 as described further below.

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

3.1 **Basis of preparation** (continued)

Reclassifications within the Consolidated Income Statement

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

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

	30 June 2021 (as previously presented)	Reclassifications	30 June 2021 (restated)
	€000	€000	€000
Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	(14,076)	14,076	n/a
Net losses on financial instruments	n/a	(13,196)	(13,196)
Share of profit from associate	137	(137)	n/a
Other income	6,597	(743)	5,854
	(7,342)	-	(7,342)
Insurance income net of claims and commissions	31,068	(31,068)	n/a
Income from assets under insurance and reinsurance contracts	n/a	103,824	103,824
Expenses from liabilities under insurance and reinsurance contracts	n/a	(72,756)	(72,756)
	31,068	-	31,068
Credit losses to cover credit risk on loans and advances to customers	(48,349)	48,349	n/a
Credit losses of other financial instruments	(3,814)	3,814	n/a
Credit losses on financial assets	n/a	(52,163)	(52,163)
	(52,163)	-	(52,163)
Turnover	391,367	(743)	390,624

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

Reclassifications within the Consolidated Balance Sheet

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

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

The Consolidated Statement of Cash Flows for the six months ended 30 June 2021 as well as respective notes were restated to reflect the changes in the presentation of the Consolidated Income Statement and Consolidated Balance Sheet described above.

3.2 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the International Accounting Standard (IAS) applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34), the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The Consolidated Financial Statements do not comprise statutory financial statements for the purposes of the Companies Act 2014 of Ireland. The Company's statutory financial statements for the purposes of Chapter 4 of Part 6 of the Companies Act 2014 of Ireland for the year ended 31 December 2021, upon which the auditors have expressed an unqualified opinion, were published on 29 March 2022 and are expected to be delivered to the Registrar of Companies of Ireland within 56 days from 30 September 2022.

The Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the Annual Consolidated Financial Statements of Bank of Cyprus Holdings Group for the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and ESEF requirements, which are available at the Group's website (www.bankofcyprus.com).

3.3 Changes in accounting policies, presentation and disclosures

The accounting policies adopted are consistent with those followed for the preparation of the annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new and amended standards and interpretations as explained in Note 3.3.1.

3.3.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 and which are explained below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Summary of significant accounting policies (continued)

3.3 Changes in accounting policies, presentation and disclosures (continued)

3.3.1 New and amended standards and interpretations (continued)

New and amended standards and Interpretations effective from 1 January 2022

IFRS 16: Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (amendment)
The amendment increases the scope of COVID-19-related rent concessions (amendment to IFRS 16 issued in May 2020), which provides lessees with an exemption from assessing whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The amendment increased the eligibility period for the application of the exemption by 12 months from 30 June 2021 to 30 June 2022.

IFRS 3: Business Combinations (amendments)
The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing the accounting requirements for business combinations.

IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (amendments)
The amendments to the standard prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (amendments)
The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018–2020 Cycle
Annual Improvements to IFRS Standards 2018–2020 Cycle makes amendments to the following standards:
- IFRS 1 First time Adoption of International Financial Reporting Standards: the amendment permits a subsidiary that applies IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 Financial Instruments: the amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 Leases: the amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture: the amendment removes the requirement of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique, which ensures consistency with the requirements in IFRS 13.

These amendments and the annual improvements to IFRS Standards Cycle did not have a significant impact on the Group during the six months ended 30 June 2022.

3.3.2 Standards and Interpretations that are issued but not yet effective

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

3. Summary of significant accounting policies (continued)

3.3 Changes in accounting policies, presentation and disclosures (continued)

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

- Under IFRS 17, there will be no present value of in-force insurance contracts ('PVIF') asset recognised. Instead, the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under IFRS 17.
- IFRS 17 requires the increased use of current market values in the measurement of insurance assets and liabilities hence insurance liabilities and related assets will be adjusted to reflect IFRS 17 measurement requirements.
- In accordance with IFRS 17, directly attributable costs will be incorporated in the CSM and, as recognised, will be presented as a deduction to reported revenue. This will result in a reduction in operating expenses.

The Group continues to make progress on the implementation of IFRS 17 and preliminary management estimate on the initial impact is as previously communicated and included below. However, industry practice and interpretation of the standard are still developing, hence uncertainty remains as to the final transition impact. Additionally, the impact on the forecast future returns of the Group's insurance business is dependent on the growth, duration and composition of its insurance contract portfolio. These estimates are therefore subject to change in the period up to adoption of the standard.

The accounting changes for the purposes of planning the Group's financial resources, are initially estimated to result in:

a) the removal of value in force from the insurance business (including associated deferred tax liability) of approximately €105 million as per the Group's consolidated balance sheet as at 30 June 2022, which will reduce Group accounting equity by a respective amount (with no impact on the Group regulatory capital or tangible equity), and
b) the remeasurement of insurance assets and liabilities and the creation of a contractual service margin (CSM) liability which will increase both the insurance business' and the Group's equity by an amount of approximately €50 million, predominantly relating to the life business of the Group.

The adoption of IFRS 17 may result in a modest annual negative impact on the contribution to profits of the Group's insurance business in the near term which has been incorporated in the Group business plan.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2023 (including IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes). These amendments are not expected to have a significant impact on the Group.

4. Going concern

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

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

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources, taking also into consideration, the Group's Financial Plan approved by the Board in February 2022 (the 'Plan') and Reforecast exercises run 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.

4. Going concern (continued)

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

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 30 June 2022 that can be easily and readily monetised in a period of stress.

5. Economic and geopolitical environment

The Group assessed the financial impacts of the economic environment through the Group's planning process and believes that it is reasonably well positioned to withstand volatility from a resurgence of the virus, the war in Ukraine and the sanctions on Russia or other exogenous adverse shocks, particularly given the Group's continued management of its financial position and capital management.

The current geopolitical upheaval caused by the Russian invasion in Ukraine has resulted in the deterioration of the macroeconomic outlook for the European and Cyprus economy, which are now confronted with an increase in inflation. The continuation of, or any further escalation in, the Russia-Ukraine war could have additional economic, social and political consequences. These include further sanctions and trade restrictions, longer-term changes in the macroeconomic environment with the risk of higher and sustained inflation, and a continued increase in energy prices. The effects of these developments, such as the cost and sufficiency of energy supplies in Europe and the economic impact of various scenarios, are hard to predict and could be significant. The implications of Russia's ongoing war in Ukraine, including higher energy and commodity prices, as well as the continuing effects of the pandemic have increased uncertainty about the global and European economic outlook. In an attempt to tame inflation the ECB has started raising rates and as a result, financial conditions will be tightening further.

The above trends are driving high levels of uncertainty and volatility in the markets. Management closely monitors the developments and assesses the impact these could have on the Group's financial results and performance.

Group's Direct exposure to Russia

Russia's invasion of Ukraine has triggered disruptions and uncertainties in the markets and the global economy, as well as the coordinated implementation of sanctions by the EU, the UK and the U.S., joined by several other countries, imposed against Russia, Belarus and certain regions of Ukraine and certain Russian entities and nationals. The Group's policy is to comply with all applicable laws, including sanctions and export controls.

Overall, the Group's direct exposure to Russia, Ukraine and Belarus remains limited and has been further reduced since December 2021. The Group's direct gross lending risk exposure to Russia, Ukraine and Belarus (including loans and advances to customers classified as held for sale) was approximately €112 million (31 December 2021: €119 million) with a net book value of €108 million (31 December 2021: €110 million) across its business divisions as at 30 June 2022. Out of the gross exposures outlined above €95 million (31 December 2021: €95 million) were classified as performing (the basis of the exposure is expanded compared to the country risk exposure as included in Note 29.2 of the Consolidated Financial Statements which is disclosed by reference to the country of residency/country of registration, to also include exposures for loans and advances to customers with passport of origin in these countries and/or business activities within these countries and/or where the UBO has passport of origin or residency in these countries). Customer deposits related to Russian/Ukrainian customers are disclosed in Note 21 of the Consolidated Financial Statements.

5. Economic and geopolitical environment (continued)

Further, the Group had Ruble denominated loans and advances to banks of approximately €5 million as at 30 June 2022 (31 December 2021: €1 million). The Group's investments at amortised cost included EURO denominated debt securities of a carrying amount of €12 million (31 December 2021: €21.7 million) relating to debt securities of a European Union country issuer with significant exposure in Russia and Ukraine. With respect to derivatives, it is noted that the Group reduced its exposure in RUB denominated derivatives to nil since March 2022. There were no other investments relating to issuers with significant exposure to Russia and/or Ukraine. The Group's balance sheet as at 30 June 2022 also included net assets of less than €1 million (31 December 2021: €10 million) held in the Group's Russian subsidiary; forming part of the Group's overseas legacy operations which are being run down.

6. Significant and other judgements, estimates and assumptions

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

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

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions for pending litigation, claims, regulatory and other matters, which are presented in Notes 6.1 to 6.4 below. Other judgements, estimates and assumptions are disclosed in Notes 5.5 to 5.13 of the annual consolidated financial statements for the year ended 31 December 2021.

6.1 Classification of financial assets

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

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

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

6.2 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:

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

6.2 Calculation of expected credit losses (continued)

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

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

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

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

Economic activity surprised to the upside in the first quarter of 2022, driven by higher tourist arrivals and the continuing expansion of other services exports. Arrivals of tourists increased considerably in the first half of the year and reached around 75% of pre-pandemic levels. The outlook for the second half of the year remains positive despite the loss of Russian tourists that accounted for about 22% of total arrivals in 2016-19. The economic fallout of the war in Ukraine and Western sanctions on Russia will impact negatively on the economy in the second half. The Cypriot economy is expected to expand by 3.2% in 2022 according to the European Commission's summer forecasts. This follows a strong recovery in 2021 when real GDP increased by 5.6%. Over the medium term, prospects are aided by the Recovery and Resilience Fund of Next Generation EU. Its purpose is ultimately about the future, to help fund the key investments that will be needed for the green and digital transitions, and so enhance the potential and economic resilience of member states. Structural reform is an integral part of this process, and ultimately a critical factor that will determine the effectiveness of the investments. The bulk of the funds will be released in 2022-2024 depending on the strict implementation of reform priorities agreed with the EU. These include increasing the efficiency of public and local administrations, improving the government of state-owned enterprises, reducing further the levels of non-performing loans in the banking sector, improving the efficiency of the judicial system and accelerating anti-corruption reforms.

However, prospects are clouded by the war in Ukraine and sanctions on Russia. The continuing supply disruptions and the energy crisis that result from it, sustain higher inflation for longer than initially anticipated forcing central banks to reverse their policies and raise interest rates. Aggressive monetary policies in turn, raise interest rates and risk a debt crisis in countries with a high debt and political instability.

There have been distinct improvements in Cyprus' risk profile, but substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. Cyprus' overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, including external developments with substantial potential impact on the domestic economy. The large stock of public debt weighs heavily on Cyprus' sovereign credit risk. In the banking sector, despite significant progress since the financial crisis of 2012-2014, risks remain elevated and non-performing loans were 11.4% of gross loans at the end of March 2022 compared to a Euro area average of just over 2%. Cyprus has a large and relatively undiversified export base. While the current account deficit will be narrowing as exports services recover in the medium-term, it will remain sizable. Rising inflation and higher interest rates will be causing a significant slowing of economic activity in the quarters ahead. The extent of the crisis in Ukraine can lead in elevated tensions for a considerable period of time.

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

6.2 Calculation of expected credit losses (continued)

For the ECL, the Group updated its forward looking scenarios, factoring in updated macroeconomic assumptions and other monetary and fiscal developments at the national and the EU level based on developments and events as at the reporting date, i.e. 30 June 2022.

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Group as at 30 June 2022 and 31 December 2021 respectively. The Group uses three different economic scenarios in the calculation of default probabilities and provisions. The Group has used the 30-50-20 probability structure for the adverse, base and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.19.5 of the annual consolidated financial statements for the year ended 31 December 2021. This reflects the management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Given added uncertainties and elevated risks during 2022-2023, especially in view of inflation uncertainties and added geopolitical risks, management decided to maintain an elevated weight on the adverse scenario.

The economy continues to face financial and macroeconomic risks, including a high public debt ratio and a relatively high level of NPEs that together maintain elevated vulnerabilities and limit the policy reaction space thus sustaining conditions, which can lead to a deeper recession in response to shocks than under normal times. Adverse developments and exogenous shocks, that result in significantly slower growth can lead to a rapid increase in the creation of non-performing loans and weaken bank balance sheets.

These factors and the overall risk profile discussed earlier in this section, including economic structure risk given a very large external sector and high concentration to geographical areas render the economy more susceptible to external shocks and weaken its resilience. This may, in management's view, not be fully captured in the weights as calculated using the method described in Note 2.19.5 of the annual consolidated financial statements for the year ended 31 December 2021. Hence management has decided to keep the weight of the adverse scenario to 30%, and correspondingly keep a reduced weight of the favourable scenario to 20%.

30 June 2022

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2022	Adverse	30.0	0.6	6.4	7.3	0.4
	Baseline	50.0	2.7	6.2	7.8	2.6
	Favourable	20.0	3.2	6.0	8.2	2.8
2023	Adverse	30.0	-1.8	7.1	1.6	-0.6
	Baseline	50.0	3.0	6.3	3.3	2.8
	Favourable	20.0	3.3	5.7	3.6	3.0
2024	Adverse	30.0	0.8	7.3	0.7	0.0
	Baseline	50.0	3.2	6.1	2.1	2.8
	Favourable	20.0	3.3	5.5	2.2	3.0
2025	Adverse	30.0	1.9	7.0	1.4	1.2
	Baseline	50.0	2.8	5.7	2.2	2.9
	Favourable	20.0	2.9	5.2	2.2	3.0
2026	Adverse	30.0	3.4	5.8	2.2	3.2
	Baseline	50.0	2.7	5.4	2.0	2.9
	Favourable	20.0	2.5	4.8	2.1	2.7

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

6.2 Calculation of expected credit losses (continued)

31 December 2021

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

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

The baseline scenario was updated for 30 June 2022 reporting, considering available information and relevant developments until that date. In the baseline, real GDP is forecast to expand by 2.7% in 2022 and inflation will rise by 7.8% compared with 2.3% in 2021. The unemployment rate will continue to drop steadily in the medium term. Property prices will continue to rise modestly in 2022 as domestic demand for housing picks up.

The adverse scenario is consistent with assumptions for continued supply disruptions and the war in Ukraine also continuing. The impact of higher inflation and tighter monetary policy on the economy will be more severe than under the baseline scenario. The Cypriot economy relies on tourism and other services exports. This makes the economy more exposed than other countries to travel restrictions and the external environment. Developments with Russia over the Ukrainian crisis and subsequent sanctions, lead to negative implications for tourism travel, investment flows and energy prices. The hit to the Cyprus economy from falling external demand for travel and tourism services and the knock-on effects to related sectors will be significantly more severe than under the baseline scenario. Real GDP is expected to slow sharply in the second half of the year, under the adverse scenario and average a 0.6% annual growth. The economy falls into recession in the second half which deepens in 2023 with real GDP contracting by 1.8%. Economic recovery will remain weak in the medium term. In the labour market the unemployment rate will remain stuck near the 2021 levels at 6.4% in 2022 and to rise modestly to 7.1% in 2023 under the adverse scenario.

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

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

6.2 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 and endorsed by the Group Provisions Committee. Qualitative adjustments or overlays were applied to the positive future property value growth to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

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

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

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

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

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

At 30 June 2022, the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers is approximately 32% under the baseline scenario (31 December 2021: approximately 32%) excluding those classified as held for sale.

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2021: average of seven years), excluding those classified as held for sale.

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment including cases where no specific model has been developed.

The above assumptions are also influenced by the ongoing regulatory dialogue the Group maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

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

6.2 Calculation of expected credit losses (continued)

Any changes in these assumptions or a variance between assumptions made and actual results could result in significant changes in the amount of required credit losses of loans and advances to customers.

Expected lifetime of revolving facilities
The expected lifetime of revolving facilities is based on a behavioural maturity model for revolving facilities based on BOC PCL's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned.

The credit conversion factor model for revolving products was calibrated in the fourth quarter of 2021, to include additional data points covering the period up to moratorium and in order to be aligned with the behavioural maturity model for revolving facilities with impact on the ECL for the year ended 31 December 2021 being a release of €1,790 thousand. The behavioural model was updated in the second quarter of 2022 to reflect customers profile whilst maintaining the same model components. The impact on the ECL for the six months ended 30 June 2022 was a charge of ECL of €66 thousand.

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

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

During the third quarter of 2021, cure model recalibration was performed mainly to address the low default/cure environment observed in the recent period prior to moratorium and investigate the considered model development period such that is retains the through the cycle nature of the model. The calibration was performed on the most recent changes in definition of default introduced in January 2021 and had an ECL impact of €28 million for the year ended 31 December 2021. In the second quarter of 2022, following the agreement for the disposal of Helix 3 portfolio, cure model was updated, assigning maximum cure period for an exposure of 3 years instead of 5 years from their default date. This had an ECL impact of €1.8 million for the six months ended 30 June 2022.

Overlays in the context of COVID-19 and current economic conditions
COVID-19 related management overlays applied in 2020 and up to the first six months of 2021 were removed in the third quarter of 2021, except for the overlay for exposures in the hotel and catering (which applied stricter customer's credit ratings thresholds for customers in this industry sector) that was removed in the second quarter of 2022 following the introduction of the new overlays described below. The impact on the ECL, from the removal of the overlay, was a release of €152 thousand and a transfer of €52 million loans from Stage 2 to Stage 1 as at 30 June 2022.

During 2022, the Group has enhanced provisioning for exposures that could be impacted from the consequences of the Ukrainian crisis, by establishing two new overlays in the collectively assessed population, to address the increased uncertainties from the geopolitical instability, trade restrictions, disruptions in the global supply chains, increases in the energy prices and their potential negative impact in the domestic cost of living. The impact on the ECL from the application of these overlays was approximately €8.4 million charge for the six months ended 30 June 2022 and a transfer of €115 million loans from Stage 1 to Stage 2 as at 30 June 2022.

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

6.2 Calculation of expected credit losses (continued)

Specifically, the first overlay is related 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. The second overlay related to sectors that have been classified as high risk (Transportation) or Early Warning (Trade, Hotels and catering, Construction, Real Estate and Other sectors such as Electricity and Mining) to reflect the expected Gross Value Added (GVA) outlook of these sectors, where this has deteriorated. Specifically, the sector risk classification is carried out by comparing the projected GVA outlook of each sector with its past performance (intrinsic) and its performance vis-a-vis other sectors (systemic). In cases where both systemic and intrinsic indicators are found to have deteriorated, the relevant sector is classified as 'High Risk', whereas if only one of the two has deteriorated, then the sector is classified as 'Early Warning'.

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 30 June 2022. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, impacted by the implications of the Russian invasion of Ukraine, as well as the degree of recurrence of the COVID-19 pandemic due to virus mutations, are timely captured.

Portfolio segmentation
The individual assessment is performed not only for individually significant exposures 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. The selection criteria were further enhanced during the six months ended 30 June 2022 to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries.

Further details on impairment allowances and related credit information are set out in Note 29.

6.3 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 17.

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

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 2.36 of the annual consolidated financial statements for the year ended 31 December 2021. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigation, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Group will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Group determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the possible loss for such matters can be estimated. Actual results may prove to be significantly higher or lower than the estimated possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 25.

7. Segmental analysis

The Group's activities are mainly concentrated in Cyprus. Cyprus operations are organised into operating segments based on the line of business. As from 2021, the results of the overseas activities of the Group, namely Greece, Romania and Russia are presented within segment 'Other', given the size of these operations which are in a run-down mode in the last years. Further, the results of certain small subsidiaries of the Group are allocated to the segments based on their key activities.

The operating segments are analysed below:

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

BOC PCL broadly categorises its loans per customer group, using the following customer sectors:

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

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

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

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

7. Segmental analysis (continued)

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

Comparative information in analysis by business line analysis of total revenue and turnover was restated to account for the changes in the presentation of the primary statements for the six months ended 30 June 2022 as described in Note 3.1.

7. **Segmental analysis** (continued)

Analysis by business line

	Corporate	Large and international corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
Six months ended 30 June 2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	28,208	30,993	14,495	43,703	16,294	10,234	578	(12,354)	(27)	13,573	(2)	**145,695**
Net fee and commission income/(expense)	7,744	4,184	5,587	29,562	4,252	27,928	2,569	(90)	(3,889)	1,003	14,789	**93,639**
Net foreign exchange gains/(losses)	269	215	279	1,137	52	2,947	86	-	-	5,809	1,104	**11,898**
Net gains/(losses) on financial instrument transactions	-	171	-	-	(2,230)	-	(102)	-	(1,614)	1,899	(184)	**(2,060)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	1,520	(376)	(20)	116	1,523	13	(269)	-	-	(867)	8	**1,648**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	32,869	-	-	**32,869**
Net losses from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(415)	(307)	-	(650)	**(1,372)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	7,894	-	-	348	**8,242**
Other income	4	4	10	43	186	(3)	155	4,867	37	1	3,623	**8,927**
Total operating income	37,745	35,191	20,351	74,561	20,077	41,119	3,017	(98)	27,069	21,418	19,036	**299,486**
Staff costs	(2,622)	(1,452)	(2,902)	(30,007)	(5,677)	(6,240)	(1,825)	(2,055)	(6,169)	(1,108)	(39,948)	**(100,005)**
Staff costs–voluntary exit plan and other termination benefits	-	-	-	-	-	-	-	-	-	-	(3,130)	**(3,130)**
Special levy on deposits and other levies/contributions	(1,015)	(625)	(806)	(10,448)	(45)	(3,272)	(295)	-	-	(1)	-	**(16,507)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(9,936)	(10,096)	(7,652)	(39,183)	(11,197)	(5,055)	(1,170)	(8,215)	(5,563)	(5,142)	29,491	**(73,718)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(1,053)	-	-	(351)	-	-	(5,271)	**(6,675)**
Operating profit before credit losses and impairment	24,172	23,018	8,991	(5,077)	2,105	26,552	(273)	(10,719)	15,337	15,167	178	**99,451**
Credit losses on financial assets	(2,356)	(3,631)	569	293	(16,577)	285	(226)	(323)	(101)	(167)	(2,731)	**(24,965)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(7,203)	-	-	(4,954)	**(12,157)**
Profit/(loss) before tax	21,816	19,387	9,560	(4,784)	(14,472)	26,837	(499)	(18,245)	15,236	15,000	(7,507)	**62,329**
Income tax	(2,727)	(2,423)	(1,195)	598	1,809	(3,355)	3	2,429	(1,309)	(1,875)	(3,534)	**(11,579)**
Profit/(loss) after tax	19,089	16,964	8,365	(4,186)	(12,663)	23,482	(496)	(15,816)	13,927	13,125	(11,041)	**50,750**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	(662)	**(662)**
Profit/(loss) after tax attributable to the owners of the Company	**19,089**	**16,964**	**8,365**	**(4,186)**	**(12,663)**	**23,482**	**(496)**	**(15,816)**	**13,927**	**13,125**	**(11,703)**	**50,088**

7. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	Large and international corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
Six months ended 30 June 2021 (restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	27,082	27,739	15,061	38,734	30,070	4,127	220	(12,417)	(9)	8,179	13,427	**152,213**
Net fee and commission income/(expense)	6,926	5,385	4,445	20,764	7,690	26,846	2,773	(86)	(3,759)	953	11,920	**83,857**
Net foreign exchange gains/(losses)	238	101	233	812	30	2,699	1,341	-	-	1,160	(64)	**6,550**
Net (losses)/gains on financial instrument transactions	-	(116)	-	-	(3,035)	-	(322)	6	(303)	(10,270)	844	**(13,196)**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	34	1,187	658	219	(971)	(75)	1	-	-	-	-	**1,053**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	31,068	-	-	**31,068**
Net losses from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(709)	-	-	(672)	**(1,381)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	7,180	-	-	192	**7,372**
Other income	1	2	6	177	32	1	100	3,284	30	-	2,221	**5,854**
Total operating income	34,281	34,298	20,403	60,706	33,816	33,598	4,113	(2,742)	27,027	22	27,868	**273,390**
Staff costs	(2,604)	(1,473)	(2,992)	(30,147)	(8,015)	(6,222)	(1,993)	(1,838)	(5,396)	(739)	(39,447)	**(100,866)**
Special levy on deposits and other levies/contributions	(916)	(461)	(763)	(9,846)	(49)	(2,937)	(283)	-	-	-	-	**(15,255)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(8,686)	(8,380)	(7,963)	(33,637)	(12,960)	(4,518)	(1,652)	(8,706)	(4,204)	(4,232)	14,791	**(80,147)**
Other operating expenses - advisory and other restructuring costs	-	-	-	-	(14,559)	-	-	(607)	-	-	(275)	**(15,441)**
Operating profit before credit losses and impairment	22,075	23,984	8,685	(12,924)	(1,767)	19,921	185	(13,893)	17,427	(4,949)	2,937	**61,681**
Credit losses on financial assets	(1,666)	(4,089)	913	11,906	(55,320)	1,548	(65)	(91)	(184)	(57)	(5,058)	**(52,163)**
Impairment net of reversals of non-financial assets	-	-	-	-	-	-	-	(6,742)	-	-	(656)	**(7,398)**
Profit/(loss) before tax	20,409	19,895	9,598	(1,018)	(57,087)	21,469	120	(20,726)	17,243	(5,006)	(2,777)	**2,120**
Income tax	(2,551)	(2,487)	(1,200)	127	7,136	(2,684)	(113)	895	(2,106)	626	1,389	**(968)**
Profit/(loss) after tax	17,858	17,408	8,398	(891)	(49,951)	18,785	7	(19,831)	15,137	(4,380)	(1,388)	**1,152**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	(413)	**(413)**
Profit/(loss) after tax attributable to the owners of the Company	**17,858**	**17,408**	**8,398**	**(891)**	**(49,951)**	**18,785**	**7**	**(19,831)**	**15,137**	**(4,380)**	**(1,801)**	**739**

Net insurance income for the six months ended 30 June 2022 amounted to €32,869 thousand, comprising of income from assets under insurance and reinsurance contracts of €29,859 thousand and a credit for expenses from liabilities under insurance and reinsurance contracts of €3,010 thousand, compared to €31,068 thousand for the six months ended 30 June 2021 (comprising of income from assets under insurance and reinsurance contracts of €103,824 thousand and expenses from liabilities under insurance and reinsurance contracts of €72,756 thousand respectively). The increase in net insurance income of €1,801 thousand, is mainly due to increased new business and the positive changes in valuation assumptions, partially offset by higher insurance claims. The decrease in income from assets under insurance and reinsurance contracts is impacted by the valuation on the unit-linked investments, which in turn has a positive impact on the respective technical reserves, whose movement is reported under expenses from liabilities under insurance and reinsurance contracts.

