Pillar 3 Disclosures

2020

Bank of Cyprus Holdings

TABLE OF CONTENTS

1. Executive Summary

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

The Group remains on track for implementing its strategic objectives aiming 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 Cyprus economy declined steeply by 5.1% in 2020 according to the Cyprus Statistical Service. However, this has been a better performance than initially anticipated and better than most other EU countries particularly in the south. Further information on the operating environment in Cyprus is included in the Directors' Report included within the Company's Annual Financial Report for the year 2020 on page 21.

The Group is closely monitoring developments in, and the effects of COVID-19 on both the global and Cypriot economy. The ECB has announced a package of positive measures that should help to support the capital position of the Company in order to secure favourable conditions of financing for the economy with the aim to mitigate the effects of the crisis. Further information on the impact of COVID-19 and relief measures announced by the ECB is disclosed in the Company's Annual Financial Report for the year ended 31 December 2020 in the Directors' Report.

The key pillars of the Group's strategy are to:
- Complete balance sheet de-risking
- Grow revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital economy)
- Improve operating efficiency; by achieving leaner operations through digitisation and automation
- Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

Although there remains uncertainty in the broader economic environment as a result of the pandemic, the Management remains confident in delivering on the strategic objectives for the Group.

1. Executive Summary (continued)

KEY STRATEGIC PILLARS	PLAN OF ACTION
1. Complete balance sheet de-risking	• Gross non-performing exposures ('NPE') reduction in 2021, through both organic and inorganic actions, expected to more than offset NPE inflows • Continue to work with advisers towards the sale of portfolios of NPEs in the future, assessing potential to accelerate NPE reduction through additional NPE sales
2. 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)	• Mitigating actions against NII challenges put in place, e.g. growing performing book and pricing away/price correctly deposits • Enhance fee and commission income, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of Digital Economy Platform • Profitable insurance business with further opportunities to grow, e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by Digital Transformation (DT)
3. Improve operating efficiency; by achieving leaner operations through digitisation and automation	• Offer exit solutions to release full time employees • Achieve further branch footprint rationalisation • Contain restructuring costs following completion of balance sheet de-risking • Enhance procurement control • Reduce total operating expenses by approximately 10% over the medium term despite inflation
4. Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities	• Enhanced structure and corporate governance • Focus on our people • Priority on ESG agenda, e.g. introduction of 'environmentally friendly' loan products.

Risk Profile

The Group is exposed to several key risks that include credit risk, market risk, liquidity and funding risk, concentration risk, operational risk, legal risk, information security and cyber risks and insurance risks. Further details on these risks are provided in Sections 2.4.1 (Principal Risks) and 4 of the current disclosures.

The Board is responsible to ensure that a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of all risks is in place. The framework, described in detail in Section 2.4 of the current disclosures, provides the infrastructure, processes and analytics needed to support effective risk management. It also ensures that material risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with its risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained. 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 where violations occur, the Risk Appetite Framework provides the necessary escalation process to analyse the materiality and nature of the breach, notify the appropriate authorities, and decide the necessary remediation actions to address the problem.

1. Executive Summary (continued)

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

	2020 (proforma)[2]	2020 (as reported)[3]	2019
Key Balance sheet ratios[1]			
NPE ratio	**16%**	**25%**	30%
NPE coverage ratio	**59%**	**62%**	54%
Leverage ratio	**9.08%**	**9.08%**	10.10%
Cost of risk	**1.18%**	**1.18%**	1.12%
Liquidity Coverage Ratio (LCR)	**254%**	**254%**	208%
Net Stable Funding Ratio (NSFR)	**139%**	**139%**	127%
Capital ratios and Risk Weighted Assets[1]			
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)	**15.16%**	**14.80%**	14.81%
CET1 (fully loaded)	**13.26%**	**12.94%**	13.06%
Total Capital ratio	**18.74%**	**18.35%**	17.99%
Risk weighted assets (€ million)	**11,381**	**11,636**	12,890
RWAs intensity	**63%**	**70%**	73%