7. Segmental analysis (continued)

Analysis of total revenue

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

	Corporate	Large and International corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
Six months ended 30 June 2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	42,440	40,306	21,749	77,546	21,454	37,163	3,275	12,102	31,704	(6,315)	18,062	**299,486**
Inter-segment (expense)/revenue	(4,695)	(5,115)	(1,398)	(2,985)	(1,377)	3,956	(258)	(12,200)	(4,635)	27,733	974	**-**
Total revenue	**37,745**	**35,191**	**20,351**	**74,561**	**20,077**	**41,119**	**3,017**	**(98)**	**27,069**	**21,418**	**19,036**	**299,486**
Six months ended 30 June 2021 (restated)												
Revenue from third parties	38,511	38,874	21,893	64,878	35,972	31,495	4,556	9,576	30,060	(18,244)	15,819	**273,390**
Inter-segment (expense)/revenue	(4,230)	(4,576)	(1,490)	(4,172)	(2,156)	2,103	(443)	(12,318)	(3,033)	18,266	12,049	**-**
Total revenue	**34,281**	**34,298**	**20,403**	**60,706**	**33,816**	**33,598**	**4,113**	**(2,742)**	**27,027**	**22**	**27,868**	**273,390**

Analysis of assets and liabilities

	Corporate	Large and international corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
30 June 2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	2,148,827	2,226,206	1,033,646	4,155,410	651,062	136,120	67,126	1,235,597	990,211	12,116,263	1,449,264	**26,209,732**
Inter-segment assets	-	-	-	-	-	-	(10,838)	(35,761)	(16,487)	-	(25,659)	**(88,745)**
	2,148,827	**2,226,206**	**1,033,646**	**4,155,410**	**651,062**	**136,120**	**56,288**	**1,199,836**	**973,724**	**12,116,263**	**1,423,605**	**26,120,987**
Assets between Cyprus and overseas operations												**(277,255)**
Total assets												**25,843,732**

7. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

	Corporate	Large and international corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
31 December 2021	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets												
Assets	2,012,908	2,139,025	1,036,958	4,011,930	703,926	134,596	73,512	1,282,342	1,023,678	11,412,964	1,583,202	**25,415,041**
Inter-segment assets	-	-	-	-	-	-	(12,036)	(16,240)	(20,367)	-	(15,227)	**(63,870)**
	2,012,908	**2,139,025**	**1,036,958**	**4,011,930**	**703,926**	**134,596**	**61,476**	**1,266,102**	**1,003,311**	**11,412,964**	**1,567,975**	**25,351,171**
Assets between Cyprus and overseas operations												**(388,474)**
Total assets												**24,962,697**

	Corporate	Large and international corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total**
30 June 2022	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Liabilities												
Liabilities	1,247,265	820,982	900,332	11,444,665	57,974	3,667,783	329,834	39,513	787,443	4,153,824	668,622	**24,118,237**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(88,745)	-	**(88,745)**
	1,247,265	**820,982**	**900,332**	**11,444,665**	**57,974**	**3,667,783**	**329,834**	**39,513**	**787,443**	**4,065,079**	**668,622**	**24,029,492**
Liabilities between Cyprus and overseas operations												**(278,381)**
Total liabilities												**23,751,111**

31 December 2021												
Liabilities												
Liabilities	1,117,148	631,002	866,860	11,051,397	45,994	3,500,183	335,587	13,359	826,816	4,161,124	785,469	**23,334,939**
Inter-segment liabilities	-	-	-	-	-	-	-	-	-	(63,870)	-	**(63,870)**
	1,117,148	**631,002**	**866,860**	**11,051,397**	**45,994**	**3,500,183**	**335,587**	**13,359**	**826,816**	**4,097,254**	**785,469**	**23,271,069**
Liabilities												**(389,599)**
Liabilities												**22,881,470**

Segmental analysis of customer deposits and loans and advances to customers is presented in Note 21 and Notes 29.2 and 29.4 respectively.

7. Segmental analysis (continued)

Analysis of turnover

	Six months ended 30 June	
	2022	2021 (restated)
	€000	€000
Interest income and income similar to interest income	**190,988**	196,898
Fees and commission income	**98,086**	87,610
Net foreign exchange gains	**11,898**	6,550
Gross insurance premiums	**105,591**	95,089
Losses of investment properties and stock of properties	**(494)**	(1,377)
Other income	**8,927**	5,854
	414,996	390,624

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

	Six months ended 30 June	
	2022	2021
	€000	€000
Net losses from revaluation and disposal of investment properties	**(1,372)**	(1,381)
Net gains on disposal of stock of property	**8,242**	7,372
Impairment of stock of property (Note 10)	**(7,364)**	(7,368)
	(494)	(1,377)

8. Net losses on financial instruments

	Six months ended 30 June	
	2022	2021 (restated)
	€000	€000
Trading portfolio:		
- derivative financial instruments	**37**	23
Other investments at FVPL:		
- debt securities	**(367)**	2,540
- mutual funds	**(1,716)**	(575)
- equity securities	**(166)**	(171)
Net loss on disposal of FVOCI debt securities	**(1,959)**	-
Net loss on early redemption of subordinated loan stock	**-**	(12,433)
Net losses on loans and advances to customers at FVPL	**(2,059)**	(3,151)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**49,687**	9,786
- hedged items	**(45,517)**	(9,215)
	(2,060)	(13,196)

In April 2021, BOC PCL invited the holders of its €250 million unsecured and subordinated Tier 2 Capital Note (issued in January 2017) to tender it for purchase by BOC PCL at a price of 105.5% plus accrued interest. BOC PCL received valid tenders for approximately €207 million in aggregate nominal amount, all of which were accepted. As a result, BOC PCL incurred a loss of €12,433 thousand for the six months ended 30 June 2021, while at the same time forfeiting the relevant obligation for future coupon payments. Further information is provided in Note 22.

9. Staff costs and other operating expenses

Staff costs

	Six months ended 30 June	
	2022	2021
	€000	€000
Salaries	**81,246**	81,397
Employer's contributions to state social insurance	**12,982**	12,905
Retirement benefit plan costs	**5,777**	6,564
	100,005	100,866
Restructuring costs - voluntary exit plans and other termination benefits	**3,130**	-
	103,135	100,866

The number of persons employed by the Group as at 30 June 2022 was 3,422 (31 December 2021: 3,438 and includes 49 persons that have accepted the voluntary exit plan (VEP) and left the Group in early 2022 and 30 June 2021: 3,558 and includes 98 persons relating to Helix 2 transaction that left the Group in the second half of 2021).

In January 2022, the Group's subsidiary company, JCC Payment Systems Ltd, proceeded with a VEP for its employees, through which 15 employees were approved to leave at a total cost of €3,130 thousand. In December 2021, the Group completed a VEP, through which 102 of the Group's full-time employees were approved to leave at a total cost of €16,146 thousand. In addition, in July 2022, the Group proceeded with another VEP (refer to Note 36 for further details).

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

During the six months ended 30 June 2022, an amount of €831 thousand (30 June 2021: nil) relating to staff costs has been capitalised as internally developed computer software.

Other operating expenses

	Six months ended 30 June	
	2022	2021
	€000	€000
Repairs and maintenance expenses	**17,960**	15,669
Other property-related costs	**5,865**	5,708
Consultancy and other professional services fees	**8,526**	7,132
Insurance	**4,218**	3,725
Advertising and marketing	**3,672**	2,751
Depreciation of property and equipment	**7,821**	8,266
Amortisation of intangible assets	**9,087**	9,325
Communication expenses	**3,431**	3,449
Provisions for pending litigations, claims, regulatory and other matters (Note 25.4)	**594**	10,660
Printing and stationery	**898**	814
Cash transfer expenses	**1,630**	1,139
Other operating expenses	**10,016**	11,509
	73,718	80,147
Advisory and other restructuring costs	**6,675**	15,441
	80,393	95,588

9. Staff costs and other operating expenses (continued)

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to the transformation programme and strategy of BOC PCL.

During the six months ended 30 June 2022, the Group recognised €84 thousand relating to rent expense for short term leases, included within 'Other property related costs (30 June 2021: €67 thousand) and €3,423 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (30 June 2021: €3,920 thousand).

	Six months ended 30 June	
	2022	2021
	€000	€000
Special levy on deposits of credit institutions in Cyprus and contribution to Single Resolution Fund	**13,246**	12,370
Contribution to Deposit Guarantee Fund	**3,261**	2,885
	16,507	15,255

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 payment 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.

10. Credit losses on financial instruments and impairment net of reversals of non-financial assets

	Six months ended 30 June	
	2022	2021
Credit losses on financial instruments	**€000**	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers (Note 29.5)	**28,055**	41,717
Recoveries of loans and advances to customers previously written off	**(6,509)**	(5,036)
Changes in expected cash flows	**2,840**	10,393
Financial guarantees and commitments	**(427)**	1,275
	23,959	48,349
Credit losses of other financial instruments		
Amortised cost debt securities	**21**	51
FVOCI debt securities	**163**	15
Loans and advances to banks	**(22)**	9
Other financial assets (Note 18)	**844**	3,739
	1,006	3,814
	24,965	52,163

Impairment net of reversals on non-financial assets		
Stock of property (Note 17)	**7,364**	7,368
Other non-financial assets	**4,793**	30
	12,157	7,398

11. Income tax

	Six months ended 30 June	
	2022	2021
	€000	€000
Current tax:		
- Cyprus	**12,653**	1,973
- Overseas	**34**	-
Cyprus special defence contribution	**79**	59
Deferred tax (credit)/charge	**(1,149)**	504
Prior years' tax adjustments	**(16)**	(1,890)
Other tax (credits)/charges	**(22)**	322
	11,579	968

The net deferred tax assets comprise:

	30 June 2022	31 December 2021
	€000	€000
Deferred tax assets	**265,430**	265,481
Deferred tax liabilities	**(45,235)**	(46,435)
Net deferred tax assets	**220,195**	219,046

The deferred tax assets (DTA) relate to Cyprus operations.

The movement of the net deferred tax assets is set out below:

	30 June 2022	31 December 2021
	€000	€000
1 January	**219,046**	295,378
Deferred tax recognised in the consolidated income statement	**1,149**	(641)
Deferred tax recognised in the consolidated statement of comprehensive income	**-**	127
Transfer to current tax receivables following conversion into tax credit	**-**	(75,818)
30 June/31 December	**220,195**	219,046

The Group offsets income tax assets and liabilities only if it has a legally enforceable right to set-off current income tax assets and current income tax liabilities.

BOC PCL has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 (the 'Law'), which allow for the conversion of specific tax losses into tax credits and subsequently any such unutilised tax credits into a receivable from the Cyprus Government, relating to income tax losses transferred to BOC PCL as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which BOC PCL paid a consideration as part of the respective acquisition. Under the Law, BOC PCL could convert up to an amount of €3.3 billion tax losses (which led to the creation of DTA amounting to €417 million) to tax credits, with the conversion being based on the tax rate applicable at the time of conversion. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e. by end of 2028.

As a result of the above Law, the Group has DTA amounting to €265,364 thousand as at 30 June 2022 (31 December 2021: €265,364 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis an amount is converted to annual tax credit and is reclassified from the DTA to current tax receivables.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13 of the annual consolidated financial statements for the year ended 31 December 2021.

11. Income tax (continued)

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 to be charged 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 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 €5,300 thousand was recorded during the year ended 31 December 2021, bringing the total amount provided by the Group for such increased fee to €21,200 thousand for years 2018-2021. In the third quarter of 2022, BOC PCL has been levied an amount within the provisions level maintained.

Accumulated income tax losses

The accumulated income tax losses are presented in the table below:

30 June 2022	**Total income tax losses**	**Income tax losses for which a deferred tax asset was recognised**	**Income tax losses for which no deferred tax asset was recognised**
	€000	**€000**	**€000**
Expiring within 5 years	**233,545**	**-**	**233,545**
Utilisation in annual instalments up to 2028	**2,122,909**	**2,122,909**	**-**
	2,356,454	**2,122,909**	**233,545**
31 December 2021			
Expiring within 5 years	251,448	-	251,448
Utilisation in annual instalments up to 2028	2,122,909	2,122,909	-
	2,374,357	2,122,909	251,448

In relation to the tax losses that were transferred to BOC PCL in 2013, the income tax authorities in Cyprus issued their tax assessments in March and April 2019. On the basis of these assessments the quantum of Laiki Bank tax losses was approximately €5 billion and lower than the initial amount of €7.4 billion estimated in 2013.

The tax losses in excess of the €3.3 billion transferred from Laiki Bank to BOC PCL in March 2013 cannot be utilised by BOC PCL, in line with the March 2019 Law amendments, except in cases where there are transfers arising due to reorganisations made prior to 1 October 2019.

12. Earnings per share

	Six months ended 30 June	
Basic and diluted profit per share attributable to the owners of the Company	**2022**	2021
Profit for the period attributable to the owners of the Company (€ thousand)	**50,088**	739
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**446,058**	446,058
Basic and diluted profit per share (€ cent)	**11.2**	0.2

13. Investments

The analysis of the Group's investments is presented in the table below:

	30 June 2022	31 December 2021
	€000	€000
Investments at FVPL	**181,318**	199,194
Investments at FVOCI	**529,872**	748,695
Investments at amortised cost	**1,391,487**	1,191,274
	2,102,677	2,139,163

Out of these, the amounts pledged as collateral are shown below:

	30 June 2022	31 December 2021
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**385,429**	488,806
Investments at amortised cost	**984,042**	771,352
	1,369,471	1,260,158

Investments pledged as collateral as at 30 June 2022 related to debt securities collaterised mainly for the additional amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) in March 2021 and June 2021 of a total nominal amount of €2 billion, as further described in Note 20. Encumbered assets are disclosed in Note 31.

The maximum exposure to credit risk for debt securities is disclosed in Note 29.1.

Investments in equity securities and mutual funds as at 30 June 2022, included above, amount to €22,451 thousand and €166,455 thousand respectively (31 December 2021: €24,668 thousand and €184,107 thousand respectively). Investments in debt securities and other non-equity securities included above amount to €1,913,771 thousand (31 December 2021: €1,930,388 thousand) and are analysed below by issuer type.

Debt securities and other non-equity securities by issuer type	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
30 June 2022	€000	€000	€000	**€000**
Cyprus government	-	324,436	369,764	**694,200**
Other governments	-	43,441	300,545	**343,986**
Banks	500	142,526	451,805	**594,831**
Other financial institutions	5,476	-	27,234	**32,710**
European Financial Stability Facility and European Investment Fund	-	-	225,224	**225,224**
Other non-financial corporations	-	5,905	16,915	**22,820**
	5,976	**516,308**	**1,391,487**	**1,913,771**

31 December 2021	€000	€000	€000	**€000**
Cyprus government	-	408,708	326,953	**735,661**
Other governments	-	87,295	223,813	**311,108**
Banks	500	230,513	397,775	**628,788**
Other financial institutions	5,534	-	33,507	**39,041**
European Financial Stability Facility and European Investment Fund	-	-	209,226	**209,226**
Other non-financial corporations	-	6,564	-	**6,564**
	6,034	**733,080**	**1,191,274**	**1,930,388**

The Group enters into fair value hedging relationship to manage the interest rate risk in relation to its FVOCI bonds (Note 14).

There were no reclassifications of investments during the six months ended 30 June 2022 and the year ended 31 December 2021.

13. Investments (continued)

During the six months ended 30 June 2022 and the year ended 31 December 2021 no material equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the period.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €10,055 thousand at 30 June 2022 (31 December 2021: €11,066 thousand). The fair value loss that would have been recognised in the consolidated income statement during the six months ended 30 June 2022 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €1,018 thousand (six months ended 30 June 2021: loss of €41 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2021: 1.6%-5.0%) per annum and the respective interest income during the six months ended 30 June 2022 amounts to €128 thousand (six months ended 30 June 2021: €150 thousand).

14. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	30 June 2022			31 December 2021		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**11,006**	**159**	**45**	11,344	81	55
Currency swaps	**1,047,475**	**11,597**	**2,044**	991,117	4,388	1,342
Interest rate swaps	**21,828**	**345**	**316**	21,690	86	61
Currency options	**532**	**438**	**94**	83	62	21
Interest rate caps/floors	**18,434**	**743**	**743**	518,950	223	218
	1,099,275	**13,282**	**3,242**	1,543,184	4,840	1,697
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**596,606**	**24,868**	**6,236**	700,835	1,813	30,025
Net investments - forward exchange rate contracts and currency swaps	**2,874**	**-**	**7**	107,193	-	730
	599,480	**24,868**	**6,243**	808,028	1,813	30,755
Total	**1,698,755**	**38,150**	**9,485**	2,351,212	6,653	32,452

Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The Group applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI.

14. Derivative financial instruments (continued)

Hedges of net investments

The Group's consolidated balance sheet is impacted by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and other foreign operation and by forward exchange rate contracts.

As at 30 June 2022, forward and swap exchange rate contracts amounting to €2,874 thousand (31 December 2021: €107,193 thousand) have been designated as hedging instruments and have given rise to a loss of €4,079 thousand (30 June 2021: gain of €3,867 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.

Interest rate benchmark reform

As at 30 June 2022 and 31 December 2021 the interest rate benchmarks to which BOC PCL's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) in relation to the cash flows of the hedging instruments. The Group has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing USD Libor tenors are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure BOC PCL manages through hedging relationships.

Interest Rate Swaps	**30 June 2022 €000**	31 December 2021 €000
Euribor (3-month)	**527,832**	529,831
Libor USD (3-month)	**68,774**	171,004
Total	**596,606**	700,835

As at 30 June 2022, the Group's assessment regarding the on-going transition to the new risk-free rates (RFRs) indicates that the impact on the hedging relationships and in value terms is not significant. Further details in relation to interest rate benchmark reform are disclosed in Note 30.

15. Fair value measurement

The following table presents the carrying value and fair value of the Group's financial assets and liabilities.

	30 June 2022		31 December 2021	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**9,904,549**	**9,904,549**	9,230,883	9,230,883
Loans and advances to banks	**312,308**	**304,227**	291,632	289,519
Investments mandatorily measured at FVPL	**181,318**	**181,318**	199,194	199,194
Investments at FVOCI	**529,872**	**529,872**	748,695	748,695
Investments at amortised cost	**1,391,487**	**1,335,249**	1,191,274	1,196,753
Derivative financial assets	**38,150**	**38,150**	6,653	6,653
Loans and advances to customers	**10,144,099**	**10,052,919**	9,836,405	9,642,212
Life insurance business assets attributable to policyholders	**522,376**	**522,376**	540,827	540,827
Financial assets classified as held for sale	**247,207**	**247,207**	250,370	250,370
Other financial assets	**417,162**	**417,162**	393,464	393,464
	23,688,528	**23,533,029**	22,689,397	22,498,570
Financial liabilities				
Funding from central banks and deposits by banks	**3,446,830**	**3,339,059**	3,426,639	3,328,987
Derivative financial liabilities	**9,485**	**9,485**	32,452	32,452
Customer deposits	**18,450,216**	**18,434,345**	17,530,883	17,532,995
Debt securities in issue	**298,899**	**236,598**	302,555	292,615
Subordinated liabilities	**311,738**	**253,643**	340,220	355,159
Other financial liabilities and lease liabilities	**299,979**	**299,979**	275,519	275,519
	22,817,147	**22,573,109**	21,908,268	21,817,727

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Group uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on market observable data.

For assets and liabilities that are recognised in the Consolidated Financial Statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The following is a description of the determination of fair value for financial instruments which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

15. Fair value measurement (continued)

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA)
The CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and BOC PCL's own credit quality respectively.

The Group calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Group and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard Loss Given Default (LGD) assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Group does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments at FVPL, investments at FVOCI and investments at amortised cost
Investments which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data. The rest of the investments are valued using quoted prices in active markets.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk-free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan. The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the six months ended 30 June 2022 ranges from 2.65% to 8.50% (31 December 2021:2.34%-8.50%).

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of BOC PCL. The fair value of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Deposits by banks and funding from central banks
Deposits by banks and funding from central banks with maturity over one year are discounted using an appropriate risk-free rate plus the appropriate credit spread. For short-term lending, the fair value is approximated by the carrying value.

Debt securities in issue and Subordinated liabilities
Debt securities and subordinated liabilities issuances are traded in an active market with quoted prices.

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

15. Fair value measurement (continued)

The following table presents the fair value measurement hierarchy of the Group's financial assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

30 June 2022	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Financial assets measured at fair value				
Loans and advances to customers measured at FVPL	-	-	282,184	**282,184**
Trading derivatives				
Forward exchange rate contracts	-	159	-	**159**
Currency swaps	-	11,597	-	**11,597**
Interest rate swaps	-	345	-	**345**
Currency options	-	438	-	**438**
Interest rate caps/floors	-	743	-	**743**
	-	13,282	-	**13,282**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	24,868	-	**24,868**
Investments mandatorily measured at FVPL	83,879	91,463	5,976	**181,318**
Investments at FVOCI	517,876	-	11,996	**529,872**
	601,755	**129,613**	**300,156**	**1,031,524**
Other financial assets not measured at fair value				
Loans and advances to banks	-	304,227	-	**304,227**
Investments at amortised cost	1,216,176	101,678	17,396	**1,335,250**
Loans and advances to customers	-	-	9,770,735	**9,770,735**
	1,216,176	**405,905**	**9,788,131**	**11,410,212**

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 €4,581 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €886 thousand in their fair value.

For one investment included in debt and other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €5,476 thousand as at 30 June 2022, a change in the conversion factor by 10% would result in a change in the value of the debt and other non-equity securities by €548 thousand.

15. Fair value measurement (continued)

30 June 2022	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Financial liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	45	-	**45**
Currency swaps	-	2,044	-	**2,044**
Interest rate swaps	-	316	-	**316**
Currency options	-	94	-	**94**
Interest rate caps/floors	-	743	-	**743**
	-	3,242	-	**3,242**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	6,236	-	**6,236**
Net investments-forward exchange rate contracts and currency swaps	-	7	-	**7**
	-	6,243	-	**6,243**
	-	**9,485**	**-**	**9,485**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,910,529	-	**2,910,529**
Deposits by banks	-	428,530	-	**428,530**
Customer deposits	-	-	18,434,345	**18,434,345**
Debt securities in issue	236,598	-	-	**236,598**
Subordinated liabilities	253,643	-	-	**253,643**
	490,241	**3,339,059**	**18,434,345**	**22,263,645**

31 December 2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Financial assets measured at fair value				
Loans and advances to customers measured at FVPL	-	-	281,868	**281,868**
Trading derivatives				
Forward exchange rate contracts	-	81	-	**81**
Currency swaps	-	4,388	-	**4,388**
Interest rate swaps	-	86	-	**86**
Currency options	-	62	-	**62**
Interest rate caps/floors	-	223	-	**223**
	-	4,840	-	**4,840**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	1,813	-	**1,813**
Investments mandatorily measured at FVPL	98,016	95,144	6,034	**199,194**
Investments at FVOCI	734,832	-	13,863	**748,695**
	832,848	**101,797**	**301,765**	**1,236,410**
Other financial assets not measured at fair value				
Loans and advances to banks	-	289,519	-	**289,519**
Investments at amortised cost	1,074,144	98,238	24,371	**1,196,753**
Loans and advances to customers	-	-	9,360,344	**9,360,344**
	1,074,144	**387,757**	**9,384,715**	**10,846,616**

15. Fair value measurement (continued)

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €4,647 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €784 thousand in their fair value.

For one investment included in debt and other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €5,534 thousand as at 31 December 2021, a change in the conversion factor by 10% would result in a change in the value of the debt and other non-equity securities by €553 thousand.

31 December 2021	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	55	-	**55**
Currency swaps	-	1,342	-	**1,342**
Interest rate swaps	-	61	-	**61**
Currency options	-	21	-	**21**
Interest rate caps/floors	-	218	-	**218**
	-	1,697	-	**1,697**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	30,025	-	**30,025**
Net investments-forward exchange rate contracts and currency swaps	-	730	-	**730**
	-	30,755	-	**30,755**
	-	**32,452**	**-**	**32,452**
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,950,646	-	**2,950,646**
Deposits by banks	-	378,341	-	**378,341**
Customer deposits	-	-	17,532,995	**17,532,995**
Debt securities in issue	292,615	-	-	**292,615**
Subordinated liabilities	355,159	-	-	**355,159**
	647,774	**3,328,987**	**17,532,995**	**21,509,756**

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets and other financial liabilities and assets classified as held for sale is a close approximation of their fair value and they are categorised as Level 3.

During the six months ended 30 June 2022 and the year ended 31 December 2021 there were no significant transfers between Level 1 and Level 2.

Movements in Level 3 assets measured at fair value

Transfers from Level 3 to Level 2 occur when the market for some securities becomes more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Following a transfer to Level 2 the instruments are valued using valuation models incorporating observable market inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Group requires significant unobservable inputs to calculate their fair value.

15. Fair value measurement (continued)

The movement in Level 3 financial assets which are measured at fair value is presented below:

	30 June 2022			31 December 2021		
	Loans and advances to customers	**Financial instruments**	**Total**	Loans and advances to customers	Financial instruments	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**281,868**	**19,897**	**301,765**	289,861	33,182	323,043
Additions	**-**	**-**	**-**	-	396	396
Disposals	**-**	**-**	**-**	-	(903)	(903)
Conversion of instruments into common shares	**-**	**-**	**-**	-	(18,618)	(18,618)
Fair value (losses)/gains	**-**	**(1,925)**	**(1,925)**	-	5,840	5,840
Net losses on loans and advances to customers measured at FVPL (Note 8)	**(2,059)**	**-**	**(2,059)**	(17,292)	-	(17,292)
Derecognition/repayment of loans	**(3,624)**	**-**	**(3,624)**	(3,083)	-	(3,083)
Interest on loans	**5,999**	**-**	**5,999**	12,382	-	12,382
30 June/31 December	**282,184**	**17,972**	**300,156**	281,868	19,897	301,765

16. Loans and advances to customers

	30 June 2022	31 December 2021
	€000	€000
Gross loans and advances to customers at amortised cost	**10,068,366**	9,840,535
Allowance for ECL for impairment of loans and advances to customers (Note 29.5)	**(206,451)**	(285,998)
	9,861,915	9,554,537
Loans and advances to customers measured at FVPL	**282,184**	281,868
	10,144,099	9,836,405

Loans and advances to customers pledged as collateral are disclosed in Note 31.

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 29.

17. 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 six months ended 30 June 2022 an impairment loss of €7,364 thousand (30 June 2021: €7,368 thousand) was recognised in 'Impairment net of reversals on non-financial assets' in the consolidated income statement. At 30 June 2022, stock of €536,355 thousand (31 December 2021: €519,978 thousand) is carried at net realisable value. Additionally, at 30 June 2022 stock of property with a carrying amount of €95,187 thousand (31 December 2021: €116,987 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.

17. Stock of property (continued)

The carrying amount of the stock of property is analysed in the tables below:

	30 June 2022 €000	31 December 2021 €000
Net book value at 1 January	**1,111,604**	1,349,609
Additions	**17,402**	34,347
Disposals	**(67,608)**	(123,520)
Transfers to disposal group (Note 19)	**-**	(101,978)
Impairment (Note 10)	**(7,364)**	(46,775)
Foreign exchange adjustments	**-**	(79)
Net book value at 30 June/31 December	**1,054,034**	1,111,604

As at 30 June 2022, there are charges against stock of property of the Group with carrying value €20,989 thousand (31 December 2021: €21,015 thousand).

Analysis by type and country 30 June 2022	**Cyprus €000**	**Greece €000**	**Romania €000**	**Total €000**
Residential properties	70,572	17,397	32	**88,001**
Offices and other commercial properties	156,914	11,227	-	**168,141**
Manufacturing and industrial properties	32,514	15,954	48	**48,516**
Hotels	23,874	456	-	**24,330**
Land (fields and plots)	720,434	4,604	8	**725,046**
Total	**1,004,308**	**49,638**	**88**	**1,054,034**
31 December 2021				
Residential properties	74,248	18,350	32	**92,630**
Offices and other commercial properties	163,789	19,462	-	**183,251**
Manufacturing and industrial properties	33,170	15,972	43	**49,185**
Hotels	24,619	456	-	**25,075**
Land (fields and plots)	755,663	4,986	814	**761,463**
Total	**1,051,489**	**59,226**	**889**	**1,111,604**

18. Prepayments, accrued income and other assets

	30 June 2022 €000	31 December 2021 €000
Financial assets		
Debtors	**49,333**	36,540
Receivable relating to tax	**3,696**	4,558
Deferred purchase payment consideration	**304,268**	299,766
Other assets	**59,865**	52,600
	417,162	393,464
Non-financial assets		
Reinsurers’ share of insurance contract liabilities	**58,768**	55,323
Current tax receivable	**114,900**	124,267
Prepaid expenses	**835**	756
Retirement benefit plan assets	**1,769**	-
Other assets	**28,521**	42,409
	204,793	222,755
	621,955	616,219

18. **Prepayments, accrued income and other assets** (continued)

There were no financial assets measured at FVPL as at 30 June 2022 and 31 December 2021.

On the completion date of the sale of Project Helix 2 (the 'Transaction'), the Group has recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). This amount is payable in four instalments up to December 2025 and each instalment carries interest up to each payment date. The first instalment in the amount of €84,579 thousand was received in December 2021. An amount of €4,314 thousand, which represents the interest income on DPP has been recognised in the Consolidated Income Statement for the six months ended 30 June 2022 (30 June 2021: €58 thousand) within 'Interest income-Financial assets at amortised cost-Other financial assets'. There are no other conditions attached. An amount of €13,983 thousand which represents the effect of discounting the DPP at the date of derecognition of the loan portfolio was recorded as part of the transaction within 'Credit losses to cover credit risk on loans and advances to customers' during the six months ended 30 June 2021. The DPP is classified as Stage 1 as at 30 June 2022 and 31 December 2021.

During the six months ended 30 June 2022, credit losses of €844 thousand were recognised in relation to prepayments, accrued income and other financial assets. This includes ECL losses of €256 thousand (of which €188 thousand relate to a partial reversal for 12-months ECL of the DPP), and €588 thousand impairment losses. During the six months ended 30 June 2021, credit losses of €3,739 thousand were recognised in relation to prepayments, accrued income and other financial assets of which €3,426 thousand related to 12-months ECL of the DPP.

19. **Non-current assets and disposal groups held for sale**

The following non-current assets and disposal groups were classified as held for sale as at 30 June 2022 and 31 December 2021:

	30 June 2022	31 December 2021
	€000	€000
Disposal group 1	**330,334**	340,622
Disposal group 2	**6,956**	7,921
Freehold property	**10,408**	10,408
	347,698	358,951

	30 June 2022		31 December 2021	
	Disposal Group 1	**Disposal Group 2**	Disposal Group 1	Disposal Group 2
	€000	**€000**	€000	€000
Gross loans and advances to customers	**539,675**	**12,131**	543,663	12,126
Allowance for ECL for impairment of loans and advances to customers (Note 29.5)	**(299,028)**	**(5,571)**	(300,608)	(4,811)
	240,647	**6,560**	243,055	7,315
Stock of property	**84,840**	**396**	92,246	606
Investment property	**4,847**	**-**	5,321	-
	330,334	**6,956**	340,622	7,921

Disposal Group 1
Disposal group 1 comprises a portfolio of loans and advances to customers and a property portfolio (comprising stock of property and investment property) known as Project Helix 3 ('Project Helix 3' or the 'Helix 3 Transaction').

In November 2021, the Group reached an agreement with Pacific Investment Management Company LLC ('PIMCO') for the sale of Project Helix 3. The Group will dispose Project Helix 3 through the transfer of the portfolio to a licensed Cypriot Credit Acquiring Company (the CyCAC) by BOC PCL. The shares of the CyCAC will be subsequently acquired by certain funds affiliated with PIMCO.

19. Non-current assets and disposal groups held for sale (continued)

The gross consideration for the transaction amounts to approximately €385 million, before transaction and other costs, payable at completion. An amount of €19,225 thousand was received as a deposit shortly after the signing of the agreement (Note 23). The gross book value of the loans and advances to customers amounted to €550 million and the carrying value of the property portfolio amounted to €102 million as at 30 September 2021 (the reference date).

The completion of the Helix 3 Transaction is currently estimated to occur in the second half of 2022 and remains subject to a number of conditions, including customary regulatory and other approvals. The disposal group has been classified as held for sale since 30 September 2021 as management is committed to sell it and has proceeded with an active programme to complete this plan.

Disposal Group 2
Disposal group 2 comprises a portfolio of loans and advances to customers and stock of properties in Romania known as Project Sinope ('Project Sinope' or the 'Sinope Transaction'), classified as held for sale since 31 December 2021.

In December 2021, the Group entered into an agreement for the sale of Project Sinope. The transaction was completed on 24 August 2022. An amount of €900 thousand was received as a deposit in the second quarter of 2022 (Note 23).

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 29.3.

Freehold property
Freehold property classified as held for sale as at 30 June 2022 and 31 December 2021 relates to properties which management is committed to sell and proceeded with an active programme to complete this plan. The disposal is expected to be completed within 12 months from the reporting date. Freehold property classified as held for sale is measured at fair value less cost to sell.

20. 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:

	30 June 2022	31 December 2021
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**2,954,808**	2,969,600

As at 30 June 2022, ECB funding amounted to €3 billion (31 December 2021: €3 billion) borrowed from various TLTRO III operations.

The interest rate applicable to the TLTRO III funding depends on the eligible net lending during the specified periods laid out in the terms of the ECB operation.

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 would be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations during the above periods remained at 0%. For the counterparties whose eligible net lending reached the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding would be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1%. The deposit facility rate as at 30 June 2022 remained at minus 0.5%. BOC PCL has exceeded the eligible net lending benchmark applicable for both periods, and is entitled to the beneficial rate of minus 1% for 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022. For the period after 23 June 2022, the interest rate shall be the average interest rate on the deposit facility over the life of the respective TLTRO-III, as BOC PCL exceeded the benchmark net lending in both reference periods. In calculating the applicable interest BOC PCL follows a discrete approach by applying the estimated interest rate for each period.

20. Funding from central banks (continued)

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to early repay or reduce the amounts borrowed before their respective final maturity.

Details on encumbered assets related to the above funding facilities are disclosed in Note 31.

21. Customer deposits

	30 June 2022 €000	31 December 2021 €000
By type of deposit		
Demand	**10,049,792**	9,221,791
Savings	**2,640,108**	2,423,086
Time or notice	**5,760,316**	5,886,006
	18,450,216	17,530,883
By geographical area		
Cyprus	**12,837,406**	11,992,960
Greece	**1,884,736**	1,906,854
United Kingdom	**720,121**	713,621
Romania	**58,612**	54,306
Russia	**620,763**	661,820
Ukraine	**294,218**	276,248
Belarus	**83,410**	55,738
Other Countries	**1,950,950**	1,869,336
	18,450,216	17,530,883

Deposits by geographical area are based on the country of passport of the Ultimate Beneficial Owner.

	30 June 2022 €000	31 December 2021 €000
By currency		
Euro	**16,529,501**	15,736,030
US Dollar	**1,515,565**	1,373,584
British Pound	**322,903**	312,918
Russian Rouble	**9,838**	28,539
Swiss Franc	**12,212**	10,865
Other currencies	**60,197**	68,947
	18,450,216	17,530,883

21. **Customer deposits** (continued)

	30 June 2022	31 December 2021
	€000	€000
By customer sector		
Corporate	**1,247,265**	1,117,148
Large and international corporate	**820,982**	631,002
SMEs	**900,332**	866,860
Retail	**11,444,665**	11,051,397
Restructuring		
– Corporate	**34,563**	21,658
– SMEs	**10,413**	13,091
– Retail other	**11,851**	9,862
Recoveries		
– Corporate	**1,147**	1,383
International banking services	**3,667,783**	3,500,183
Wealth management	**311,215**	318,299
	18,450,216	17,530,883

22. **Debt securities in issue and Subordinated liabilities**

			30 June 2022		31 December 2021	
			€000	**€000**	€000	€000
	Contractual interest rate	**Issuer**	**Nominal value**	**Carrying value**	Nominal value	Carrying value
Subordinated liabilities						
Subordinated Tier 2 Capital Note - January 2017	9.25% up to 19 January 2022	BOC PCL	**-**	**-**	35,605	38,561
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	BOCH	**300,000**	**311,738**	300,000	301,659
			300,000	**311,738**	335,605	340,220
Debt securities in issue						
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	BOC PCL	**300,000**	**298,899**	300,000	302,555

BOCH and BOC PCL maintain a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

Subordinated Liabilities

Subordinated Tier 2 Capital Note - January 2017
In January 2017, BOC PCL issued a €250 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and thereafter at the then prevailing 5-year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The note had a maturity date on 19 January 2027. BOC PCL had the option to redeem the note early on 19 January 2022, subject to applicable regulatory consents. In April 2021, BOC PCL invited the holders of this note to tender it for purchase by BOC PCL and following acceptance of the valid tenders of €207 million nominal amount, proceeded with the re-purchase. By 31 December 2021, the Group purchased from the open market a further €7 million nominal amount of the notes, which were held by BOC PCL. On 19 January 2022, BOC PCL exercised its option to redeem at par the remaining nominal amount outstanding of the notes. All outstanding notes were cancelled. The note was listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

22. Debt securities in issue and Subordinated liabilities (continued)

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

The fair value of the Subordinated liabilities as at 30 June 2022 and 31 December 2021 is disclosed in Note 15.

Debt securities in issue

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

The fair value of the debt securities in issue as at 30 June 2022 and 31 December 2021 is disclosed in Note 15.

23. Accruals, deferred income, other liabilities and other provisions

	30 June 2022	31 December 2021
	€000	€000
Income tax payable and related provisions	**13,608**	11,168
Special defence contribution payable	**145**	462
Retirement benefit plans liabilities	**-**	1,673
Provisions for financial guarantees and commitments	**21,518**	21,945
Liabilities for investment-linked contracts under administration	**40,870**	33,809
Accrued expenses and other provisions	**49,705**	79,482
Deferred income	**17,872**	16,441
Items in the course of settlement	**87,537**	64,024
Lease liabilities	**30,966**	33,981
Advances received for disposal group held for sale (Note 19)	**20,125**	19,225
Other liabilities	**111,771**	79,767
	394,117	361,977

Other liabilities include an amount of €26,476 thousand (31 December 2021: €26,476 thousand) relating to the annual guarantee fee for the conversion of DTA into tax credits (Note 11) and an amount of €20,101 thousand (31 December 2021: €6,642 thousand) relating to card processing transactions.

24. Share capital

	30 June 2022		31 December 2021	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued				
1 January and 31 December	**446,200**	**44,620**	446,200	44,620

24. Share capital (continued)

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 six months ended 30 June 2022 and the year ended 31 December 2021.

Share premium reserve

There were no changes to the share premium reserve during the six months ended 30 June 2022 and the year ended 31 December 2021.

Treasury shares of the Company

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

The life insurance subsidiary of the Group, as at 30 June 2022, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (31 December 2021: 142 thousand ordinary shares of a nominal value of €0.10 each), as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21,463 thousand (31 December 2021: €21,463 thousand).

Share-based payments

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 a share based Long Term Incentive Plan of Bank of Cyprus Holdings Public Limited Company (the '2022 LTIP'). The maximum number of shares that may be issued pursuant to the 2022 LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of the Company, as at the date of the resolution (being 22,309,996 ordinary shares of €0.10 each), as adjusted for any issuance or cancellation of shares subsequent to the date of the resolution (excluding any issuances of shares pursuant to the 2022 LTIP). The 2022 LTIP provides for an award in the form of ordinary shares based on certain performance conditions. Performance will be measured over a 3 year period and the performance conditions will be set by the Human Resources & Remuneration Committee each year and may be differentiated to reflect the Company's strategic targets, 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 the areas of: (i) Profitability; (ii) Asset quality; (iii) Capital adequacy; (iv) Risk control & compliance; and (v) Environmental, Social and Governance ('ESG') targets.

No awards have been granted under the 2022 LTIP to any employees of the Group as at 30 June 2022.

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

Other equity instruments

	30 June 2022	31 December 2021
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

24. Share capital (continued)

In December 2018 the Company issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (AT1). AT1 constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the six months ended 30 June 2022, a coupon payment to AT1 holders was made amounting to €13,750 thousand and has been recognised in retained earnings (30 June 2021: €13,750 thousand). The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. AT1 is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary subject to the prior approval of the regulator. The AT1 notes are listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

25. Pending litigation, claims, regulatory and other matters

The Group, in the ordinary course of business, is involved in various disputes and legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent restructuring of BOC PCL in 2013 as a result of the bail in Decrees, BOC PCL is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the bail-in Decrees. There are also situations where the Group may enter into a settlement agreement. This may occur only if such settlement is in BOC PCL's interest (such settlement does not constitute an admission of wrongdoing) and only takes place after obtaining legal advice and all approvals by the appropriate bodies of management.

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 6.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory and other matters as at 30 June 2022 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

25.1 Pending litigation and claims

Investigations and litigation relating to securities issued by BOC PCL
A number of institutional and retail customers have filed various separate actions against BOC PCL alleging that BOC PCL is guilty of misselling in relation to securities issued by BOC PCL between 2007 and 2011. Remedies sought include the return of the money investors paid for these securities. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon BOC PCL in related matters by Cyprus Securities and Exchange Commission (CySEC) and/or Hellenic Capital Market Commission (HCMC).

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and 2011 Convertible Enhanced Capital Securities (CECS).

BOC PCL is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be demonstrated that the relevant BOC PCL's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', BOC PCL may face significant difficulties. To date, a number of cases have been tried in Greece. BOC PCL has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years.

25. Pending litigation, claims, regulatory and other matters (continued)

25.1 Pending litigation and claims (continued)

So far three capital securities cases have been adjudicated in favour of BOC PCL and three cases have been adjudicated against BOC PCL at Areios Pagos (Supreme Court of Greece). Those cases which were decided in favour of BOC PCL ruled in effect that BOC PCL can rely on the defence of frustration (i.e. intervening event out of the control of BOC PCL, in this case BOC PCL's resolution and recapitalisation through the bail in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail in were unforeseeable. The cases that BOC PCL has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has already been retried by the Court of Appeal and the ruling was in favour of BOC PCL primarily on the merits of the case and at a secondary level per the direction of the Supreme Court. There has been a new petition for annulment against this decision of the Court of Appeal and the case will be retried before the Supreme Court in 2023. The two cases that BOC PCL has lost will not be retried and are therefore deemed as concluded.

In Cyprus thirteen judgments have been issued so far with regards to BOC PCL capital securities. Eight of the said judgments have been issued in favour of BOC PCL (dismissing the plaintiffs' claims) and five of them against BOC PCL. BOC PCL has filed appeals with regards to three of the cases where the judgment was issued against it and will file an appeal to the fourth case. In five of the eight 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 two cases with regards to bail in related litigation. The specifics of the cases concerned alleged failure to follow instructions prior to the bail-in. The plaintiffs have filed appeals with respect to both judgments.

BOC PCL also won three bail-in decree related cases two of which during the six months ended 30 June 2022. The court essentially ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the 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 an appeal has been filed with respect to one of the judgments.

BOC PCL lost one bail-in wrongful application related case in March 2022. BOC PCL has filed an appeal with respect to this judgment. The court issued its decision on the ground that the disputed account was not a provident fund account and the bail-in was wrongfully applied to this account.

BOC PCL has also lost another BOC bail-in 'wrongful application' case in July 2022. The court issued its decision on the ground that the deposit account that the plaintiff maintained with BOC PCL which as per BOC PLC practice had been blocked against the future payment under a Letter of Credit, should not have been bailed in irrespective of the fact that the payment under the Letter of Credit had not yet been made. BOC PCL is planning on filing an appeal to this judgment.

25. Pending litigation, claims, regulatory and other matters (continued)

25.1 Pending litigation and claims (continued)

Shareholders
Numerous claims were filed by shareholders in 2013 against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. BOC PCL appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. A number of actions for damages have been filed and are still being filed with the District Courts of Cyprus alleging either the unconstitutionality of the Resolution Law and the Bail-in Decrees, or a misapplication of same by BOC PCL (as regards the way and methodology whereby such Decrees have been implemented), or that BOC PCL failed to follow instructions promptly prior to the bail-in coming into force. BOC PCL intends to contest all of these claims.

Legal position of the Group
All of the above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Provident fund case
In December 2015, the Bank of Cyprus Employees Provident Fund (the Provident Fund) filed an action against BOC PCL claiming €70 million allegedly owed as part of BOC PCL's contribution by virtue of an agreement with the Union dated 31 December 2011. Based on facts currently known, it is not practicable at this time for BOC PCL to predict the resolution of this matter, including the timing or any possible impact on BOC PCL.

Employment litigation
Former 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.

Additionally, a number of former employees have filed claims against BOC PCL contesting entitlements received relating to the various voluntary exit plans. As at the reporting date, the Group does not expect that these actions will have a material impact on its financial position.

Swiss Francs loans litigation in Cyprus and the UK
A number of actions have been instituted against BOC PCL by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). The central allegation in these cases is that BOC PCL misled these borrowers and/or misrepresented matters, in violation of applicable law. BOC PCL is contesting the said proceedings. The Group does not expect that these actions will have a material impact on its financial position.

UK property lending claims
BOC PCL is the defendant in certain proceedings alleging that BOC PCL is legally responsible for allegedly, inter alia, advancing and misselling loans for the purchase by UK nationals of property in Cyprus. The proceedings in the UK are currently stayed in order for the parties to have time to negotiate possible settlements. The Group does not expect that these negotiations will lead to outflows for the Group.

25. Pending litigation, claims, regulatory and other matters (continued)

25.1 Pending litigation and claims (continued)

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to BOC PCL's standard policies and procedures allegedly resulting to damages and other losses for the claimants. Further, there are several other banking claims, where the amounts involved are not as significant. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Group. Such matters arise as a result of the Group's activities and management appropriately assesses the facts and the risks of each case accordingly.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. BOC PCL is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the Group is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

Others
An investigation is in process related to potentially overstated and/or fictitious claims paid by the non-life insurance subsidiary of the Group. The information usually required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it is expected to seriously prejudice the outcome of the investigation and/or the possible taking of legal action. Based on the information available at present, management considers that it is unlikely for this matter to have a material adverse impact on the financial position and capital adequacy of the non-life insurance subsidiary and thereby the Group, also taking into account that it is virtually certain that compensations will be received from a relevant insurance coverage, upon the settlement of any obligation that may arise.

25.2 Regulatory matters

The Hellenic Capital Market Commission (HCMC) Investigation
The HCMC is currently in the process of investigating matters concerning the Group's investment in Greek Government Bonds from 2009 to 2011, including, inter alia, related non-disclosure of material information in BOC PCL's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some investors regarding BOC PCL's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek Government Bonds.