1 **The financial information is derived from and should be read in conjunction with the Directors' Report included within the Company's Annual Financial Report for 2020.**

2 **Pro forma: Pro forma for the agreement for the sale of NPEs (Project Helix 2, Portfolios A and B) of €1.3 billion on the basis of 31 December 2020 figures; calculations on a pro forma basis assume completion of Project Helix 2 (Portfolios A and B), which is subject to required customary regulatory and other approvals (additional information on the transaction of Helix 2 Portfolios A and B is disclosed in Section 6.2.5.).**

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

Throughout this Report, all relevant figures are based on 31 December 2020 financial results, unless otherwise stated. Numbers on a pro forma basis are based on the 31 December 2020 figures and are adjusted for Project Helix 2, and assume its completion, which remains subject to required customary regulatory and other approvals. Where numbers are provided on a pro forma basis this is explicitly stated as pro forma.

- Credit Risk is managed in accordance with the Risk Appetite which sets targets for several key asset quality metrics described below.
  - During 2020, and pro forma for Helix 2, **NPEs** were reduced by €2,120 million, comprising organic NPE reductions of €661 million and NPE sales of €1,459 million to €1,760 million at 31 December 2020, compared to €3,880 million at 31 December 2019, and the NPE ratio was reduced by 14 p.p. from 30% to 16%.
  - Overall, regarding the economic effects of COVID-19, the impact of IFRS 9 Forward Looking Information (FLI) driven by the deterioration of the macroeconomic outlook, resulted in a €54 million charge included in loan credit losses for the year ended 31 December 2020. The **loan credit losses charge (cost of risk)** for 2020 accounted for 1.18% of gross loans, of which 43 bps reflect the deterioration of the macroeconomic outlook for the year ended 31 December 2020 (compared to a loan credit losses charge of 1.12% for 2019).

1. Executive Summary (continued)

  - The Group has in place limits to manage concentration risk which can arise, among others, from sector, product, counterparty, currency, collateral and funding source concentration. Appropriate monitoring and reporting processes are in place and are frequently reviewed. There are restrictions on loan concentrations which are imposed by the Cyprus Banking Law, the relevant Central Bank of Cyprus (CBC) Directives and the Capital Requirements Regulation (CRR). According to these restrictions, banks are prohibited from lending more than 25% of the capital base to a single customer group. The Group's Risk Appetite Statement (RAS) imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of the internal limits over time.

- As at 31 December 2020, the **leverage ratio** of the Group was 9.08 % (2019: 10.10%) on a transitional basis and 8.01% (2019: 8.95%) using a fully phased-in definition of Tier 1 (T1). This ratio is well above the 3% regulatory limit.

- At 31 December 2020 the **LCR** stood at 254% compared to 208% at 31 December 2019 and was in compliance with the minimum regulatory requirement of 100%.

- As at 31 December 2020 the **NSFR** stood at 139% compared to 127% as at 31 December 2019. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities and will become a regulatory indicator in June 2021, when CRR II is enforced, with the limit set at 100%.

- The **CET1 ratio on a transitional basis** stood at 14.80% at 31 December 2020 and 15.16% pro forma for the Project Helix 2 Portfolios A and B sale agreements reached in the third quarter 2020 and in the first quarter 2021 respectively, compared to 14.81% at 31 December 2019. During the year ended 31 December 2020, the CET1 ratio was positively impacted by the amendments to the capital regulations introduced in June 2020 in response to COVID 19 by approximately 82 bps (net positive impact). The main drivers behind this increase have been the acceleration of the implementation of the new SME discount factor under CRR II introduced in June 2020, instead of June 2021, the introduction of the prudential treatment of software assets in December 2020 and the amendments to the IFRS 9 dynamic component introduced as of June 2020. The CET1 ratio on a transitional basis of the Group stood at 14.35% on 1 January 2021 and 14.70% pro forma for Helix 2.