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

Labour Inspection Body of Greece
As for other potential matters involving the exposure of BOC PCL to losses, twelve fines have been imposed by the Labour Inspection Body of Greece in prior years relating to the years prior to 2013, which amount in total to €84 thousand.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC has concluded (in two stages) during 2013 and 2014 its investigation with respect to BOC PCL exposure to Greek Government Bonds, 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 May 2022, the ruling of the Administrative Court in relation to one of the recourses was issued, whereby the court found that the constitution of the CySEC Board was not flawed. A fine of €950 thousand was imposed upon BOC PCL. BOC PCL filed an appeal in June 2022. Relevant provisions were made since prior years for the said cases.

As at 30 June 2022 and 31 December 2021 there were no pending CySEC investigations against BOC PCL.

25. Pending litigation, claims, regulatory and other matters (continued)

25.2 Regulatory matters (continued)

Central Bank of Cyprus (CBC)
The CBC has carried out certain investigations to assess compliance of BOC PCL under the anti-money laundering (AML) legislation which was in place during years 2008-2015 and 2015-2018.

Following the investigations and the on-site audit findings, the CBC concluded on 27 January 2021 that in the case of AML legislation 2008-2015 BOC PCL was in breach of certain articles of the said legislation and prima facie, failed to act in accordance with certain provisions of the AML/counter terrorism financing (CTF) Law and the CBC AML/CTF Directive. In October 2021 a fine of €277 thousand was imposed upon BOC PCL. BOC PCL paid for a discounted fine and has filed a recourse against this decision and fine.

Following the investigation and the on-site examination, the CBC concluded with regards to the files and transactions related to years 2015-2018, that BOC PCL was in breach of certain articles of the legislation. In December 2021, a fine of €790 thousand was imposed upon BOC PCL. BOC PCL paid for a discounted fine and has filed a recourse against the decision and the fine.

The CBC had conducted an investigation in the past into BOC PCL's issuance of capital securities and concluded that BOC PCL breached certain regulatory requirements concerning the issuance of Convertible Capital Securities (Perpetual) in 2009, but not in relation to the CECS in 2011. The CBC had, in 2013, imposed a fine of €4 thousand upon BOC PCL, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon BOC PCL in a respective judgment dated in 2020. CBC decided to re-examine this matter and to re-open the investigation.

The CBC has decided that between the reporting date of 31 December 2014 and until the reporting date of 31 December 2017 BOC PCL was in breach of the requirements of the Directive on the Computation of Prudential Liability in Euro, of the Directive on the Prudential Liability in foreign currencies and of the CBC Directive on Governance and Management Arrangements in Credit Institutions. BOC PCL was given the opportunity to express its views with regards to the identified failures and the possible imposition of sanctions. BOC PCL has submitted its views and representations and CBC will decide on the matter.

European Central Bank (ECB) Investigation
In July 2021, BOC PCL was notified in writing by the ECB that, based on an investigation carried out by ECB's investigating unit, BOC PCL was in breach of an ECB decision of September 2016. The alleged breach related to the requirement imposed on BOC PCL to seek the prior approval of the ECB for any transfer of capital or liquidity to any subsidiary company. The Governing Council of the ECB informed BOC PCL in February 2022 of its decision to impose an administrative penalty of €575 thousand. BOC PCL proceeded with the payment of the fine.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, BOC PCL and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by BOC PCL. BOC PCL is expecting the final conclusion of this matter and has provided for it accordingly.

There was also an allegation concerning BOC PCL's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that BOC PCL (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition. In May 2017, the CPC imposed a fine of €18 million upon BOC PCL and BOC PCL filed a recourse against the decision and the fine. The payment of the fine had been stayed pending the final outcome of the recourse. In June 2018, the Administrative Court accepted BOC PCL's position and cancelled the decision as well as the fine imposed upon BOC PCL. During 2018, the Attorney General has filed an appeal before the Supreme court with respect to such decision. Until a judgment is issued by the Supreme Court, the decision of the CPC remains annulled and there is no subsisting fine upon BOC PCL. The said appeal is still pending as at the date of these Consolidated Financial Statements.

In 2019, the CPC initiated an ex officio investigation with respect to unfair contract terms and into the contractual arrangements/facilities offered by BOC PCL for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against BOC PCL in this case. This investigation is currently at a very early stage to predict its outcome and no formal process has been initiated.

25. Pending litigation, claims, regulatory and other matters (continued)

25.2 Regulatory matters (continued)

Association for the Protection of Bank Borrowers (CYPRODAT)
CYPRODAT filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that BOC PCL and another bank have concerted in practices regarding the recent revisions of their commissions and charges. It also filed an application for an interim order which, if successful, would essentially freeze the implementation of the revised commissions and charges. The application for interim order was rejected by the CPC, however, the CPC reverted in April 2022 to inform BOC PCL of the initiation of an investigation with respect to this matter. This investigation is currently at a very early stage to predict its outcome.

Commissioner for the Protection of Personal Data
The Commissioner for the Protection of Personal Data has informed BOC PCL that based on the evidence submitted, there is a breach of Regulation 2016/679 on the protection of natural persons with regards to the processing of personal data and on the free movement of such data. The breach concerned the exchange of data under the sale of a portfolio of credit facilities which did not relate to the transaction. A fine of €17 thousand was imposed on BOC PCL.

BOC PCL informed the Commissioner on the procedures to follow to avoid such oversights in the future and the measures it has taken to remedy the specific breaches.

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon BOC PCL after concluding an ex officio investigation regarding some terms in both BOC PCL's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, BOC PCL has filed a recourse before the Administrative Court which has not yet issued its judgement. The recourse is still pending as at the date of these Consolidated Financial Statements.

In March 2020, BOC PCL has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for BOC PCL to cease the use of a number of terms in the contracts of BOC PCL which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering BOC PCL to undertake measures to remedy the situation. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the date of these Consolidated Financial Statements.

In April 2021, the Director of the Consumer Protection Service filed an application for the issuance of a court order against BOC PCL, prohibiting the use of a number of contractual terms included in BOC PCL’s consumer contracts and the amendment of any such contracts (present and future) so as to remove such unfair terms. This matter is still pending before the court as at the date of these Consolidated Financial Statements.

BOC PCL received a letter in July 2021 from CPS, initiating an ex officio investigation under the Distance Marketing of Financial Services to Consumers Law, with respect to the services and products of BOC PCL for which the contract between BOC PCL and the consumer is entered into online via BOC PCL’s website.

BOC PCL received another letter in July 2021 from CPS, initiating an investigation with respect to an alleged commercial practice of BOC PCL of promoting a product.

The investigations are currently at a very early stage to predict their outcome.

Cyprus Consumers’ Association (CCA)
In March 2021, BOC PCL was served with an application filed by the CCA for the issuance of a court order prohibiting the use of a number of contractual terms included in BOC PCL’s consumer contracts and the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against BOC PCL in 2016 and 2017. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at the date of these Consolidated Financial Statements.

25. Pending litigation, claims, regulatory and other matters (continued)

25.2 Regulatory matters (continued)

The new Law on Consumer Protection brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service i.e. power to impose increased fines which are immediately payable. The new Law on Consumer Protection has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters, is unknown.

UK regulatory matters
As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Group. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

25.3 Other matters

Other matters include among others, provisions for various other open examination requests by governmental and other public bodies, legal matters and provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

The provisions for pending litigation, claims, regulatory and other matters do not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries as these are included in 'Insurance liabilities'.

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

	Pending litigation and claims (Note 25.1)	Regulatory matters (Note 25.2)	Other matters (Note 25.3)	**Total**
2022	€000	€000	€000	**€000**
1 January	57,844	16,415	29,849	**104,108**
Net increase in provisions including unwinding of discount (Note 9)	1,086	950	-	**2,036**
Utilisation of provisions	(78)	(759)	-	**(837)**
Release of provisions (Note 9)	(392)	-	(100)	**(492)**
Foreign exchange adjustments	-	(22)	-	**(22)**
30 June	**58,460**	**16,584**	**29,749**	**104,793**
2021				
1 January	67,439	12,305	43,871	**123,615**
Net increase in provisions including unwinding of discount (Note 9)	1,505	2,890	34,270	**38,665**
Utilisation of provisions	(6,539)	-	-	**(6,539)**
Foreign exchange adjustments	-	24	-	**24**
30 June	**62,405**	**15,219**	**78,141**	**155,765**

Provisions for pending litigation, claims, regulatory and other matters recorded in the consolidated income statement (Note 9) during the six months ended 30 June 2021 amounting to €10,660 thousand, also include an amount of €841 thousand representing an amount recovered from plaintiffs directly recognised in the consolidated income statement.

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.

25. Pending litigation, claims, regulatory and other matters (continued)

25.4 Provisions for pending litigation, claims, regulatory and other matters (continued)

An increase by 5% in the probability of loss rate for pending litigation and claims (31 December 2021: 5%) with all other variables held constant, would lead to an increase in the actual provision by €6,983 thousand at 30 June 2022 (31 December 2021: increase by €7,097 thousand).

26. Contingent liabilities and commitments

The Group, as part of its disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens, tax exposures and other matters agreed with the buyers. As a result, the Group may be obliged to compensate the buyers in the event of a valid claim by the buyers with respect to the above representations, warranties and indemnities.

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable.

Capital commitments for the acquisition of property, equipment and intangible assets as at 30 June 2022 amount to €17,454 thousand (31 December 2021: €18,678 thousand).

27. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2022	31 December 2021
	€000	€000
Cash and non-obligatory balances with central banks	**9,729,679**	9,063,896
Loans and advances to banks with original maturity less than three months	**248,313**	191,314
	9,977,992	9,255,210

Analysis of cash and balances with central banks and loans and advances to banks

	30 June 2022	31 December 2021
	€000	€000
Cash and non-obligatory balances with central banks	**9,729,679**	9,063,896
Obligatory balances with central banks	**174,870**	166,987
Total cash and balances with central banks	**9,904,549**	9,230,883

Loans and advances to banks with original maturity less than three months	**248,313**	191,314
Restricted loans and advances to banks	**63,995**	100,318
Total loans and advances to banks	**312,308**	291,632

Restricted loans and advances to banks include collaterals under derivative transactions of €3,100 thousand (31 December 2021: €41,068 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

28. Analysis of assets and liabilities by expected maturity

	30 June 2022			31 December 2021		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**9,729,679**	**174,870**	**9,904,549**	9,063,896	166,987	9,230,883
Loans and advances to banks	**248,313**	**63,995**	**312,308**	191,314	100,318	291,632
Derivative financial assets	**12,240**	**25,910**	**38,150**	4,556	2,097	6,653
Investments	**253,907**	**1,848,770**	**2,102,677**	366,420	1,772,743	2,139,163
Loans and advances to customers	**1,042,690**	**9,101,409**	**10,144,099**	1,018,312	8,818,093	9,836,405
Life insurance business assets attributable to policyholders	**6,214**	**527,482**	**533,696**	14,111	537,686	551,797
Prepayments, accrued income and other assets	**150,722**	**471,233**	**621,955**	139,988	476,231	616,219
Stock of property	**243,889**	**810,145**	**1,054,034**	267,480	844,124	1,111,604
Deferred tax assets	**37,909**	**227,521**	**265,430**	37,909	227,572	265,481
Property, equipment and intangible assets	**-**	**417,096**	**417,096**	-	436,164	436,164
Investment properties	**20,509**	**81,531**	**102,040**	32,139	85,606	117,745
Non-current assets and disposal groups held for sale	**347,698**	**-**	**347,698**	358,951	-	358,951
	12,093,770	**13,749,962**	**25,843,732**	11,495,076	13,467,621	24,962,697
Liabilities						
Deposits by banks	**156,338**	**335,684**	**492,022**	100,530	356,509	457,039
Funding from central banks	**979,625**	**1,975,183**	**2,954,808**	2,969,600	-	2,969,600
Derivative financial liabilities	**4,342**	**5,143**	**9,485**	4,830	27,622	32,452
Customer deposits	**7,257,960**	**11,192,256**	**18,450,216**	6,909,913	10,620,970	17,530,883
Insurance liabilities	**101,257**	**588,541**	**689,798**	91,758	644,443	736,201
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**332,889**	**166,021**	**498,910**	273,940	192,145	466,085
Debt securities in issue and subordinated liabilities	**-**	**610,637**	**610,637**	38,561	604,214	642,775
Deferred tax liabilities	**-**	**45,235**	**45,235**	937	45,498	46,435
	8,832,411	**14,918,700**	**23,751,111**	10,390,069	12,491,401	22,881,470

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Cash and balances with central banks are classified in the relevant time band based on the contractual maturity, with the exception of obligatory balances with central banks which are classified in the 'Over one year' time band.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.

28. 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.

29. Risk management - Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group.

The Credit Risk Management department in co-operation with the Credit Risk Control and Monitoring department set the Group's credit disbursement policies and monitor compliance with credit risk policies applicable to each business line and the quality of the Group's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, in co-operation with the Credit Risk Control and Monitoring department, also safeguard the effective management of credit risk at all stages of the credit cycle, monitor the quality of decisions and processes and ensure that the credit sanctioning function is being properly managed.

The credit policies are combined with the methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments of the customers' creditworthiness, their economic sector of activity and geographical concentration.

The credit risk exposure of the Group is diversified across the various sectors of the economy. Credit Risk Management determines the prohibitive/high credit risk sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Market Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities. Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

The Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 6 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

29. Risk management - Credit risk (continued)

29.1 Maximum exposure to credit risk and collateral and other credit enhancements

Loans and advances to customers
The Credit Risk Management department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Group regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Off-balance sheet exposures
The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee facilities (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Other financial instruments
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 30 June 2022, the majority of derivative exposures are covered by ISDA netting arrangements. A detailed analysis of derivative asset and liability exposures is available in Note 14. Information about the Group's collaterals under derivative transactions is provided in Note 27.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk before taking into account the tangible and measurable collateral and credit enhancements held.

29. Risk management - Credit risk (continued)

29.1 Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	30 June 2022	31 December 2021
	€000	€000
Balances with central banks	**9,767,741**	9,087,968
Loans and advances to banks (Note 27)	**312,308**	291,632
FVPL debt and other non-equity securities (Note 13)	**5,976**	6,034
Debt securities classified at amortised cost and FVOCI	**1,907,795**	1,924,354
Derivative financial instruments (Note 14)	**38,150**	6,653
Loans and advances to customers (Note 16)	**10,144,099**	9,836,405
Loans and advances to customers classified as held for sale (Note 19)	**247,207**	250,370
Debtors (Note 18)	**49,333**	36,540
Reinsurers' share of insurance contract liabilities (Note 18)	**58,768**	55,323
Deferred purchase payment consideration (Note 18)	**304,268**	299,766
Other assets (Note 18)	**63,561**	57,158
On-balance sheet total	**22,899,206**	21,852,203
Contingent liabilities		
Acceptances and endorsements	**5,263**	4,625
Guarantees	**584,748**	609,830
Commitments		
Documentary credits	**11,288**	11,264
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,900,867**	1,950,665
Off-balance sheet total	**2,502,166**	2,576,384
	25,401,372	24,428,587

29.2 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 concentrations, as well as geographical concentration, is presented below.

The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually.

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies. Loans and advances to customers are presented separately for countries with high concentration and all other countries with low concentration are presented within 'Other countries' as per Group policy.

29. Risk management - Credit risk (continued)

29.2 Credit risk concentration of loans and advances to customers (continued)

30 June 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	970,006	432	71	2	-	67	**970,578**
Manufacturing	321,223	45,085	-	-	-	39,698	**406,006**
Hotels and catering	938,500	32,481	36,461	-	-	40,107	**1,047,549**
Construction	560,237	9,083	80	1,985	-	40	**571,425**
Real estate	903,732	95,373	1,901	11,064	-	48,242	**1,060,312**
Private individuals	4,471,587	9,053	89,316	1,191	26,735	67,973	**4,665,855**
Professional and other services	643,738	1,001	5,381	879	356	40,937	**692,292**
Other sectors	435,969	5	34	-	2	218,339	**654,349**
	9,244,992	**192,513**	**133,244**	**15,121**	**27,093**	**455,403**	**10,068,366**

30 June 2022	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,156,913	9,471	54	-	350	117	**2,166,905**
Large and international corporate	1,439,771	173,810	43,175	11,780	-	376,620	**2,045,156**
SMEs	1,033,533	710	2,318	2,023	-	2,250	**1,040,834**
Retail							
- housing	3,191,534	3,585	41,008	857	3,581	27,315	**3,267,880**
- consumer, credit cards and other	908,645	1,036	747	131	207	2,709	**913,475**
Restructuring							
- corporate	47,871	-	526	-	32	61	**48,490**
- SMEs	61,076	-	168	-	163	454	**61,861**
- retail housing	79,995	152	1,897	-	416	767	**83,227**
- retail other	24,755	4	33	1	-	41	**24,834**
Recoveries							
- corporate	23,084	-	4	61	141	181	**23,471**
- SMEs	27,795	-	1,672	59	2,192	1,938	**33,656**
- retail housing	90,418	251	25,694	76	5,544	11,719	**133,702**
- retail other	45,163	27	2,175	4	210	626	**48,205**
International banking services	82,605	2,085	13,773	129	14,257	24,350	**137,199**
Wealth management	31,834	1,382	-	-	-	6,255	**39,471**
	9,244,992	**192,513**	**133,244**	**15,121**	**27,093**	**455,403**	**10,068,366**

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	977,703	505	122	60	3,351	146	**981,887**
Manufacturing	303,372	179	-	-	1,212	25,674	**330,437**
Hotels and catering	881,205	33,422	37,450	-	-	40,123	**992,200**
Construction	510,928	9,005	108	2,108	646	58	**522,853**
Real estate	959,891	125,123	1,950	11,443	-	49,293	**1,147,700**
Private individuals	4,379,843	9,185	121,260	1,057	37,315	73,997	**4,622,657**
Professional and other services	543,424	1,007	5,516	875	16,492	35,142	**602,456**
Other sectors	458,005	7	40	-	8	182,285	**640,345**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

29. Risk management - Credit risk (continued)

29.2 Credit risk concentration of loans and advances to customers (continued)

31 December 2021	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	2,018,926	9,430	60	99	15,778	113	**2,044,406**
Large and international corporate	1,417,643	159,349	44,132	11,742	-	320,730	**1,953,596**
SMEs	1,038,599	773	1,869	2,047	4,701	2,345	**1,050,334**
Retail							
- housing	3,068,097	3,466	47,742	629	4,513	26,819	**3,151,266**
- consumer, credit cards and other	884,231	1,101	760	126	237	2,232	**888,687**
Restructuring							
- corporate	60,446	-	526	-	32	1,213	**62,217**
- SMEs	69,501	-	338	-	-	340	**70,179**
- retail housing	80,730	152	3,058	-	392	752	**85,084**
- retail other	32,611	14	132	-	3	238	**32,998**
Recoveries							
- corporate	35,010	-	-	589	219	256	**36,074**
- SMEs	30,505	-	2,557	2	3,699	2,554	**39,317**
- retail housing	109,945	382	45,158	167	9,254	18,213	**183,119**
- retail other	54,959	30	4,356	4	1,557	1,304	**62,210**
International banking services	76,314	2,402	15,211	138	18,639	23,214	**135,918**
Wealth management	36,854	1,334	547	-	-	6,395	**45,130**
	9,014,371	**178,433**	**166,446**	**15,543**	**59,024**	**406,718**	**9,840,535**

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 30 June 2022 of €102,150 thousand (31 December 2021: €100,039 thousand).

The loan and advances to customers reported within 'Other countries' as at 30 June 2022 include exposures of €3,2 million in Ukraine (31 December 2021: €3,6 million).

29. Risk management - Credit risk (continued)

29.3 Credit risk concentration of loans and advances to customers classified as held for sale

Economic activity, geographical and business line concentrations of Group loans and advances to customers at amortised cost classified as held for sale are presented in the table below.

30 June 2022	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,677	-	533	1	-	**57,211**
Manufacturing	24,121	1	119	-	-	**24,241**
Hotels and catering	14,995	6	276	-	-	**15,277**
Construction	27,447	-	253	-	-	**27,700**
Real estate	6,122	-	9,635	-	-	**15,757**
Private individuals	366,929	1,092	55	839	4,501	**373,416**
Professional and other services	26,087	2	1,258	-	-	**27,347**
Other sectors	10,856	-	1	-	-	**10,857**
	533,234	**1,101**	**12,130**	**840**	**4,501**	**551,806**

30 June 2022	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Large and International corporate	-	-	10,507	-	-	**10,507**
SMEs	-	-	247	-	-	**247**
Restructuring						
- corporate	366	-	-	-	-	**366**
- SMEs	3,979	-	-	-	-	**3,979**
- retail housing	18,253	492	-	-	34	**18,779**
- retail other	6,270	-	-	-	-	**6,270**
Recoveries						
- corporate	8,309	-	1,058	-	1	**9,368**
- SMEs	14,780	1	318	800	394	**16,293**
- retail housing	243,857	594	-	39	3,532	**248,022**
- retail other	237,420	14	-	1	540	**237,975**
	533,234	**1,101**	**12,130**	**840**	**4,501**	**551,806**

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	56,859	-	514	-	-	**57,373**
Manufacturing	24,688	1	110	-	-	**24,799**
Hotels and catering	14,794	1	278	-	-	**15,073**
Construction	28,226	-	231	-	-	**28,457**
Real estate	4,575	-	9,395	-	-	**13,970**
Private individuals	369,182	1,070	55	804	4,087	**375,198**
Professional and other services	27,866	2	1,466	-	-	**29,334**
Other sectors	11,476	-	77	-	32	**11,585**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

29. Risk management - Credit risk (continued)

29.3 Credit risk concentration of loans and advances to customers classified as held for sale (continued)

31 December 2021	Cyprus	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Large and International Corporate	-	-	10,441	-	32	**10,473**
SMEs	-	-	231	-	-	**231**
Retail						
- housing	153	-	-	-	-	**153**
- consumer, credit cards and other	2	-	-	-	-	**2**
Restructuring						
- corporate	374	-	-	-	-	**374**
- SMEs	5,301	-	-	-	-	**5,301**
- retail housing	23,769	501	-	-	34	**24,304**
- retail other	12,702	-	-	-	-	**12,702**
Recoveries						
- corporate	8,090	-	1,111	-	-	**9,201**
- SMEs	17,923	1	343	766	381	**19,414**
- retail housing	238,791	566	-	38	3,210	**242,605**
- retail other	230,561	6	-	-	462	**231,029**
	537,666	**1,074**	**12,126**	**804**	**4,119**	**555,789**

29.4 Analysis of loans and advances to customers by staging

30 June 2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,758,616	1,821,428	460,216	124,176	**10,164,436**
Residual fair value adjustment on initial recognition	(67,369)	(21,515)	(3,905)	(3,281)	**(96,070)**
Gross loans at amortised cost	**7,691,247**	**1,799,913**	**456,311**	**120,895**	**10,068,366**
Cyprus	**7,691,008**	**1,799,913**	**454,177**	**120,895**	**10,065,993**
Other Countries	**239**	**-**	**2,134**	**-**	**2,373**
	7,691,247	**1,799,913**	**456,311**	**120,895**	**10,068,366**

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,488,354	1,721,231	576,873	159,755	**9,946,213**
Residual fair value adjustment on initial recognition	(69,659)	(22,051)	(3,530)	(10,438)	**(105,678)**
Gross loans at amortised cost	**7,418,695**	**1,699,180**	**573,343**	**149,317**	**9,840,535**
Cyprus	**7,418,432**	**1,699,180**	**545,327**	**149,317**	**9,812,256**
Other countries	**263**	**-**	**28,016**	**-**	**28,279**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

Loans and advances to customers classified as held for sale

30 June 2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	94	1,754	472,474	95,527	**569,849**
Residual fair value adjustment on initial recognition	-	(40)	(1,683)	(16,320)	**(18,043)**
Gross loans at amortised cost	**94**	**1,714**	**470,791**	**79,207**	**551,806**

29. Risk management - Credit risk (continued)

29.4 Analysis of loans and advances to customers by staging (continued)

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	-	2,132	476,538	96,209	**574,879**
Residual fair value adjustment on initial recognition	-	(57)	(2,079)	(16,954)	**(19,090)**
Gross loans at amortised cost	**-**	**2,075**	**474,459**	**79,255**	**555,789**

Residual fair value adjustment
The residual fair value adjustment mainly relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balances of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balances of loans and advances, as shown in the tables above.

The following tables present the Group's gross loans and advances to customers at amortised cost by staging and by business line concentration.

30 June 2022 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	1,709,712	421,888	16,962	18,343	**2,166,905**
Large and International corporate	1,466,397	499,664	56,220	22,875	**2,045,156**
SMEs	782,914	242,613	4,622	10,685	**1,040,834**
Retail					
- housing	2,872,402	345,464	38,045	11,969	**3,267,880**
- consumer, credit cards and other	707,746	169,818	19,957	15,954	**913,475**
Restructuring					
- corporate	6,373	33,331	8,743	43	**48,490**
- SMEs	12,510	17,222	28,884	3,245	**61,861**
- retail housing	3,854	20,918	54,630	3,825	**83,227**
- retail other	1,581	4,340	17,898	1,015	**24,834**
Recoveries					
- corporate	-	-	19,706	3,765	**23,471**
- SMEs	-	-	30,062	3,594	**33,656**
- retail housing	-	-	116,070	17,632	**133,702**
- retail other	42	-	40,721	7,442	**48,205**
International banking services	92,001	41,277	3,778	143	**137,199**
Wealth management	35,715	3,378	13	365	**39,471**
	7,691,247	**1,799,913**	**456,311**	**120,895**	**10,068,366**

29. **Risk management - Credit risk** (continued)

29.4 **Analysis of loans and advances to customers by staging** (continued)

31 December 2021 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,569,699	430,865	22,357	21,485	**2,044,406**
Large and International corporate	1,374,550	501,092	55,159	22,795	**1,953,596**
SMEs	812,211	215,012	12,522	10,589	**1,050,334**
Retail					
- housing	2,769,274	320,473	49,633	11,886	**3,151,266**
- consumer, credit cards and other	732,154	116,983	23,361	16,189	**888,687**
Restructuring					
- corporate	6,092	35,613	14,255	6,257	**62,217**
- SMEs	14,016	16,417	34,083	5,663	**70,179**
- retail housing	3,075	15,528	62,934	3,547	**85,084**
- retail other	1,409	5,701	24,838	1,050	**32,998**
Recoveries					
- corporate	-	-	29,600	6,474	**36,074**
- SMEs	-	-	35,685	3,632	**39,317**
- retail housing	-	-	154,469	28,650	**183,119**
- retail other	114	-	51,672	10,424	**62,210**
International banking services	92,193	40,715	2,775	235	**135,918**
Wealth management	43,908	781	-	441	**45,130**
	7,418,695	**1,699,180**	**573,343**	**149,317**	**9,840,535**

29. Risk management - Credit risk (continued)

29.4 Analysis of loans and advances to customers by staging (continued)

Loans and advances to customers classified as held for sale

The following table presents the Group's gross loans and advances to customers at amortised cost classified as held for sale as at 30 June 2022 and 31 December 2021, by staging and business line concentration.

30 June 2022	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Large and International corporate	-	-	10,507	-	**10,507**
SMEs	-	-	247	-	**247**
Restructuring					
- corporate	-	-	366	-	**366**
- SMEs	-	860	2,441	678	**3,979**
- retail housing	94	694	17,056	935	**18,779**
- retail other	-	160	5,537	573	**6,270**
Recoveries					
- corporate	-	-	8,640	728	**9,368**
- SMEs	-	-	14,802	1,491	**16,293**
- retail housing	-	-	208,669	39,353	**248,022**
- retail other	-	-	202,526	35,449	**237,975**
	94	**1,714**	**470,791**	**79,207**	**551,806**

31 December 2021	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Large and International corporate	-	-	10,470	3	**10,473**
SMEs	-	-	231	-	**231**
Retail					
- housing	-	-	153	-	**153**
- consumer, credit cards and other	-	-	2	-	**2**
Restructuring					
- corporate	-	-	374	-	**374**
- SMEs	-	718	3,842	741	**5,301**
- retail housing	-	804	22,113	1,387	**24,304**
- retail other	-	553	11,543	606	**12,702**
Recoveries					
- corporate	-	-	8,507	694	**9,201**
- SMEs	-	-	17,653	1,761	**19,414**
- retail housing	-	-	204,956	37,649	**242,605**
- retail other	-	-	194,615	36,414	**231,029**
	-	**2,075**	**474,459**	**79,255**	**555,789**

29. Risk management - Credit risk (continued)

29.4 Analysis of loans and advances to customers by staging (continued)

The movement of the gross loans and advances to customers at amortised cost by staging, including the loans and advances to customers classified as held for sale, is presented in the tables below:

30 June 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	292,741	(292,741)	-	-	**-**
Transfers to stage 2	(405,422)	429,065	(23,643)	-	**-**
Transfers to stage 3	(4,782)	(19,409)	24,191	-	**-**
Foreign exchange and other adjustments	(24)	-	905	-	**881**
Write offs	(398)	(295)	(100,301)	(17,522)	**(118,516)**
Interest accrued and other adjustments	94,167	38,719	37,154	13,327	**183,367**
New loans originated or purchased and drawdowns of existing facilities	1,060,453	46,984	200	852	**1,108,489**
Loans derecognised or repaid (excluding write offs)	(763,291)	(103,101)	(56,132)	(25,008)	**(947,532)**
Changes to contractual cash flows due to modifications	(798)	1,150	(3,074)	(119)	**(2,841)**
30 June	**7,691,341**	**1,801,627**	**927,102**	**200,102**	**10,620,172**

30 June 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	6,615,026	2,145,329	2,502,487	479,016	**11,741,858**
Transfers to stage 1	811,784	(811,782)	(2)	-	**-**
Transfers to stage 2	(560,426)	602,381	(41,955)	-	**-**
Transfers to stage 3	(10,274)	(24,050)	34,324	-	**-**
Foreign exchange and other adjustments	7	-	1,452	(3)	**1,456**
Write offs	(255)	(782)	(117,481)	(19,479)	**(137,997)**
Interest accrued and other adjustments	23,844	102,978	54,582	10,951	**192,355**
New loans originated or purchased and drawdowns of existing facilities	769,064	12,736	6,107	11,889	**799,796**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)	(644,376)	(103,090)	(102,577)	(40,316)	**(890,359)**
Changes to contractual cash flows due to modifications	3,465	(4,539)	(3,002)	28	**(4,048)**
Derecognition of Helix 2 portfolio	(8,408)	(16,941)	(1,087,782)	(173,714)	**(1,286,845)**
30 June	**6,999,451**	**1,902,240**	**1,246,153**	**268,372**	**10,416,216**

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'.

Significant increase in credit risk (SICR)

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

29. Risk management - Credit risk (continued)

29.4 Analysis of loans and advances to customers by staging (continued)

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

Significant increase in credit risk for loans and advances to customers
Primarily, the Group uses the lifetime probability of default (PDs) as the quantitative metric in order to assess transition from Stage 1 to Stage 2 for all portfolios. The Group considers an exposure to have experienced significant increase in credit risk (SICR) by comparing the PD at the reporting date with the PD at initial recognition to compute the relative increase in regard 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.

For Retail, SME and Corporate portfolios, the threshold applied varies depending on the original credit quality of the borrower. For specific segments, instruments with lower default probabilities at inception due to good credit quality of the counterparty, the SICR threshold is set as probability at inception times a multiple which is higher than a multiple used for instruments with higher default probabilities at inception.

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

The table below summarises the quantitative measure of the SICR trigger which varies depending on the credit quality at origination as follows, applied on 30 June 2022 and 31 December 2021:

Segment	Rating at origination	PD Deterioration thresholds applied at 30 June 2022	PD Deterioration thresholds applied at 31 December 2021
Retail	1-3	2 X PD@O	2 X PD@O
	4-5	2 X PD@O	2 X PD@O
	6-7	2 X PD@O	2 X PD@O
SME	1-3	2 X PD@O	2 X PD@O
	4-5	2 X PD@O	2 X PD@O
	6-7	2 X PD@O	2 X PD@O
Corporate	1-7	1-3 X PD@O	1-3 X PD@O

For exposures which are subject to individual impairment assessment, the following qualitative factors in addition to the ones incorporated in the PD calculation, are considered:
- significant change in collateral value or guarantee or financial support provided by shareholders/directors,
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates.

In addition, 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 funded balances up to 1% in the case of retail exposures and arrears up to €500 and funded balances up to 1% on all exposures other than retail). The materiality levels are set in accordance with the ECB Regulation (EU) 2018/1845.

29. Risk management - Credit risk (continued)

29.4 Analysis of loans and advances to customers by staging (continued)

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.

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale

The movement in ECL of loans and advances to customers, including the loans and advances to customers held for sale, is as follows:

30 June 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	4,837	(4,837)	-	-	**-**
Transfers to stage 2	(1,355)	5,604	(4,249)	-	**-**
Transfers to stage 3	(34)	(591)	625	-	**-**
Impact on transfer between stages during the period*	(4,177)	2	5,205	(41)	**989**
Foreign exchange and other adjustments	-	-	1,406	-	**1,406**
Write offs	(398)	(295)	(100,781)	(17,522)	**(118,996)**
Interest (provided) not recognised in the income statement	-	-	7,697	1,471	**9,168**
New loans originated or purchased*	1,985	-	-	27	**2,012**
Loans derecognised or repaid (excluding write offs)*	(254)	(830)	(7,779)	(1,490)	**(10,353)**
Write offs*	380	196	6,565	734	**7,875**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	625	(3,302)	28,536	4,162	**30,021**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(158)	1,685	(3,755)	(261)	**(2,489)**
30 June 2022	**16,908**	**27,015**	**412,266**	**54,861**	**511,050**
Individually assessed	6,380	12,327	63,636	4,530	**86,873**
Collectively assessed	10,528	14,688	348,630	50,331	**424,177**
	16,908	**27,015**	**412,266**	**54,861**	**511,050**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 10).

The impairment loss for the six months ended 30 June 2022 was driven mainly from additional net credit losses recorded on NPEs as part of the Group's de-risking activities and additional ECL charge of €9 million following the changes in the methodology for the cure models and the new overlays introduced in 2022, as explained in Note 6.2.

29. Risk management - Credit risk (continued)

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

30 June 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	22,619	49,127	1,376,412	204,477	**1,652,635**
Transfers to stage 1	11,504	(11,504)	-	-	**-**
Transfers to stage 2	(3,543)	9,116	(5,573)	-	**-**
Transfers to stage 3	(437)	(197)	634	-	**-**
Impact on transfer between stages during the period*	(10,536)	1,291	2,328	(264)	**(7,181)**
Foreign exchange and other adjustments	165	-	1,193	(44)	**1,314**
Write offs	(255)	(782)	(117,482)	(19,479)	**(137,998)**
Interest (provided) not recognised in the income statement	-	-	30,896	4,322	**35,218**
New loans originated or purchased*	4,606	-	-	-	**4,606**
Loans other than Helix 2 portfolio derecognised or repaid (excluding write offs)*	(246)	(436)	(12,673)	397	**(12,958)**
Write offs*	242	350	(4,331)	579	**(3,160)**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(3,306)	(4,450)	65,757	9,120	**67,121**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(654)	1,020	(5,044)	(2,033)	**(6,711)**
Disposal of Helix 2 portfolio	(3,197)	(12,802)	(725,525)	(109,569)	**(851,093)**
30 June 2021	**16,962**	**30,733**	**606,592**	**87,506**	**741,793**
Individually assessed	5,748	11,858	86,297	7,869	**111,772**
Collectively assessed	11,214	18,875	520,295	79,637	**630,021**
	16,962	**30,733**	**606,592**	**87,506**	**741,793**

The analysis of credit losses of loans and advances to customers, including the loans and advances to customers held for sale, by business line is presented in the table below:

29. Risk management - Credit risk (continued)

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

30 June 2022	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	6,441	4,445	5,878	965	**17,729**
Large and International corporate	4,554	7,509	33,334	973	**46,370**
SMEs	1,550	3,217	2,235	178	**7,180**
Retail					
- housing	1,775	2,096	5,833	281	**9,985**
- consumer, credit cards and other	2,295	4,907	7,671	1,087	**15,960**
Restructuring					
- corporate	41	2,135	1,849	24	**4,049**
- SMEs	102	1,132	13,743	872	**15,849**
- retail housing	46	719	15,735	809	**17,309**
- retail other	29	603	10,116	816	**11,564**
Recoveries					
- corporate	-	-	17,650	2,460	**20,110**
- SMEs	-	-	22,153	1,308	**23,461**
- retail housing	-	-	125,168	21,652	**146,820**
- retail other	-	-	150,114	23,431	**173,545**
International banking services	44	248	783	4	**1,079**
Wealth management	31	4	4	1	**40**
	16,908	**27,015**	**412,266**	**54,861**	**511,050**

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	5,131	6,851	18,163	750	**30,895**
Large and International corporate	4,204	6,511	28,539	734	**39,988**
SMEs	1,653	3,242	8,151	276	**13,322**
Retail					
- housing	1,615	2,868	7,045	317	**11,845**
- consumer, credit cards and other	2,674	4,434	8,223	1,002	**16,333**
Restructuring					
- corporate	40	1,397	5,015	2,292	**8,744**
- SMEs	79	1,139	13,970	884	**16,072**
- retail housing	3	708	20,005	775	**21,491**
- retail other	14	1,049	16,583	806	**18,452**
Recoveries					
- corporate	-	-	21,374	3,518	**24,892**
- SMEs	-	-	26,338	2,045	**28,383**
- retail housing	-	-	152,596	27,732	**180,328**
- retail other	-	-	152,691	26,643	**179,334**
International banking services	33	1,181	102	6	**1,322**
Wealth management	11	3	1	1	**16**
	15,457	**29,383**	**478,796**	**67,781**	**591,417**

29. Risk management - Credit risk (continued)

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

Credit losses of loans and advances to customers as at 30 June 2022 and 31 December 2021 include credit losses relating to loans and advances to customers classified as held for sale as presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
	€000	€000	€000	€000	**€000**
30 June 2022	**7**	**438**	**262,821**	**41,333**	**304,599**
31 December 2021	-	710	262,706	42,003	**305,419**

During the six months ended 30 June 2022 the total non-contractual write-offs recorded by the Group amounted to €98,625 thousand (30 June 2021: €116,667 thousand). The contractual amount outstanding on financial assets that were written off during the six months ended 30 June 2022 and that are still subject to enforcement activity is €538,069 thousand (31 December 2021: €984,329 thousand).

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

At 30 June 2022 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers is approximately 32% under the baseline scenario (31 December 2021: approximately 32%), excluding those classified as held for sale.

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2021: average of seven years), excluding those classified as held for sale.

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case.

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively.

For Stage 3 customers, the base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional favourable and adverse scenarios. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario. Under the favourable scenario, applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures. In the case of loans held for sale the Group takes into consideration the timing of expected sale and the estimated sale proceeds in determining the ECL.

The above assumptions are also influenced by the ongoing regulatory dialogue BOC PCL maintains with its lead regulator, the ECB, and other regulatory guidance and interpretations issued by various regulatory and industry bodies such as the ECB and the EBA, which provide guidance and expectations as to relevant definitions and the treatment/classification of certain parameters/assumptions used in the estimation of provisions.

29. Risk management - Credit risk (continued)

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the estimated amount of expected credit losses of loans and advances to customers.

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Group (excluding the loans and advances to customers classified as held for sale) with reference date 30 June 2022 and 31 December 2021.

The Group has altered for the purpose of sensitivity analysis the below parameters and the impact on the ECL, for both individually and collectively assessed ECL calculations, is presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	30 June 2022	31 December 2021
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**2,854**	3,610
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(2,841)**	(3,626)
Increase the expected recovery period by 1 year	**4,847**	8,000
Decrease the expected recovery period by 1 year	**(4,304)**	(7,421)
Increase the collateral realisation haircut by 5%	**13,451**	19,063
Decrease the collateral realisation haircut by 5%	**(11,107)**	(16,906)
Increase in the PDs of stages 1 and 2 by 20%	**7,230**	8,190
Decrease in the PDs of stages 1 and 2 by 20%	**(6,870)**	(8,011)

The increase/(decrease) on ECL, per stage, for loans and advances to customers at amortised cost is further presented in the table below:

30 June 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%	155	295	2,404	**2,854**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(161)	(276)	(2,404)	**(2,841)**
Increase the expected recovery period by 1 year	395	1,138	3,314	**4,847**
Decrease the expected recovery period by 1 year	(369)	(1,019)	(2,916)	**(4,304)**
Increase the collateral realisation haircut by 5%	1,076	2,888	9,487	**13,451**
Decrease the collateral realisation haircut by 5%	(888)	(2,309)	(7,910)	**(11,107)**
Increase in the PDs of stages 1 and 2 by 20%*	1,875	5,355	-	**7,230**
Decrease in the PDs of stages 1 and 2 by 20%*	(2,302)	(4,568)	-	**(6,870)**

31 December 2021	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	384	413	2,813	**3,610**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(351)	(461)	(2,814)	**(3,626)**
Increase the expected recovery period by 1 year	434	1,402	6,164	**8,000**
Decrease the expected recovery period by 1 year	(401)	(1,323)	(5,697)	**(7,421)**
Increase the collateral realisation haircut by 5%	1,215	3,742	14,106	**19,063**
Decrease the collateral realisation haircut by 5%	(1,004)	(3,266)	(12,636)	**(16,906)**
Increase in the PDs of stages 1 and 2 by 20%*	2,687	5,503	-	**8,190**
Decrease in the PDs of stages 1 and 2 by 20%*	(2,882)	(5,129)	-	**(8,011)**

*The impact on the ECL also includes the transfer between stages of the loans and advances to customers following the increase/ decrease in the PD.

29. Risk management - Credit risk (continued)

29.5 Credit losses of loans and advances to customers, including loans and advances to customers held for sale (continued)

The sensitivity analysis performed on the collateral realisation haircut and its impact on the ECL by business line is presented in the table below:

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	30 June 2022	**30 June 2022**	31 December 2021	31 December 2021
	€000	**€000**	€000	€000
Corporate	**1,687**	**(1,380)**	1,365	(1,272)
Large and International corporate	**1,290**	**(1,228)**	2,194	(1,976)
SMEs	**524**	**(444)**	724	(627)
Retail				
- housing	**1,492**	**(1,263)**	1,838	(1,545)
- consumer, credit cards and other	**628**	**(530)**	718	(653)
Restructuring				
- corporate	**290**	**(254)**	551	(558)
- SMEs	**944**	**(852)**	956	(858)
- retail housing	**958**	**(823)**	1,079	(972)
- retail other	**380**	**(333)**	458	(420)
Recoveries				
- corporate	**640**	**(553)**	748	(760)
- SMEs	**853**	**(722)**	1,114	(940)
- retail housing	**2,626**	**(1,899)**	5,541	(4,889)
- retail other	**982**	**(680)**	1,503	(1,233)
International banking services	**157**	**(146)**	273	(202)
Wealth management	**-**	**-**	1	(1)
	13,451	**(11,107)**	19,063	(16,906)

29. Risk management - Credit risk (continued)

29.6 Currency concentration of loans and advances to customers

The following table presents the currency concentration of the Group's loans and advances at amortised cost.

Gross loans at amortised cost	**30 June 2022 €000**	31 December 2021 €000
Euro	**9,478,377**	9,294,950
US Dollar	**453,374**	372,263
British Pound	**91,859**	93,369
Russian Rouble	**350**	16,329
Romanian Lei	**1**	-
Swiss Franc	**42,596**	61,336
Other currencies	**1,809**	2,288
	10,068,366	9,840,535

Loans and advances to customers classified as held for sale

The following table presents the currency concentration of the Group's loans and advances at amortised cost classified as held for sale.

Gross loans at amortised cost	**30 June 2022 €000**	31 December 2021 €000
Euro	**528,996**	533,190
US Dollar	**752**	700
British Pound	**226**	230
Swiss Franc	**18,279**	18,184
Other currencies	**3,553**	3,485
	551,806	555,789

29.7 Forbearance/Restructuring

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group.

The loans forborne continue to be classified as Stage 3 in the case they are performing forborne exposures under probation for which additional forbearance measures are extended, or performing forborne exposures, previously classified as NPEs that present more than 30 days past due within the probation period.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (e.g. provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest).

29. Risk management - Credit risk (continued)

29.7 Forbearance/Restructuring (continued)

For an account to qualify for rescheduling it must meet certain criteria including that the customer must be considered to be viable. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be allowed in specific situations in response to legal or regulatory agreements or orders.

The forbearance characteristic contributes in two specific ways for the calculation of lifetime ECL for each individual facility. Specifically, it is taken into consideration in the scorecard development where if this characteristic is identified as statistically significant it affects negatively the rating of each facility. It also contributes in the construction through the cycle probability of default and cure curves, where when feasible a specific curve for the forborne products is calculated and assigned accordingly.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower’s financing (financial restructuring).

Restructuring options may be of a short or long term nature or a combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

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

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

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

29. Risk management - Credit risk (continued)

29.7 Forbearance/Restructuring (continued)

- Partial or full write-off: BOC PCL agrees to seize the right to recover part of the debt or the entire amount due from the borrower (such as Fast Settlement), according to the provisions of the respective write-off policy.
- 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.
- 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.

29.8 Rescheduled loans and advances to customers

The below table presents the movement of the Group's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale. The rescheduled loans related to loans and advances classified as held for sale as at 30 June 2022 amounts to €238,195 thousand (31 December 2021: €245,452 thousand and 30 June 2021: nil).

	30 June 2022	30 June 2021
	€000	€000
1 January	**1,469,182**	1,981,825
New loans and advances rescheduled in the period	**56,411**	405,472
Loans no longer classified as rescheduled and repayments	**(148,629)**	(283,370)
Write off of rescheduled loans and advances	**(39,834)**	(58,758)
Interest accrued on rescheduled loans and advances	**26,911**	25,932
Foreign exchange adjustments	**1,127**	385
Derecognition of Helix 2 portfolio	**-**	(733,448)
30 June	**1,365,168**	1,338,038

The classification as forborne loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. The criteria are set out in the EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

The below tables present the Group's rescheduled loans and advances to customers by staging, economic activity and business line classification excluding those classified as held for sale, as well as ECL allowances and tangible collateral held for such rescheduled loans.

	30 June 2022	31 December 2021
	€000	€000
Stage 1	**-**	6,883
Stage 2	**818,330**	828,849
Stage 3	**281,832**	348,385
POCI	**26,811**	39,613
	1,126,973	1,223,730

29. Risk management - Credit risk (continued)

29.8 Rescheduled loans and advances to customers (continued)

Fair value of collateral

	30 June 2022	31 December 2021
	€000	€000
Stage 1	**-**	6,751
Stage 2	**774,087**	782,843
Stage 3	**230,213**	275,882
POCI	**23,355**	37,824
	1,027,655	1,103,300

The fair value of collateral presented above has been computed based to the extent that the collateral mitigates credit risk.

Credit risk concentration

	30 June 2022	31 December 2021
By economic activity	**€000**	€000
Trade	**44,452**	52,714
Manufacturing	**14,925**	16,217
Hotels and catering	**264,027**	259,534
Construction	**230,792**	164,871
Real estate	**136,820**	196,522
Private individuals	**336,966**	414,463
Professional and other services	**78,528**	96,714
Other sectors	**20,463**	22,695
	1,126,973	1,223,730

29. Risk management - Credit risk (continued)

29.8 Rescheduled loans and advances to customers (continued)

30 June 2022 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	-	272,991	4,267	2,964	**280,222**
Large and international corporate	-	312,715	54,841	-	**367,556**
SMEs	-	79,657	1,701	923	**82,281**
Retail					
- housing	-	63,318	29,528	1,926	**94,772**
- consumer, credit cards and other	-	23,247	13,118	847	**37,212**
Restructuring					
- corporate	-	21,977	4,003	1	**25,981**
- SMEs	-	11,004	19,118	2,303	**32,425**
- retail housing	-	19,112	44,426	3,524	**67,062**
- retail other	-	3,841	11,057	419	**15,317**
Recoveries					
- corporate	-	-	9,518	1,831	**11,349**
- SMEs	-	-	10,611	2,250	**12,861**
- retail housing	-	-	58,985	7,109	**66,094**
- retail other	-	-	17,737	2,386	**20,123**
International banking services	-	10,468	2,922	1	**13,391**
Wealth management	-	-	-	327	**327**
	-	**818,330**	**281,832**	**26,811**	**1,126,973**

31 December 2021 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	6,461	255,488	14,735	-	**276,684**
Large and international corporate	-	303,823	53,667	-	**357,490**
SMEs	-	96,654	5,736	3,972	**106,362**
Retail					
- housing	381	97,548	38,276	2,548	**138,753**
- consumer, credit cards and other	41	29,578	16,181	1,206	**47,006**
Restructuring					
- corporate	-	6,941	8,882	6,013	**21,836**
- SMEs	-	8,705	23,410	3,775	**35,890**
- retail housing	-	13,500	49,746	3,362	**66,608**
- retail other	-	5,047	15,088	426	**20,561**
Recoveries					
- corporate	-	-	17,503	2,293	**19,796**
- SMEs	-	-	12,402	1,980	**14,382**
- retail housing	-	-	70,951	10,367	**81,318**
- retail other	-	-	19,313	3,165	**22,478**
International banking services	-	11,565	2,495	99	**14,159**
Wealth management	-	-	-	407	**407**
	6,883	**828,849**	**348,385**	**39,613**	**1,223,730**

29. Risk management - Credit risk (continued)

29.8 Rescheduled loans and advances to customers (continued)

ECL allowance

	30 June 2022	31 December 2021
	€000	€000
Stage 1	**-**	8
Stage 2	**12,276**	13,349
Stage 3	**93,731**	120,345
POCI	**5,719**	10,218
	111,726	143,920

30. Risk management - Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market Risk department is responsible for monitoring the risk on financial instruments resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk refers to the current or prospective risk to Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions.

Interest rate risk is measured mainly using the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis where the assets, liabilities and off-balance sheet items, are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated. Interest rate risk is managed through a 1 Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the net interest income. There are different limits for the Euro and the US Dollar.

Sensitivity analysis

The table below sets out the impact on the Group’s net interest income, over a one-year period, from reasonably possible changes in the interest rates of the main currencies using the assumption of the prevailing market risk policy for the current and the comparative period:

30. Risk management - Market risk (continued)

		Impact on Net Interest Income in €000	
Currency	**Interest Rate Scenario**	**30 June 2022 (50 bps for Euro and 60 bps for US Dollar)**	**31 December 2021 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	53,336	35,677
All	Parallel down	(48,311)	(28,235)
All	Steepening	(33,955)	(19,944)
All	Flattening	42,534	25,546
All	Short up	51,166	33,182
All	Short down	(47,077)	(28,169)
Euro	Parallel up	52,302	34,484
Euro	Parallel down	(46,103)	(26,230)
Euro	Steepening	(31,851)	(17,866)
Euro	Flattening	42,107	25,153
Euro	Short up	50,287	32,200
Euro	Short down	(44,121)	(25,208)
US Dollar	Parallel up	1,034	1,193
US Dollar	Parallel down	(2,208)	(2,005)
US Dollar	Steepening	(2,104)	(2,078)
US Dollar	Flattening	427	393
US Dollar	Short up	879	982
US Dollar	Short down	(2,956)	(2,961)

30. Risk management - Market risk (continued)

The table below sets out the impact on the Group's equity, from reasonably possible changes in the interest rates under various interest rate scenarios for the Euro and the US Dollar in line with the EBA guidelines.

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**30 June 2022 (50 bps for Euro and 60 bps for US Dollar)**	**31 December 2021 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	5,147	(14,964)
All	Parallel down	(9,228)	23,698
All	Steepening	(11,749)	(9,300)
All	Flattening	8,207	8,986
All	Short up	10,396	3,616
All	Short down	(20,326)	6,273
Euro	Parallel up	4,313	(18,080)
Euro	Parallel down	(1,804)	60,603
Euro	Steepening	(11,128)	(7,836)
Euro	Flattening	17,544	17,714
Euro	Short up	16,315	2,234
Euro	Short down	(13,550)	26,386
US Dollar	Parallel up	5,980	6,232
US Dollar	Parallel down	(7,424)	(6,604)
US Dollar	Steepening	(621)	(1,464)
US Dollar	Flattening	(565)	258
US Dollar	Short up	4,476	4,998
US Dollar	Short down	(6,776)	(6,920)

The aggregation of the impact on equity was performed as per the EBA guidelines by adding the negative and 50% of the positive impact of each scenario.

In addition to the above fluctuations in net interest income, interest rate changes can result in fluctuations in the fair value of investments at FVPL (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified at FVOCI.

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's profit/loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
30 June 2022	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**(619)**	**(504)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**619**	**504**

30. 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**
31 December 2021		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	1,219	(739)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	(782)	739

Interest rate benchmark reform
The LIBOR and the EURIBOR (collectively referred to as IBORs) are the subject of international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented as explained further below. These reforms may cause such benchmarks to perform differently from the past or cease to exist entirely or have other consequences that cannot be predicted.

Regarding LIBOR reform, regulators and industry working groups have identified alternative rates to transition to. On 5 March, 2021 the Financial Conduct Authority (FCA) confirmed that all LIBOR settings would either cease to be provided by any administrator or no longer be representative of the underlying market they intended to measure:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

In October 2021, the European Commission designated a statutory replacement rate for certain settings of CHF LIBOR. On 16 November 2021, the Financial Conduct Authority of the United Kingdom (UK FCA) confirmed that they would permit the temporary use of the synthetic GBP and JPY LIBOR in all legacy LIBOR contracts, other than cleared derivatives that have not been changed at or ahead of end-31 December 2021. Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances.

How the Group is managing the transition to alternative benchmark rates
BOC PCL established a project to manage the transition to alternative interest rate benchmarks with the Director of Treasury as the project owner and with oversight from a dedicated Benchmark Steering Committee. The main divisions involved in the project at the highest level are the Legal Department, Treasury, Risk Management, Finance, Information Technology (IT), Operations and the business lines. The Assets and Liabilities Committee (ALCO) monitors the project on a regular basis.

The Group's transition project also involved the drawing up of appropriate fallback provisions for LIBOR linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021.

For the legacy non-cleared derivatives exposures, the Group has adhered to the International Swaps and Derivatives Association (ISDA) protocol which came into effect in January 2021, while for cleared derivatives, BOC PCL adopted the market wide standardised approach to be followed by the relevant clearing house.

30. Risk management - Market risk (continued)

The Group proactively engaged with its customer base and market counterparties for the amendment of substantially all impacted LIBOR contracts (other than the relevant contracts referencing to USD LIBOR and which they will cease on 30 June 2023) by 31 December 2021 for transitioning to alternative rates. Those legacy credit facilities in CHF for which the contract was not amended by the first interest period commencing in 2022 ('tough legacy'), have been transitioned to the statutory rate provided by EU legislation. The Group has also made the necessary arrangements to transition its tough legacy GBP and JPY credit facilities to alternative rates by notifying its customer base accordingly and reserving the right to use a statutory rate provided by EU legislation in case such a rate is nominated in the future. Specifically, in anticipation that the European Commission might not designate an alternative rate for JPY and GBP Libor, the Group has informed its customers of its decision to transition tough legacy JPY and GBP LIBOR credit facilities to the same alternative rates, as if the customer has signed the relevant contract amendment. This would ensure that customers would not be treated differently to other similar customers on the same JPY and GBP LIBOR tenor who have signed their contract amendment. The Group has also engaged in client communication to inform customers and ensure a smooth transition of non-USD LIBOR credit facilities to RFRs.

New RFR lending products have also been introduced and adopted across the Group’s key currencies.

The Group's project for the transition to alternative interest rate benchmarks is now focused of the transition of USD LIBOR contracts ahead of the June 2023 deadline.

BOC PCL has dedicated teams in place to support the transition and continuously assess, monitor and dynamically manage risks arising from the transition when required.

The Group has also been actively monitoring for any market and regulatory developments published by regulatory bodies as well as by relevant Working Groups across various jurisdictions.

The Group will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform which have yet to transition as at 30 June 2022 and 31 December 2021 to the replacement benchmark rate at the respective date:

30 June 2022	**USD LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**
Loans and advances to customers	451,218	-	**451,218**
Loans and advances to banks	42,081	2,104	**44,185**
Total	**493,299**	**2,104**	**495,403**
Non-derivative financial liabilities			
Deposits by banks	114	374	**488**
Total	**114**	**374**	**488**

31 December 2021	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other LIBOR**	**Total**
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	92,819	364,113	26,727	1,627	**485,286**
Loans and advances to banks	18,341	87,397	4,984	10,261	**120,983**
Total	**111,160**	**451,510**	**31,711**	**11,888**	**606,269**
Non-derivative financial liabilities					
Deposits by banks	113	7,658	-	503	**8,274**
Total	**113**	**7,658**	**-**	**503**	**8,274**

EURIBOR is in compliance with the EU Benchmarks Regulation and can continue to be used as a benchmark interest rate for existing and new contracts. The Group therefore, does not consider that Group’s exposure to EURIBOR is affected by the BMR reform.

30. Risk management - Market risk (continued)

For derivatives in hedging relationships subject to IBOR reform refer to Note 14.

Currency risk

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

The impact on equity arises mainly from the impact of hedging instruments used to hedge part of the net assets of the subsidiaries. At Group level, there is an approximately equal and opposite impact on equity from the revaluation of the net assets of the foreign operations of the Group.

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.

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 30 June 2022 was A3 (31 December 2021: A3). The average rating excluding the Cyprus Government bond and non-rated transactions as at 30 June 2022 was Aa2 (31 December 2021: Aa2).

Property price risk

A significant part of the Group's loan portfolio is secured by real estate the majority of which is located in Cyprus. Furthermore, the Group holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Group primarily as stock of properties and some are held as investment properties.

Property risk is the risk that the Group's business and financial position will be affected by adverse changes in the demand for, and prices of, real estate, or by regulatory capital requirements relating to increased charges with respect to the stock of properties held.

31. Risk management - Liquidity and funding risk

Liquidity Risk

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

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment and unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management has adopted a strategy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

Management and structure

The Board of Directors sets the Group's Liquidity Risk Appetite which defines the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews at frequent intervals the liquidity position of the Group.

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

31. Risk management - Liquidity and funding risk (continued)

The Treasury Division is responsible for liquidity management at Group level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

Liquidity is also monitored daily by Market Risk, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market Risk reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:
(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.
(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags and take action when the ratios deteriorate.
(iv) Early warning indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.
(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.
(vi) Recovery Plan: the Group has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Group to be adequately prepared to respond to stressed conditions and restore the Group’s liquidity position.

Monitoring process

Daily
The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group’s activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day’s buffer. The historical summary results of this report are made available to ALCO members and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable BOC PCL to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Group. The stress test assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos (as applicable).

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

31. Risk management - Liquidity and funding risk (continued)

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International Banking Services deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting 30-day mismatch between assets and liabilities is compared to previous month's mismatch.

Market Risk also prepares a monthly liquidity report which is submitted to the ECB. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of BOC PCL and describes the measures implemented and to be implemented in the short term to improve liquidity position if needed.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB on a monthly basis.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB on a quarterly basis.

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, processes for the identification, measurement, management and monitoring of liquidity risk implemented by the institution.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the extended ALCO. The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is tested annually. The LCP, which forms part of the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the Board Risk Committee for approval. The approved Liquidity Policy is notified to the SSM.

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), enforced in June 2021, with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

Funding risk

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

Main sources of funding

As at 30 June 2022 the Group's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. Wholesale funding is also becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021 and the issuance of senior preferred debt of €300 million in June 2021.

31. Risk management - Liquidity and funding risk (continued)

With respect to TLTRO III operations, BOC PCL borrowed in March 2021 an amount of €1,700 million and in June 2021 another €300 million, having previously borrowed in June 2020 €1,000 million under the TLTRO III, given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID 19 aid package. As a result, at 30 June 2022 the carrying value of the ECB funding was €2,955 million (31 December 2021: €2,970 million).

As at 30 June 2022, the wholesale funding nominal amount was €820 million (31 December 2021: €856 million). This includes funding raised from the wholesale debt capital markets of €220 million AT1 issued in December 2018, €300 million new Tier 2 issued in April 2021 and €300 million senior preferred debt issued in June 2021. In January 2022, BOC PCL redeemed the remaining €36 million outstanding of the Tier 2 issued in January 2017.

Funding to subsidiaries

The funding provided by BOC PCL to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to BOC PCL, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable. Certain subsidiaries have a recommendation from their regulator to exercise caution and prudence regarding dividend distributions and to consider the impact of COVID-19 on their operating models, solvency, liquidity and financial position.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 30 June 2022 and 31 December 2021 are summarised below:

	30 June 2022	31 December 2021
	€000	€000
Cash and other liquid assets	**66,579**	102,463
Investments	**1,369,471**	1,260,158
Loans and advances	**3,283,003**	3,126,803
	4,719,053	4,489,424

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond. The decrease in cash and other liquid assets presented as encumbered assets during the six months ended 30 June 2022 was driven mainly by the decrease in cash encumbered for derivatives.

As at 30 June 2022 and 31 December 2021, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The increase in the investments presented as encumbered assets during the six months ended 30 June 2022 was driven by the pledging of additional debt securities to the ECB in anticipation of the gradual phasing out of the pandemic collateral easing measures effective from 8 July 2022.

Loans and advances indicated as encumbered as at 30 June 2022 and 31 December 2021 are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,005 million as at 30 June 2022 (31 December 2021: €1,007 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore as at 30 June 2022 housing loans of a nominal amount of €2,223 million (31 December 2021: €2,091 million) in Cyprus, are pledged as collateral for funding from the ECB.

31. 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 on 12 December 2026 and 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 €32,201 thousand as at 30 June 2022 (31 December 2021: €36,571 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €62,735 thousand as at 30 June 2022 (31 December 2021: €71,321 thousand).

32. Capital management

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

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

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

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

The Group and BOC PCL have complied with the minimum capital requirements (Pillar I and Pillar II).

32. Capital management (continued)

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

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and EuroLife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated UCITS management company of the Group, BOC Asset Management Ltd complies with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements. CISCO has been classified as Non-Systemic 'Class 2' company under the prudential regime for Investment Firms and is subject to the new IFR/IFD regime in full. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements.

Additional information on regulatory capital is disclosed in 'Additional Risk and Capital Management Disclosures' included in the Interim Financial Report 2022 and in the 'Interim Pillar III disclosures 2022', which are available on the Group's website.

33. 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.

Fees and emoluments of members of the Board of Directors and other key management personnel

	Six months ended 30 June	
	2022	2021
Director emoluments	**€000**	€000
Executives		
Salaries and other short-term benefits	**523**	337
Employer's contributions	**35**	20
Retirement benefit plan costs	**44**	30
	602	387
Non-executives		
Fees	**663**	615
Total directors' emoluments	**1,265**	1,002
Other key management personnel emoluments		
Salaries and other short-term benefits	**1,397**	1,792
Employer's contributions	**163**	138
Retirement benefit plan costs	**105**	100
Total other key management personnel emoluments	**1,665**	2,030
Total	**2,930**	3,032

The fees of the non-executive Directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as of committees of the Board of Directors.

33. Related party transactions (continued)

Other key management personnel

The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the Senior Management team (Extended EXCO) (prior to the change in the Group organisational structure, those members of the management team who report directly to the Chief Executive Officer or to the Deputy Chief Executive Officer & Chief of Business). Mrs Eliza Livadiotou has been appointed as member of the Board of Directors from 6 October 2021 and her emoluments from that date onwards are disclosed within the Executive Directors emoluments above.

Aggregate amounts outstanding and additional transactions

The table below shows the loans and advances, deposits and other credit balances held by the members of the Board of Directors and key management personnel and their connected persons, as at the balance sheet date:

	30 June 2022	31 December 2021
Loans and advances	**€000**	€000
- members of the Board of Directors and other key management personnel	**2,504**	2,364
- connected persons	**773**	164
	3,277	2,528
Deposits		
- members of the Board of Directors and other key management personnel	**5,127**	2,687
- connected persons	**3,145**	2,254
	8,272	4,941
Accruals and other liabilities		
- balances with entity providing key management personnel services	**n/a**	1,199

The above table does not include period/year-end balances for members of the Board of Directors and other key management personnel and their connected persons who resigned during the year.

The aggregate expected credit loss allowance of the above loans and credit facilities is below €7 thousand as at 30 June 2022. All interest that has fallen due on these loans or credit facilities has been paid.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Group's employees and to their connected persons on the same terms as those of customers.

Connected persons include spouses, minor/dependent children and companies in which directors/other key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Related parties also include entities providing key management personnel services to the Group.

The table below discloses interest, commission and insurance premium income, as well other transactions and expenses with the members of the Board of Directors, key management personnel and their connected persons for the reference period.

33. Related party transactions (continued)

	Six months ended 30 June	
	2022	2021
	€000	€000
Interest income for the period	**29**	366
Commission income for the period	**3**	1
Insurance premium income for the period	**206**	160
Subscriptions and insurance expenses for the period	**488**	348
Staff costs, consultancy and restructuring expenses with entity providing key management personnel services	**-**	7,035

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 six months ended 30 June 2022 connected persons of key management personnel transacted with REMU for the purchase of a property amounting to €58 thousand (30 June 2021: nil). The transaction is made on normal business terms as for comparable transactions with third parties.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €130 thousand as at 30 June 2022 (31 December 2021: €133 thousand).

There were also contingent liabilities and commitments to key management personnel and their connected persons amounting to €1,181 thousand as at 30 June 2022 (31 December 2021: €573 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 30 June 2022 amounted to €1,290 thousand (31 December 2021: €774 thousand).

During the six months ended 30 June 2022 premiums of €94 thousand (six months ended 30 June 2021: €68 thousand) and claims of €20 thousand (six months ended 30 June 2021: €15 thousand) were paid between the members of the Board of Directors of the Company and their connected persons and the insurance subsidiaries of the Group.

There were no other transactions during the six months ended 30 June 2022 and the year ended 31 December 2021 with connected persons of the current members of the Board of Directors or with any members who resigned during the period/year.

34. 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 30 June 2022 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Holdings Public Limited Company	Ireland	Holding company	n/a
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	100
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking and brokerage	100
BOC Asset Management Ltd	Cyprus	Management administration and safekeeping of UCITS Units	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of 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	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

34. Group companies (continued)

In addition to the above companies, as at 30 June 2022 BOC PCL had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Samilo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Prodino Properties Ltd, Alezia Properties Ltd, Zenoplus Properties Ltd, Alepar Properties Ltd, Enelo Properties Ltd, Monata Properties Ltd and Vertilia Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 30 June 2022 BOC PCL had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 30 June 2022 BOC PCL had 100% shareholding in BOC Terra AIF V.C.I Plc which is a real estate alternative investment fund.

At 30 June 2022 BOC PCL had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Cramonco Properties Ltd, Aktilo Properties Ltd, Aparno Properties Ltd, Stormino Properties Ltd, Lomenia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

In addition, BOC PCL holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, 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.

34. Group companies (continued)

BOC PCL also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Folimo Properties Ltd, Paneuropean Ltd, Philiki Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC IV Ltd, Steparco Ltd, Trecoda Properties Ltd and Romaland Properties Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

Acquisitions of subsidiaries

During the six months ended 30 June 2022 and during 31 December 2021 there were no acquisitions of subsidiaries.

Dissolution and disposal of subsidiaries

There were no material disposals of subsidiaries during the six months ended 30 June 2022. Renalandia Properties Ltd, Crolandia Properties Ltd, Elosis Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Polkima Properties Ltd and Fledgego Properties Ltd were dissolved during the six months ended 30 June 2022. Vieman Ltd, Edilia Properties Ltd, Limoro Properties Ltd, Stevolo Properties Ltd, Yossi Properties Ltd and Jalimo Properties Ltd were disposed off during the six months ended 30 June 2022.

As at 30 June 2022, the following subsidiaries were in the process of dissolution or in the process of being struck off: Fantasio Properties Ltd, Demoro Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Fairford Properties Ltd, Salecom Ltd, Sylvesta Properties Ltd, Bocaland Properties Ltd, Tantora Properties Ltd, Selilar Properties Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd and Battersee Real Estate SRL.

35. Investments in associates and joint venture

	Percentage holding (%)	Type of investment
Aris Capital Management LLC	**30.0**	Associate
Rosequeens Properties Limited	**33.3**	Associate
Rosequeens Properties SRL	**33.3**	Associate
Tsiros (Agios Tychon) Ltd	**50.0**	Joint Venture
Fairways Automotive Holdings Ltd	**45.0**	Associate

The carrying values of the investments in associates and joint venture are considered to be fully impaired and their value has been restricted to zero.

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
In March 2021, the Group completed the sale of its entire holding of 34.2% of the UCITS of Apollo. The Group considered that it exercised significant influence over Apollo even though no Board representation existed, because due to its UCITS holdings, it possessed the power to potentially appoint members of the Board of Directors. During the year ended 31 December 2021, an amount of €137 thousand was recognised in the consolidated income statement as the Group's share of profit from Apollo. The loss on the sale of the investment in associate amounted to €97 thousand and has been recognised in 'Other Income' during the year ended 31 December 2021.

36. Events after the reporting period

Voluntary exit plan

In July 2022, the Group proceeded with a VEP for its employees, with a cost of around €99 million. In total around 550 employees accepted the VEP and are expected to leave the Group in the second half of 2022.

Independent review report to Bank of Cyprus Holdings Public Limited Company

Report on the consolidated condensed interim financial statements

Our conclusion

We have reviewed Bank of Cyprus Holdings Public Limited Company's consolidated condensed interim financial statements (the "interim financial statements") in the Interim Financial Report of Bank of Cyprus Holdings Public Limited Company for the six month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The interim financial statements, comprise:

- The Interim Consolidated Balance Sheet as at 30 June 2022;
- the Interim Consolidated Income Statement and Interim Consolidated Statement of Comprehensive Income for the period then ended;
- the Interim Consolidated Statement of Cash Flows for the period then ended;
- the Interim Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Financial Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

As disclosed in note 3.2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority. In preparing the Interim Financial Report including the interim financial statements, the directors are 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 directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Financial Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
Chartered Accountants
30 August 2022
Dublin

Additional Risk and Capital Management Disclosures

30 June 2022

The Group is exposed to risks which it monitors, manages and mitigates through various control mechanisms. Information relating to Group's risks and risk management in relation to credit risk, market risk, liquidity and funding risk as well as capital management is set out in the Notes 29-32 to the Consolidated Condensed Interim Financial Statements (the 'Consolidated Financial Statements'). This report includes additional disclosures on the principal and emerging risks faced by the Group and capital management disclosures.

The Board of Bank of Cyprus Holdings PLC is responsible to ensure that a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of all risks is in place. The framework provides the infrastructure, processes and analytics needed to support effective risk management. It also ensures that material risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with its risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained. To that end, a consolidated risk report and risk appetite dashboard is regularly reviewed and discussed by the Board and the Risk Committee (RC) to ensure the risk profile is within the approved risk appetite. In case violations occur, the Risk Appetite Framework provides the necessary escalation process to analyse the materiality and nature of the breach, notify the appropriate authorities, and decide the necessary remediation actions to address the issue.

1. Credit risk

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their credit obligations towards the Group. Further information relating to Group risk management in relation to credit risk is set out in Note 29 of the Consolidated Financial Statements.

1. Credit risk (continued)

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

	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
30 June 2022	**Group gross customer loans and advances[1,2]**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**	**Of which: NPEs**	**Total exposures with forbearance measures**	**Of which: NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers								
General governments	**44,378**	-	-	-	**26**	-	-	-
Other financial corporations	**174,189**	3,580	11,882	3,451	**4,843**	1,945	1,987	1,837
Non-financial corporations	**5,361,255**	233,781	995,209	180,397	**114,923**	87,353	71,111	63,413
Of which: Small and Medium sized Enterprises[3] (SMEs)	***4,160,333***	*98,901*	*717,119*	*49,933*	***64,946***	*45,695*	*29,244*	*24,098*
Of which: Commercial real estate[3]	***3,991,472***	*138,290*	*865,497*	*101,831*	***78,620***	*62,745*	*52,075*	*47,626*
Non-financial corporations by sector								
Construction	**564,688**	15,778			**16,468**			
Wholesale and retail trade	**954,744**	27,177			**20,090**			
Accommodation and food service activities	**1,193,029**	15,634			**5,691**			
Real estate activities	**1,126,110**	104,041			**34,535**			
Manufacturing	**402,314**	11,891			**5,581**			
Other sectors	**1,120,370**	59,260			**32,558**			
Households	**4,788,502**	339,810	350,019	198,411	**104,430**	87,974	56,400	51,196
Of which: Residential mortgage loans[3]	***3,775,109***	*286,371*	*305,225*	*174,196*	***68,110***	*61,333*	*44,098*	*40,603*
Of which: Credit for consumption[3]	***576,421***	*48,719*	*54,353*	*28,482*	***27,108***	*20,726*	*12,430*	*11,021*
	10,368,324	**577,171**	**1,357,110**	**382,259**	**224,222**	**177,272**	**129,498**	**116,446**
Loans and advances to customers classified as held for sale	**551,806**	**549,681**	**238,195**	**236,260**	**304,599**	**304,131**	**114,640**	**114,205**
Total on-balance sheet	**10,920,130**	**1,126,852**	**1,595,305**	**618,519**	**528,821**	**481,403**	**244,138**	**230,651**

[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.

1. **Credit risk** (continued)

	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
31 December 2021	Group gross customer loans and advances[4,5]	Of which: NPEs	Total exposures with forbearance measures	Of which: NPEs	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Total exposures with forbearance measures	Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**45,357**	-	-	-	**29**	-	-	-
Other financial corporations	**127,889**	4,771	12,759	4,487	**3,393**	1,909	1,948	1,658
Non-financial corporations	**5,209,599**	277,309	1,009,094	215,157	**144,252**	115,869	86,847	79,329
Of which: Small and Medium sized Enterprises[6] (SMEs)	***4,052,571***	*123,558*	*734,362*	*71,269*	***83,757***	*60,892*	*39,263*	*32,499*
Of which: Commercial real estate[6]	***3,968,375***	*171,215*	*900,697*	*136,257*	***100,301***	*82,872*	*69,309*	*64,282*
Non-financial corporations by sector								
Construction	**512,952**	28,418			**21,224**			
Wholesale and retail trade	**964,891**	40,457			**28,586**			
Accommodation and food service activities	**1,137,443**	4,323			**3,351**			
Real estate activities	**1,210,664**	106,841			**31,821**			
Manufacturing	**326,535**	14,354			**8,094**			
Other sectors	**1,057,114**	82,916			**51,176**			
Households	**4,755,100**	434,040	430,007	238,066	**153,865**	136,902	70,667	64,589
Of which: Residential mortgage loans[6]	***3,734,448***	*369,147*	*372,141*	*208,387*	***112,711***	*105,764*	*56,145*	*52,219*
Of which: Credit for consumption[6]	***581,197***	*54,238*	*61,824*	*31,165*	***28,824***	*22,167*	*13,290*	*11,430*
	10,137,945	**716,120**	**1,451,860**	**457,710**	**301,539**	**254,680**	**159,462**	**145,576**
Loans and advances to customers classified as held for sale	**555,789**	**553,620**	**245,452**	**243,495**	**305,419**	**304,665**	**118,094**	**117,377**
Total on-balance sheet	**10,693,734**	**1,269,740**	**1,697,312**	**701,205**	**606,958**	**559,345**	**277,556**	**262,953**

4 Excluding loans and advances to central banks and credit institutions.

5 The residual fair value adjustment on initial recognition (which relates mainly to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired and bears a negative balance) is considered as part of the gross loans, therefore decreases the gross balance of loans and advances to customers.

6 The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across all categories as certain customers could be in both categories.

2. Liquidity and funding risk

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

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

Further information relating to Group risk management in relation to liquidity and funding risk is set out in Note 31 of the Consolidated Financial Statements.

2.1 Encumbered and unencumbered assets

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

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €4,719,053 thousand as at 30 June 2022 (31 December 2021: €4,489,424 thousand).

An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can potentially be pledged and those that are not readily available to be pledged. As at 30 June 2022, the Group held €18,120,570 thousand (31 December 2021: €17,468,507 thousand) of unencumbered assets that can potentially be pledged and can be used to support potential liquidity funding needs and €1,322,620 thousand (31 December 2021: €1,324,118 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:

30 June 2022	Encumbered	Unencumbered		Total
	Pledged as collateral	Which can potentially be pledged	Which are not readily available to be pledged	
	€000	€000	€000	€000
Cash and other liquid assets	66,579	9,636,320	513,958	10,216,857
Investments	1,369,471	710,487	22,719	2,102,677
Loans and advances to customers	3,283,003	6,461,497	399,599	10,144,099
Non-current assets held for sale	-	-	347,698	347,698
Property	-	1,312,266	38,646	1,350,912
Total on-balance sheet	**4,719,053**	**18,120,570**	**1,322,620**	**24,162,243**
31 December 2021				
Cash and other liquid assets	102,463	8,958,427	461,625	9,522,515
Investments	1,260,158	859,383	19,622	2,139,163
Loans and advances to customers	3,126,803	6,248,132	461,470	9,836,405
Non-current assets held for sale	-	-	358,951	358,951
Property	-	1,402,565	22,450	1,425,015
Total on-balance sheet	**4,489,424**	**17,468,507**	**1,324,118**	**23,282,049**

2. Liquidity and funding risk (continued)

2.1 Encumbered and unencumbered assets (continued)

Encumbered assets primarily consist of loans and advances to customers and investments in debt securities. These are mainly pledged for the funding facilities of the European Central Bank (ECB) and for the covered bond (Notes 20 and 31 of the Consolidated Financial Statements for the six months ended 30 June 2022 respectively). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

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

Unencumbered assets which can potentially be pledged include 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. Non-current assets held for sale are also reported as not readily available to be pledged.

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

The carrying and fair value of the encumbered and unencumbered investments of the Group as at 30 June 2022 and 31 December 2021 are as follows:

30 June 2022	**Carrying value of encumbered investments**	**Fair value of encumbered investments**	**Carrying value of unencumbered investments**	**Fair value of unencumbered investments**
	€000	**€000**	**€000**	**€000**
Equity securities	-	-	188,906	188,906
Debt securities	1,369,471	1,326,865	544,300	530,668
Total investments	**1,369,471**	**1,326,865**	**733,206**	**719,574**

31 December 2021				
Equity securities	-	-	208,775	208,775
Debt securities	1,260,158	1,267,666	670,230	668,201
Total investments	**1,260,158**	**1,267,666**	**879,005**	**876,976**

2. Liquidity and funding risk (continued)

2.2 Liquidity regulation

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

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

As at 30 June 2022, the Group was in compliance with all regulatory liquidity requirements. As at 30 June 2022, the LCR stood at 299% for the Group (compared to 298% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%. As at 30 June 2022 the Group's NSFR was 160% (compared to 147% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%.

2.3 Liquidity reserves

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

Composition of the liquidity reserves	30 June 2022			31 December 2021		
	Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible	
		Level 1	Level 2A		Level 1	Level 2A
	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	**9,731,376**	**9,731,376**	**-**	9,064,840	9,064,840	-
Placements with banks	**157,879**	**-**	**-**	118,752	-	-
Liquid investments	**383,760**	**223,609**	**111,649**	500,930	304,758	147,562
Available ECB Buffer	**213,818**	**-**	**-**	80,786	-	-
Total	**10,486,833**	**9,954,985**	**111,649**	9,765,308	9,369,598	147,562

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

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

Liquid investments under the Liquidity reserves as per LCR are shown at market values reduced by standard weights as prescribed by the LCR regulation. Liquid investments under Internal Liquidity Reserves include additional unencumbered liquid bonds and are shown at market values net of haircuts based on ECB methodology and haircuts.

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

2. Liquidity risk and funding (continued)

2.3 Liquidity reserves (continued)

Following the outbreak of COVID-19, the ECB has adopted a broad set of policy measures to mitigate the economic impact of the crisis and to ensure that its directly supervised banks can continue to fulfill their role in funding the real economy.

In March 2022, the ECB announced the steps for the gradual phasing out of the temporary pandemic collateral easing measures. The gradual phasing out is scheduled to be concluded in three steps starting 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, starting on 8 July 2022, the ECB halved the temporary reduction in collateral valuation haircuts across all assets from the current 20% adjustment to 10%. In the second step, in June 2023, the ECB expects to implement a new valuation haircut schedule based on its pre-pandemic risk tolerance level for credit operations, phasing out the temporary reduction in collateral valuation haircuts completely. In the third step, in March 2024, the ECB will, in principle, phase out the remaining pandemic collateral easing measures.

The package also contained measures that provided liquidity support to the euro area financial system, such as significant favourable amendments in the terms and characteristics of TLTRO III. The favourable TLTRO III borrowing terms were not extended post June 2022. Furthermore, a new series of additional longer-term refinancing operations, called Pandemic Emergency Longer-Term Refinancing Operations (PELTROs), was introduced. The last TLTRO III and PELTROs operations took place in December 2021.

3. Other risks

3.1 Operational risk

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

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

The main objectives of operational risk management within the Group are: (i) raising operational risk awareness and building the appropriate risk culture, (ii) providing adequate and timely information to the Group's management at all levels in relation to the operational risk profile at a company, unit and activity level, so as to facilitate decision making for risk control activities, and (iii) mitigating operational risk to ensure that operational losses do not cause material damage to the Group's franchise and that the impact on the Group's profitability and corporate objectives is contained.

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises of management and staff who have immediate responsibility of day-to-day operational risk management and own the risk. Each business unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities.

3. Other risks (continued)

3.1 Operational risk (continued)

The second line of defence comprises of the Risk Management function whose role is to provide inter-alia operational risk oversight and independent and objective challenge to the first line of defence, supported by other specialist control and support functions including the Group Compliance Division and Information Security functions. The third line of defence comprises of the Internal Audit function, which provides independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

Business resilience is treated as a priority and as such the Group places significant importance on continuously enhancing the business continuity arrangements, to ensure timely recovery in the case of events, such as the COVID-19 pandemic, that may cause disruptions to the business operations.

According to the Pandemic Incident Management Plan, which was invoked following the COVID-19 outbreak, Business Continuity arrangements have been put in place, which include splitting the operations of the critical units at separate locations other than their main business sites along with remote access from home capabilities as applicable. BOC PCL has withdrawn the Business Continuity arrangements approach with effect from the end of May 2022. Capabilities to employees that support the critical units is still available and ready to be used if needed.

All the controls are undertaken as usual and no additional losses or incidents have been identified as a result of the pandemic.

Further to the actions taken in response to the COVID-19 pandemic, ongoing activities/initiatives towards further enhancements of Operation Risk Management (ORM), involved inter alia the following: (i) provision of a fraud risk awareness seminar to staff and top-management, (ii) establishment of the specialised Fraud Risk Assessment framework, going beyond the current Risk Control Self-Assessment (RCSA) process, and (iii) ongoing reviews and enhancements of the internal ORM policies, procedures and the ORM database.

As a result of the customers' accelerated shift towards digital channels, the Fraud Risk Management unit further strengthened BOC PCL's current external fraud prevention controls and framework.

Third-Party and Outsourcing risk can arise from a third party's failure to perform as expected due to reasons such as inadequate capacity, technological failure, human error, un-satisfactory quality of service, unsatisfactory continuity of service and/or financial failure. The Group has a dedicated unit under the ORM Function, the Third-Party Risk Management Unit, which is responsible to perform risk assessments on all outsourcing, strategic and intragroup arrangements of the Group. As part of the risk assessment, the team identifies and monitors the effective handling of any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing/strategic/intragroup arrangement, prior to their renewal or annually.

Operational risk loss events are classified and recorded in the Group's Risk and Compliance Management System (RCMS) system, which serves as an enterprise tool integrating all risk-control data (e.g. risks, loss incidents, Key Risk Indicators) to provide a holistic view with regards to risk identification, corrective action and statistical analysis. During the six months ended 30 June 2022, 15 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 the first six months of 2022 (six months ended 30 June 2021: 55 loss events).

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

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

3. Other risks (continued)

3.2 Regulatory risk

The Group conducts its business subject to on-going regulation and supervision. The associated regulatory risk is the risk that new laws and regulations enacted or changes in existing ones are not identified, and / or the failure to comply with regulatory requirements. This could lead to, amongst other things, increased operational costs for the Group and limitation on BOC PCL's capacity to lend. Moreover, Regulatory risk could have a material adverse effect on the business, financial condition, 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 (amongst others the ECB, CBC etc). A dedicated Executive Steering Group chaired by the CEO has been set up which ensures proper procedures are in place for managing regulatory risk and oversee the Group's regulatory obligations. This is ensured through the Regulatory Affairs department that acts as primary contact point with the Regulators maintaining a holistic view of the regulatory requests and monitors the regulatory agenda to ensure all regulatory matters are handled appropriately and are brought to the attention of management in a timely manner.

3.3 Political risk and geopolitical uncertainty

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors which are beyond the control of the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links, most notably the UK and Russia, can have a significant impact on domestic economic activity. In particular, the Ukraine war poses risks for continued supply disruptions and elevated energy prices, even the risk of the war spreading.

Cyprus' risk profile has been improving as seen in upgrades of its sovereign credit rating and improved economic fundamentals. Higher inflation and tightening monetary policy have a negative impact on spending and consumption and therefore weigh negatively on the overall risk profile of the country. But this is offset by improvements in various fiscal indicators. The budget deficit narrowed in 2021 and the ratio of debt to GDP dropped steeply from its Covid-driven elevated levels of the year before. Financial conditions will be tightening as the ECB will be raising rates further in the foreseeable future in order to tame inflation, but that will be affecting overall debt service costs only gradually. Debt sustainability would depend on growth, the budget balance, but also on interest rates which determine debt service costs. Low average interest rates currently, are the result of large-scale asset purchases by the ECB over a long period of time, and ample liquidity in sovereign bond markets. The tightening of monetary policy, or developments that can lead up to the fragmentation of the euro area sovereign bond market, can increase debt service costs and risk the sustainability of public debt. The risk of bond market fragmentation has increased as a result of the Ukraine crisis and the sanctioning of Russia.

The Cypriot economy, similar to the European and global economy, is facing a variety of headwinds at present. Surging inflation is weighing on consumers' purchasing power and business sentiment. External demand is slowing as the US begins its monetary tightening cycle and China continues its zero-covid policy, while spill-over effects from the war in Ukraine damage growth worldwide via higher commodity prices and disrupted supply chains. On the positive side, tourism sectors benefit from a rebound in tourist inflows and more robust demand for services now that the COVID-19 restrictions from earlier in the year have been rolled back. Nonetheless, there is a risk that the economy will prove less resilient than expected. Russian gas cut-offs to major western European countries prompting further energy price spikes could further negatively impact the economy, or the European Central Bank's monetary tightening from July could hit economic activity and investor sentiment harder than expected. In this scenario, growth will slow abruptly and the probability of dipping into negative territory rises. The winter of 2022/23 could be challenging, with high energy prices coinciding with cold temperatures and the impact of monetary tightening feeding through more strongly. Slower growth would likely be a Europe-wide phenomenon, dampening external demand, and unemployment could rise as firms scale back their ambitions.

3. **Other risks** (continued)

3.3 **Political risk and geopolitical uncertainty** (continued)

In the banking sector there has been significant progress since the crisis of 2012-14, in terms of the regulatory framework, balance sheet restructuring, operational and strategic streamlining and capital adequacy. Non-performing loans dropped steeply from more than 48% of gross loans at the end of 2014 to 11.4% at the end of March 2022. Total loans outstanding dropped from near four times GDP to less than one GDP at the end of 2021. However, banking sector risks have been rising in the more recent period as a result of the double shock of the COVID-19 pandemic and the war in Ukraine.

Political risk remains elevated as Cyprus' political landscape is increasingly fragmented and polarised which makes it harder to build consensus for reform. Political risk remains high also because of the continuing division of the island. This risk category evaluates a range of political factors relating to political stability and effectiveness that could affect a country's ability and commitment to service its debt obligations. The political risk rating informs the ratings for sovereign risk, currency risk and banking sector risk.

Geopolitical and macroeconomic uncertainties remain elevated with multiple risks as follows:
- the ongoing Russian-Ukraine war and the sanctioning of Russia will have profound effects on the Russian economy and serious macroeconomic implications for the European Union and the world economy at large. As a result of the crisis in Ukraine and sanctions, supply chains have been disrupted causing shortages in agricultural commodities and metals. Energy prices have risen, and, despite fluctuations, energy markets remain tight, and prices will stay higher for longer. As Russian supplies of natural gas to Europe are cut, while efforts to secure alternative sources take time, the prospect of energy shortages in Europe in the coming winter rises,
- the mobility restriction measures in China and the imbalances in the production process in many industries due to the COVID-19 outbreak,
- a prolongation and/or exacerbation of the ongoing inflationary wave, especially in the energy and food sectors, and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality,
- the political crisis in Italy following the resignation of prime minister Mario Draghi on July 21, jeopardises future reforms.

However, the risks coming from the geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent.

Tensions between Cyprus and Turkey can escalate, as long as the Cyprus problem remains unresolved, and the two communities – Greek Cypriots and Turkish Cypriots - fail to find common ground to return to the negotiating table. Cyprus' offshore oil and gas exploration activities in its exclusive economic zone, have met with Turkey's objections, who among other are disputing some of the maritime areas to the west of Cyprus as part of its continental shelf. The risk of escalating tensions and possible confrontation, deters investment in the oil and gas sector. As a result, the required infrastructure investment for the exploitation of Cypriot offshore gas fields which were discovered in 2011, has been slow.

Given the above, the Group recognises that unforeseen political events can have negative effects on the Group's activities, operating results, and financial position.

3.4 **Information security and cyber risk**

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

3. Other risks (continued)

3.4 Information security and cyber risk (continued)

At the same time, the Group has an internal specialised Information Security team which constantly monitors current and future cyber security threats (either internal or external, malicious or accidental) and invests in enhanced cyber security measures and controls to protect, prevent and appropriately respond against such threats to its systems and information.

The Group collaborates with industry bodies, the National Computer Security Incident Response Team (CSIRT) and intelligence-sharing working groups so as to be better equipped with the growing threat from cyber criminals.

In addition, the Group maintains insurance coverage which covers certain aspects of cyber risk and it is subject to exclusion of certain terms and conditions.

Advanced social engineering attacks were used by attackers for credentials stealing and malware dissemination during the COVID-19 pandemic. The Group's cyber security systems have protected the Group from such threats and are continually improved by strengthening detection, response and protection mechanisms in order to continually contain such threats and keep risks within the Group's appetite thresholds.

Current geopolitical tensions may also lead to increased risk of cyber-attack from foreign state actors. In particular, the Russian invasion of Ukraine and the imposition of sanctions on Russia by Switzerland, the US, the EU, the UK and others may result in increased risk of cyber-attacks.

3.5 Business and strategic risk

Business model risk arises from changes in the external environment including economic trends and competition. The Group's performance is dependent on the economic conditions and prospects of Cyprus. A deterioration of the macroeconomic environment stemming from the pandemic or other factors such as the Ukrainian crisis, pose downside risks for the financial performance of the Group.

The Group faces intense competition in the markets in which it operates, primarily originating from other commercial banks, branches and subsidiaries of foreign banks, and insurance companies offering savings, insurance and investment products. It also faces competition from financial technology companies. The Group remains today the biggest local banking organisation in Cyprus and a systemically important institution.

Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Group, may create pressure on Group profitability.

In order to mitigate the business model risk, the Group has a clear strategy with specific objectives, including actions to diversify income sources, developed within the risk appetite of the Group and closely monitored on a regular basis. The Group also closely monitors current and emerging risks within the business environment, while remaining ready to explore opportunities that complement its strategy. In addition, regular stress testing takes place to assess the Group's capital and liquidity adequacy.

3. Other risks (continued)

3.6 Legal risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings and regulatory investigations against the Group (Note 25 of the Consolidated Financial Statements for 30 June 2022). In the event that legal issues are not properly dealt with by the Group, this may result in financial and/or reputational loss to the Group. The Group has procedures in place to ensure effective and prompt management of Legal risk including, among others, the risk arising from regulatory developments, new products and internal policies.

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

3.7 Insurance risk and re-insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and there is uncertainty with respect to the amount to be paid and the timing of the resulting claim. By the very nature of an insurance contract, this risk is largely random and therefore unpredictable.

The Group, through its subsidiaries EuroLife Ltd ('EuroLife') and General Insurance of Cyprus Ltd ('Genikes Insurance' or 'GI'), 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.

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

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

Both EuroLife and 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.

3.8 Digital transformation and technology risk

Technology risk arises from system downtimes impacting customer service which may be due to inadequate, failed, or unavailable systems, use of outdated, obsolete and unsupported systems, or systems which do not fully support the requirements of business. The Group is implementing its Digital Transformation Programme, involving changes to, or replacement of critical and/or outdated systems.

Digital transformation risk arises as banking models are rapidly evolving both locally and globally and available technologies have resulted in the customers' accelerated shift towards digital channels. Money transmission and data driven integrated services are also forecast to rapidly evolve in the coming years. How the Group adapts to these developments could impact the realisation of its market strategies and financial plans.

In the context of the overall business strategy, the Group assesses and develops its complementary technology strategy to support operations and mitigate these risks. The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's strategy for digital transformation. In order to achieve this, the Group engages with appropriate external experts.

3. Other risks (continued)

3.9 Climate Risks

Climate-related and environmental (C&E) risks may impact the financial services sector to varying degrees over the short, medium and long term. The extent to which physical and transition risk might impact a financial services firm will vary depending on firm business model, customer base, location as well as the transition process to a low-carbon economy.

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

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

The Group has a dedicated team involved in developing the Group's Sustainability agenda considering the Group's approach to environmental, social and governance (ESG) issues, and the Risk Management Function is closely aligned with this initiative.

Managing C&E risks is a key area of focus under the 'Environment' Pillar of BOC PCL's ESG strategy. In the EU, the ECB released guidance in November 2020 on how banks should manage C&E risks. The guidance sets out 13 supervisory expectations for institutions when formulating and implementing their business strategy, governance and risk management frameworks with the ultimate aim of encouraging greater transparency in C&E risk disclosures. In 2021, the Group has developed a C&E Risks Implementation Plan, which is being updated, covering each of the ECB's priorities, including actions to address gaps highlighted in the self-assessment, across a multi-year timeline. This plan was developed following engagement with key stakeholders from across the Group.

A number of actions have been initiated and are to be initiated for implementation in 2022 as part of the Group's implementation plan including:

- Risk identification and materiality assessment - an initial exercise has been completed which:
    - Identified the parts of BOC PCL's Corporate and SME portfolios that might be sensitive to transition risks,
    - Identified and qualitatively assessed the C&E risks that are relevant for Cyprus and BOC PCL.
- Data gap analysis: the analysis focused primarily on the immediate gaps in relation to the 2022 ESG Pillar III disclosures. Actions have been planned for the second half of 2022 to create the necessary fields in core systems and initiate data collection. It is expected that additional data needs will arise in relation to the incorporation of C&E risks in the credit underwriting process as well as the evolving ESG Pillar III disclosure requirements
- Carry out further ESG relating training across all levels of BOC PCL.
- Incorporation of C&E risks in the credit underwriting.
- The introduction of a suite of Climate Risk metrics.
- Development of an approach to measure the impact assessment of climate risk (including data requirements and identification of data proxies from external sources and/or data gathering from clients) on the business model.

3. Other risks (continued)

3.9 Climate Risks (continued)

The Group successfully completed the 2022 ECB supervisory Climate Risk Stress Test. The objective of the exercise was to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. ECB considers the test as a learning exercise for banks and supervisors alike. It aims to identify vulnerabilities, best practices and challenges banks face when managing climate-related risk. This is not a pass-or-fail exercise, nor does it have direct implications for banks' capital levels. The results will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative point of view. Lessons learned will be integrated into the development of BOC PCL's internal stress tests capabilities going forward.

4. Capital management

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

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

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

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

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

- a proposal for a Regulation (sometimes known as 'CRR III') to make amendments to CRR with regard to (amongst other things) requirements on credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;
- a proposal for a Directive (sometimes known as 'CRD VI') to make amendments to CRD with regard to (amongst other things) requirements on supervisory powers, sanctions, third-country branches and ESG risks; and

4. Capital management (continued)

- a proposal for a Regulation to make amendments to CRR and the BRRD with regard to (amongst other things) requirements on the prudential treatment of G-SII groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the MREL requirements.

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. As a general matter, it is likely to be several years until the 2021 Banking Package begins to be implemented (currently expected in 2025); and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

The CET1 ratio of the Group as at 30 June 2022 stands at 14.59% and the Total Capital ratio at 19.49% on a transitional basis. The ratios as at 30 June 2022 include reviewed profits for the six months ended 30 June 2022.

The minimum CET1 and Total Capital requirements are set out in the tables below.

Minimum CET1 Regulatory Capital Requirements	**2022**	**2021**
Pillar I – CET1 Requirement	4.50%	4.50%
Pillar II – CET1 Requirement	1.83%	1.69%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum CET1 Regulatory Requirements	**10.08%**	**9.69%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	**2022**	**2021**
Pillar I – Total Capital Requirement	8.00%	8.00%
Pillar II – Total Capital Requirement	3.26%	3.00%
Capital Conservation Buffer (CCB)*	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.25%	1.00%
Minimum Total Capital Regulatory Requirements	**15.01%**	**14.50%**

** Fully phased in as of 1 January 2019*

The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer (P2G).

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

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

4. Capital management (continued)

In the context of the annual SREP conducted by the ECB in 2021 and based on the final 2021 SREP decision received in February 2022, the P2R was set at 3.26%, compared to the previous level of 3.00%. The additional P2R add-on of 0.26% relates to ECB's prudential provisioning expectations as per the 2018 ECB Addendum and subsequent ECB announcements and press release in July 2018 and August 2019. This component of the P2R add-on takes into consideration Project Helix 3. It is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer. The new SREP requirements are effective from 1 March 2022.

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

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

The capital position of the Group and BOC PCL as at 30 June 2022 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CCyB rates in accordance with the methodology described in this law. The CBC has set the level of the CCyB rate for risk weighted exposures in Cyprus at 0.00% for the year 2021 as well as for the nine months up to September 2022. The CCyB for the Group as at 30 June 2022 has been calculated at 0.00%.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII and the CBC initially set the O-SII Buffer at 2.00%, revised to 1.50% in November 2021 with effect from 1 January 2022. This buffer is being phased in gradually, having started from 1 January 2019 at 0.50% and increasing by 0.50% on 1 January 2020 and by 0.25% on 1 January 2022, until being fully implemented on 1 January 2023 with the phasing-in by another 0.25%.

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, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

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

4. Capital management (continued)

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	
	30 June 2022[7]	31 December 2021[8]	**30 June 2022[9]**	31 December 2021[8]
	€000	€000	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[10]	**1,546,079**	1,619,559	**1,516,432**	1,592,455
Transitional Additional Tier 1 capital (Additional T1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**300,000**	300,000	**300,000**	300,000
Transitional Total Regulatory Capital	**2,066,079**	2,139,559	**2,036,432**	2,112,455
Risk weighted assets – credit risk[11]	**9,584,900**	9,678,741	**9,602,565**	9,697,351
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,015,488**	1,015,488	**995,450**	995,450
Total risk weighted assets	**10,600,388**	10,694,229	**10,598,015**	10,692,801
Transitional	**%**	%	**%**	%
Common Equity Tier 1 ratio	**14.59**	15.14	**14.31**	14.89
Total Capital ratio	**19.49**	20.01	**19.22**	19.76
Leverage ratio	**6.92**	7.45	**6.82**	7.35

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

Fully loaded[12]	Group		BOC PCL	
	30 June 2022[7]	31 December 2021[8]	**30 June 2022[9]**	31 December 2021[8]
	%	%	**%**	%
Common Equity Tier 1 ratio	**13.86**	13.75	**13.58**	13.49
Total capital ratio	**18.80**	18.69	**18.52**	18.43
Leverage ratio	**6.60**	6.80	**6.49**	6.70

During the six months ended 30 June 2022 CET1 ratio was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2022, provisions and impairments, the payment of AT1 interest, the movement in the fair value through OCI reserves and other movements and was positively affected by pre-provision income. As a result, the CET1 ratio has decreased by 55 bps during the six months ended 30 June 2022.

The ECB, as part of its supervisory role, completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge which will decrease based on BOC PCL's progress in disposing the properties in scope. The amount is being directly deducted from own funds since 30 June 2021. There was no significant movement in the amount deducted since 31 December 2021. As a result of the prudential charge deducted from own funds as at 30 June 2022, the impact on the Group's CET1 ratio is 36 bps.

[7] Includes reviewed profits for the six months ended 30 June 2022.
[8] As per 2021 Annual Financial Report and Pillar III Disclosures for the year ended December 2021.
[9] Includes unaudited/unreviewed profits for the six months ended 30 June 2022.
[10] CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €29,541 thousand for the Group and €25,072 thousand for BOC PCL as at 30 June 2022 (31 December 2021: €30,032 thousand for the Group and €26,452 thousand for BOC PCL). As at 30 June 2022 an amount of €13,024 thousand is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2021: €15,394 thousand).
[11] Includes Credit Valuation Adjustments (CVA).
[12] IFRS 9 and application of the temporary treatment of certain FVOCI instruments in accordance with Article 468 of CRR fully loaded.

4. Capital management (continued)

In April 2021, the Company issued €300 million unsecured and subordinated Tier 2 Capital Notes (the 'New T2 Notes') and immediately after, the Company and BOC PCL entered into an agreement pursuant to which the Company on-lent to BOC PCL the entire €300 million proceeds of the issue of the New T2 Notes on terms substantially identical to the terms and conditions of the New T2 Notes. At the same time, BOC PCL invited the holders of its €250 million Fixed Rate Reset Tier 2 Capital Notes due January 2027 (the 'Old T2 Notes') to tender their Old T2 Notes for purchase by BOC PCL, after which Old T2 Notes of €43 million remained outstanding.

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

Transitional arrangements
The Group has elected in prior years to apply the 'static-dynamic' approach in relation to the transitional arrangements for the initial application of IFRS 9 for regulatory capital purposes, where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, to reflect the increase of the ECL provisions within the transition period. The Stage 3 ECL remains static over the transition period as per the impact upon initial recognition.

The amount added each year for the 'static component' decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The cumulative impact on the capital position as at 31 December 2021 was 50% and since 1 January 2022 at 75% of the impact on the impairment amounts from the initial application of IFRS 9. This will be fully phased in (100%) by 1 January 2023.

Following the June 2020 amendments to the CRR in relation to the dynamic component a 100% add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. This will be fully phased in (100%) by 1 January 2025. The calculation at each reporting period is made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the 'static component' has not been amended.

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

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

4. Capital management (continued)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In December 2021, BOC PCL received notification from the SRB and CBC of the final decision for the binding MREL for BOC PCL, determined as the preferred resolution point of entry. As per the decision, the final MREL requirement is set at 23.74% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2025. Furthermore, BOC PCL must comply since 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by BOC PCL to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries. The decision is subject to annual review by the competent authorities, updated also as changes in capital requirements become effective.

The MREL ratio calculated according to the SRB's eligibility criteria currently in effect, and based on internal estimate, stood at 18.61% of RWAs as at 30 June 2022 and at 9.28% of LRE as at 30 June 2022. The ratios as at 30 June 2022 include unaudited/unreviewed profits for the six months ended 30 June 2022. The MREL ratio expressed as a percentage of RWAs does not include capital used to meet the CBR amount which stood at 3.75% as at 30 June 2022 and is expected to increase to 4.00% on 1 January 2023.

The MREL requirement is in line with BOC PCL's expectations and funding plans.

5. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP)

The Group prepares annual ICAAP and ILAAP packages. Both reports for 2021 have been completed and submitted to the ECB at the end of April 2022 following approval by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results (with reference date 30 June and 30 September) as well as on an ad-hoc basis if needed, which are submitted to the ALCO and the Risk Committee of the Board of Directors, considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies are reviewed and any material changes/developments since the annual ICAAP exercise are assessed in terms of capital adequacy. The annual ICAAP for 2021, the quarterly ICAAP reviews undertaken in 2021 and a review performed in the first quarter of 2022, indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under a baseline and stress conditions scenarios.

The Group also undertakes a quarterly review for the ILAAP through quarterly stress tests submitted to the ALCO and the Risk Committee of the Board of Directors. Any material changes since the year-end are assessed in terms of liquidity and funding. The quarterly review identifies whether the Group has an adequate liquidity buffer to cover the stress outflows. The Group's ILAAP analysis demonstrates that the volume and capacity of liquidity resources available to the Group are adequate. Both the annual ILAAP for 2021 and the quarterly ILAAP reviews, undertaken in 2021 and 2022, indicated that BOC PCL's liquidity position is at a very comfortable level. BOC PCL maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

5. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP) (continued)

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

Definitions and explanations of Alternative Performance Measures Disclosures

30 June 2022

DEFINITIONS

Allowance for expected loan credit losses	Allowance for expected loan credit losses comprises: (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers classified as non-current assets held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition of loans and advances to customers held for sale), (iii) allowance for expected credit losses on off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
Cost to income ratio	Cost to income ratio is calculated as the total staff costs (excluding 'Restructuring costs – Voluntary Staff Exit Plan (VEP)') (on an underlying basis as reconciled in the table further below), special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other restructuring costs-organic', 'Restructuring and other costs relating to NPE sales', and 'provisions for litigation, claims, regulatory and other matters' (on an underlying basis as reconciled in the table further below) divided by total income as per the underlying basis (as defined below).
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of BOC PCL (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Gross loans	Gross Loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired at acquisition).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net loans and advances to customers (including net loans and advances to customers classified as non-current assets held for sale) (as defined below), plus investments (excluding equities and mutual funds).
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet.
Loan credit losses	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the period.

Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year to date) is calculated as the loan credit losses (as defined) (annualised based on year to date days) divided by the average gross loans (as defined). The average gross loans are calculated as the average of the opening balance and the closing balance for the period.
Net fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (per the underlying basis) (annualised based on year to date days) divided by the quarterly average interest earning assets (as defined). Quarterly average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable.
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as the gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year to date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-performing exposures (NPEs)	As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions: (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, diminished financial obligation and obligor bankruptcy. (iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures previously classified as NPES that present more than 30 days past due within the probation period. From 1 January 2021 two regulatory guidelines came into force that affect NPE classification and Days-Past-Due calculation. More specifically, these are the RTS on the Materiality Threshold of Credit Obligations Past-Due (EBA/RTS/2016/06), and the Guideline on the Application of the Definition of Default under article 178 (EBA/GL/2016/07). The Days-Past-Due (DPD) counter begins counting DPD as soon as the arrears or excesses of an exposure reach the materiality threshold (rather than as of the first day of presenting any amount of arrears or excesses). Similarly, the counter will be set to zero when the arrears or excesses drop below the materiality threshold. Payments towards the exposure that do not reduce the arrears/excesses below the materiality threshold, will not impact the counter.

	For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on-balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing. For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing. Material arrears/excesses are defined as follows: - Retail exposures: Total arrears/excess amount greater than €100 - Exposures other than retail: Total arrears/excess amount greater than €500 and the amount in arrears/excess is at least 1% of the customer's total exposure. The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).
Non-recurring items	Non-recurring items as presented in the 'Unaudited Consolidated Income Statement on the underlying basis' relate to: (i) Advisory and other restructuring costs – organic, (ii) Provisions/net loss relating to NPE sales, (iii) Restructuring and other costs relating to NPE sales, and (iv) Restructuring costs – Voluntary Staff Exit Plan (VEP).
NPE coverage ratio	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	The NPE ratio is calculated as the NPEs (as defined) divided by gross loans (as defined).
Operating profit before credit losses and impairments	Operating profit before credit losses and impairments (on an underlying basis) comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for litigation, claims, regulatory and other matters, tax, profit attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit before credit losses and impairments return on average assets is calculated as the annualised (based on year to date days) operating profit (on an underlying basis) (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) is the operating profit (as defined) adjusted for loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for litigation, claims, regulatory and other matters, tax and (profit)/loss attributable to non-controlling interests.
Profit/(loss) after tax – organic (attributable to the owners of the Company)	Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (as defined) (attributable to the owners of the Company), except for the 'Advisory and other restructuring costs – organic'.
Return on Tangible Equity (ROTE) after tax and before non-recurring items	Return on Tangible Equity (ROTE) after tax and before non-recurring items is calculated as Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) (as defined) per the underlying basis (annualised - (based on year-to-date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.

Return on Tangible Equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) per the underlying basis (annualised - (based on year-to-date days)), divided by the quarterly average of Shareholders' equity minus intangible assets at each quarter end.
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 on loans and advances to customers at FVPL), insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property and other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Interim Management Report under section 'Group financial results on the underlying basis'.

RECONCILIATIONS

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022.

1. (a) Reconciliation of Gross loans and advances to customers

	30 June 2022	31 December 2021
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined above)	**11,047,029**	10,856,660
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 29.4)	**(96,070)**	(105,678)
Gross loans and advances to customers at amortised cost classified as held for sale (Note 29.4)	**(551,806)**	(555,789)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 29.4)	**(18,043)**	(19,090)
Loans and advances to customers measured at fair value through profit or loss (Note 16)	**(282,184)**	(281,868)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(30,560)**	(53,700)
Gross loans and advances to customers at amortised cost as per the Consolidated Condensed Interim Financial Statements (Note 16)	**10,068,366**	9,840,535

1. (b) Reconciliation of Gross loans and advances to customers classified as held for sale

	30 June 2022	31 December 2021
	€000	€000
Gross loans and advances to customers classified as held for sale as per the underlying basis	**569,849**	574,879
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 29.4)	**(18,043)**	(19,090)
Loans and advances to customers classified as held for sale as per the Consolidated Condensed Interim Financial Statements (Note 19)	**551,806**	555,789

2. (a) Reconciliation of Allowance for expected credit losses on loans and advances to customers (ECL)

	30 June 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined above)	**677,241**	791,830
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 29.4)	**(96,070)**	(105,678)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(30,560)**	(53,700)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Note 19)	**(304,599)**	(305,419)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 29.4)	**(18,043)**	(19,090)
Provisions for financial guarantees and commitments (Note 23)	**(21,518)**	(21,945)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Condensed Interim Financial Statements (Note 16)	**206,451**	285,998

2. (b) Reconciliation of Allowance for expected credit losses on loans and advances to customers classified as held for sale (ECL)

	30 June 2022	31 December 2021
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**322,642**	324,509
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 29.4)	**(18,043)**	(19,090)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per the Consolidated Condensed Interim Financial Statements (Note 19)	**304,599**	305,419

3. Reconciliation of NPEs

	30 June 2022	31 December 2021
	€000	€000
NPEs as per the underlying basis (as defined above)	**1,167,609**	1,343,308
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 1 below)*	**(549,681)**	(553,619)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(18,002)**	(19,030)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(99,979)**	(122,972)
POCI (NPEs) *(Note 3 below)*	**(39,731)**	(70,814)
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as Stage 3 (Note 29.4)	**(3,905)**	(3,530)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Condensed Interim Financial Statements (Note 29.4)	**456,311**	573,343
NPE ratio		
NPEs (as per table above) (€000)	**1,167,609**	1,343,308
Gross loans and advances to customers (as per table above) (€000)	**11,047,029**	10,856,660
Ratio of NPE/Gross loans (%)	**10.6%**	12.4%

Note 1: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €470,791 thousand Stage 3 loans (31 December 2021: €474,459 thousand Stage 3 loans) and an amount of €78,890 thousand POCI – Stage 3 loans (out of a total of €79,207 thousand POCI loans) (31 December 2021: €79,160 thousand POCI – Stage 3 loans (out of a total of €79,255 thousand POCI loans)) as disclosed in Note 29.4 of the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022.

Note 2: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €1,683 thousand for Stage 3 loans (31 December 2021: €2,079 thousand for Stage 3 loans) and an amount of €16,319 thousand for POCI – Stage 3 loans (out of a total of €16,320 thousand POCI loans) (31 December 2021: €16,951 thousand for POCI – Stage 3 loans (out of a total of €16,954 thousand POCI loans)) as disclosed in Note 29.4 of the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022.

3. Reconciliation of NPEs (continued)

Note 3: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €39,731 thousand POCI – Stage 3 loans (out of a total of €124,176 thousand POCI loans) (31 December 2021: €70,814 thousand POCI – Stage 3 loans (out of a total of €159,755 thousand POCI loans)) as disclosed in Note 29.4 of the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022.

4. Reconciliation of Gross Loans – Pro forma

	30 June 2022
	€000
Gross Loans (as per table 1 (a) above)	**11,047,029**
Reconciling items:	
Gross loans and advances to customers classified as held for sale (Project Helix 3 and Sinope) (as per table 1 (b) above)	**(569,849)**
Gross loans and advances to customers – Pro forma	**10,477,180**

5. Reconciliation of NPEs – Pro forma

	30 June 2022
	€000
NPEs (as per table 3 above)	**1,167,609**
Reconciling items:	
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 1 of table 3 above*)	**(549,681)**
Residual fair value adjustment on initial recognition of loans and advances to customers (NPEs) classified as held for sale (Project Helix 3 and Sinope) (*Note 2 of table 3 above*)	**(18,002)**
NPEs - Pro forma	**599,926**

NPE ratio – Pro forma	**30 June 2022**
NPEs - Pro forma (as per table above) (€000)	**599,926**
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,477,180**
Ratio of NPEs/Gross loans – Pro forma (%)	**5.7%**

6. Reconciliation of Loan credit losses

	Six months ended 30 June	
	2022	2021
	€000	€000
Loan credit losses as per the underlying basis	**23,118**	35,237
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis	**385**	15,210
	23,503	50,447
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 10)	**23,959**	48,349
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers (see further below)	**(2,515)**	(1,053)
Net losses on loans and advances to customers at FVPL (Note 8)	**2,059**	3,151
	23,503	50,447

Net gains on derecognition of financial assets measured at amortised cost on the Interim Consolidated Income Statement amounts to €1,648 thousand and comprises €2,515 thousand net gains on derecognition of loans and advances to customers and €867 thousand net losses on derecognition of debt securities measured at amortised cost.

KEY PERFORMANCE RATIOS INFORMATION

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2022.

1. **Net Interest Margin**

Reconciliation of the various components of net interest margin between the underlying basis and the statutory basis is provided below:

	Six months ended 30 June	
1.1. Net interest income used in the calculation of NIM	**2022**	2021
	€000	€000
Net interest income as per the underlying basis/statutory basis	**145,695**	152,213
Net interest income used in the calculation of NIM (annualized)	**293,805**	306,949

1.2. Interest earning assets	**30 June 2022**	31 March 2022	31 December 2021
	€000	€000	€000
Cash and balances with central banks	**9,904,549**	9,329,711	9,230,883
Loans and advances to banks	**312,308**	312,967	291,632
Loans and advances to customers	**10,144,099**	10,004,197	9,836,405
Loans and advances to customers held for sale (Note 19)	**247,207**	247,836	250,370
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') (Note 18)	**304,268**	302,036	299,766
Investments			
Debt securities (Note 13)	**1,913,771**	1,860,853	1,930,388
Less: Investments which are not interest bearing	**(5,476)**	(5,790)	(5,534)
Total interest earning assets	**22,820,726**	22,051,810	21,833,910
1.3. Quarterly average interest earning assets (€000)			
- as at 30 June 2022	**22,235,482**		
- as at 30 June 2021	19,651,625		

	Six months ended 30 June	
1.4. Net interest margin (NIM)	**2022**	2021
Net interest income (annualised) (as per table 1.1 above) (€000)	**293,805**	306,949
Quarterly average interest earning assets (as per table 1.3 above) (€000)	**22,235,482**	19,651,625
NIM (%)	**1.32%**	1.56%

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:

	Six months ended 30 June	
	2022	2021
2.1.1. Reconciliation of Staff costs	**€000**	€000
Total Staff costs as per the underlying basis	**100,005**	100,866
Staff costs – voluntary exit plans and other termination benefits, separately presented under the underlying basis (Note 9)	**3,130**	-
Total Staff costs as per the statutory basis	**103,135**	100,866

	Six months ended 30 June	
	2022	2021
2.1.2. Reconciliation of Other operating expenses	**€000**	€000
Other operating expenses as per the underlying basis	**73,125**	69,487
Reclassifications for:		
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis	**1,389**	16,477
Provisions for pending litigations, claims, regulatory and other matters, separately presented under the underlying basis (Note 9)	**593**	4,360
Advisory and other restructuring costs – organic, separately presented under the underlying basis	**5,286**	5,264
Other operating expenses as per the statutory basis (Note 9)	**80,393**	95,588

	Six months ended 30 June	
	2022	2021
2.1.3. Special levy on deposits and other levies/contributions	**€000**	€000
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**16,507**	15,255

2.2. Reconciliation of the various components of total income (as defined) used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	Six months ended 30 June	
	2022	2021
2.2.1. Reconciliation of Net fee and commission income	**€000**	€000
Total Net fee and commission income as per the underlying basis/statutory basis	**93,639**	83,857

2. Cost to income ratio (continued)

	Six months ended 30 June	
	2022	2021 (restated)
2.2.2. Reconciliation of Net foreign exchange gains, Net losses on financial instruments and Net gains on derecognition of financial assets measured at amortised cost	**€000**	€000
Net foreign exchange gains, Net losses on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**11,030**	8,938
Reclassifications for:		
Net losses on loans and advances to customers measured at fair value through profit or loss (FVPL), disclosed within 'Loan credit losses' per the underlying basis (Note 8)	**(2,059)**	(3,151)
Net gains on derecognition of loans and advances to customers (Table 6 Section 'Reconciliations' above)	**2,515**	1,053
Net loss on early redemption of subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (Note 8)	**-**	(12,433)
Total Net foreign exchange gains, Net losses on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**11,486**	(5,593)
Net foreign exchange gains as per the statutory basis	**11,898**	6,550
Net losses on financial instruments as per the statutory basis (Note 8)	**(2,060)**	(13,196)
Net gains on derecognition of financial assets measured at amortised cost	**1,648**	1,053
Total Net foreign exchange gains, Net losses on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis	**11,486**	(5,593)

	Six months ended 30 June	
	2022	2021 (restated)
2.3 Total Income as per the underlying basis	**€000**	€000
Net interest income as per the underlying basis/statutory basis (as per table above)	**145,695**	152,213
Net fee and commission income as per the underlying basis/statutory basis (as per table above)	**93,639**	83,857
Net foreign exchange gains, Net losses on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis (as per table above)	**11,030**	8,938
Insurance income net of claims and commissions (as per the statutory basis)	**32,869**	31,068
Net losses from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**6,870**	5,991
Other income (as per the statutory basis)	**8,927**	5,854
Total Income as per the underlying basis	**299,030**	287,921

2. Cost to income ratio (continued)

	Six months ended 30 June	
	2022	2021
2.4 Total Expenses as per the underlying basis	**€000**	€000
Staff costs as per the underlying basis (as per table above)	**100,005**	100,866
Special levy on deposits and other levies/contributions as per the underlying basis (as per table above)	**16,507**	15,255
Other operating expenses as per the underlying basis (as per table above)	**73,125**	69,487
Total Expenses as per the underlying basis	**189,637**	185,608
Cost to income ratio		
Total expenses (as per table above) (€000)	**189,637**	185,608
Total income (as per table above) (€000)	**299,030**	287,921
Total expenses/Total income (%)	**63%**	64%

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:

	30 June 2022	31 March 2022	31 December 2021
	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets/per the Interim Consolidated Balance Sheet	**25,843,732**	25,117,310	24,962,697
Quarterly average total assets (€000)			
- as at 30 June 2022	**25,307,913**		
- as at 30 June 2021	22,923,012		

	2022	2021 (restated)
Annualised total income for the six months ended 30 June (as per table 2.3 above) (€000)	**603,016**	580,614
Annualised total expenses for the six months ended 30 June (as per table 2.4 above) (€000)	**(382,417)**	(374,292)
Annualised operating profit for the six months ended 30 June (€000)	**220,599**	206,322
Quarterly average total assets as at 30 June (€000)	**25,307,913**	22,923,012
Operating profit return on average assets (annualised) (%)	**0.9%**	0.9%

4. Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company

The various components used in the determination of the 'Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)' are provided below:

	2022	2021
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the six months ended 30 June (as per table below) (€000)	**60,278**	50,123
Weighted average number of shares in issue during the period, excluding treasury shares (€000) (Note 12)	**446,058**	446,058
Basic earnings after tax and before non-recurring items per share attributable to the owners of the Company (€ cent)	**13,51**	11,24

The reconciliation between the 'Profit after tax and before non-recurring items (attributable to the owners of the Company)' per the underlying basis to the 'Profit after tax (attributable to the owners of the Company)' per the statutory basis is provided in the table below:

4.1. Reconciliation of Profit/(loss) after tax-attributable to the owners of the Company

	Six months ended 30 June	
	2022	2021
	€000	€000
Profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis	**60,278**	50,123
Reclassifications for:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales' under the underlying basis (as per table 6 above)	**(385)**	(15,210)
Operating expenses and restructuring costs relating to the NPE sales, presented within 'Restructuring and other costs relating to NPE sales' under the underlying basis (as per table 2.1.2 above)	**(1,389)**	(16,477)
Advisory and other restructuring costs – organic, separately presented under the underlying basis (as per table 2.1.2 above)	**(5,286)**	(5,264)
Staff costs – voluntary exit plan, and other termination benefits, separately presented under the underlying basis (as per table 2.1.1 above)	**(3,130)**	-
Net loss on early redemption of Subordinated loan stock, disclosed within 'Advisory and other restructuring costs – organic' under the underlying basis (as per table 2.2.2 above) (Note 8)	**-**	(12,433)
Profit after tax (attributable to the owners of the Company) per the statutory basis	**50,088**	739

5. Return on tangible equity (ROTE) after tax and before non-recurring items

The various components used in the determination of 'Return on tangible equity (ROTE) after tax and before non-recurring items' are provided below:

	2022	2021
Annualised profit after tax and before non-recurring items (attributable to the owners of the Company) per the underlying basis for the six months ended 30 June (as per table 4.1. above) (€000)	**121,555**	101,077
Quarterly average tangible total equity as at 30 June (as per table 5.2 below) (€000)	**1,668,185**	1,648,569
ROTE after tax and before non-recurring items (%)	**7.3%**	6.1%

5. Return on tangible equity (ROTE) after tax and before non-recurring items (continued)

5.1 Tangible total equity	**30 June 2022**	31 March 2022	31 December 2021
	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**1,849,525**	1,849,287	1,838,793
Less: Intangible assets (as per the statutory basis)	**(171,403)**	(177,612)	(184,034)
Total tangible equity	**1,678,122**	1,671,675	1,654,759
5.2 Quarterly average tangible total equity (€000)			
- as at 30 June 2022	**1,668,185**		
- as at 30 June 2021	1,648,569		