- The **CET1 fully loaded ratios** amounted to 12.94% as at 31 December 2020 and 13.26% pro forma for Helix 2 (Portfolios A and B), compared to 13.06% as at 31 December 2019. On a transitional basis and on a fully phased in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

- The **Total Capital ratio** stood at 18.35% as at 31 December 2020 and 18.74% pro forma for Helix 2, compared to 17.99% as at 31 December 2019.

- During 2020, **Risk Weighted Assets (RWAs)** decreased through (a) the implementation of the new SME supporting factor, which expanded the population of performing exposures that benefit from lower risk weights and also revised the discount factor applicable to such exposures; (b) the increased provision coverage in NPEs; (c) the decrease in the gross loans of customer advances balance sheet values; and (d) the decrease in operational risk RWA.

- The Standardised Approach has been applied to calculate the minimum capital requirement for Credit Risk and minimum capital requirements are calculated as 8% of the RWAs. The total capital requirement for credit risk decreased in 2020 (€840,196 thousand) in comparison with 2019 (€923,540 thousand) with Project Helix 2 being the main driver behind this decrease.

- The minimum capital requirement for operational risk is calculated in accordance with the CRR for operational risk with the Standardised Approach and amounts to €90,515 thousand (2019: €107,416 thousand).

1. Executive Summary (continued)

- There are no minimum capital requirements for market risk for 2020. The minimum capital requirement calculated under the Standardised Approach in accordance with the requirements for Market Risk of the CRR is exclusively related to equity risk. The Bank does not have any exposures in the trading book in "Interest rate risk", "Commodity Risk", "Options" or "Securitisation" positions. FX risk does not require any capital since the materiality threshold set by Article 351 of the CRR is not exceeded.

Risk Statement

The Executive Director Finance and the Chief Risk Officer (CRO) have attested in writing that, to the best of their knowledge, the 2020 Pillar 3 disclosures comply with Part Eight of the CRR and the EBA Guidelines related disclosure requirements and have been prepared in accordance with the internal control processes agreed upon at the Board level.

A statement by the Board regarding the internal controls is included within the Annual Corporate Governance Report of 2020 (Section 2) included with the Annual Financial Report 2020. In addition, statements approved by the Board describing the Group's overall risk profile associated with the Group strategy and risk management are included within the Directors' Report (sections: Viability statement, Strategy and Outlook, Risk management) included with the Annual Financial Report 2020. The 'concise statement' by the Board, that describes the Group's overall risk profile associated with its business strategy, is disclosed in the 2020 Directors' report in section 'Statement of Directors' Responsibilities' (page 43), within the Director's Report included in the 2020 Annual Financial Report of Bank of Cyprus Holdings Group.

2. Introduction

2.1. Corporate Information

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

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

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

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

2.2. Pillar III Regulatory Framework

Regulatory framework overview

The Pillar 3 report is prepared in accordance with the CRR and the Capital Requirements Directive IV (CRD IV). The European Banking Authority (EBA) guidelines on Pillar 3 disclosure requirements have been fully adopted.

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

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force. As this was an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Being a Regulation, CRR II is directly applicable in each member state. Member states are required to transpose the CRD V into national law. To date, this transposition has not yet taken place. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities, MREL), but most changes will start to apply from mid-2021. Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission. The key changes introduced consist of, among others, changes to qualifying criteria for CET1, Additional Tier 1 (AT1) and Tier 2 instruments, introduction of MREL requirements and a binding Leverage Ratio and Net Stable Funding Ratio (NSFR) requirement.

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

2.2 Pillar III Regulatory Framework (continued)

NPE Addendum
On 14 of March 2018 ECB published an NPE addendum which supplements the NPE guidance by specifying what the ECB deems to be prudent levels of provisions for new NPEs. The ECB will in this context assess among other things, the length of time an exposure has been classified as NPE (vintage) as well as the collateral held. The ECB will link the supervisory expectations in this Addendum to new NPEs classified as such from 1 April 2018 onwards, irrespective of the reason of classification.

In July 2018, ECB announced additional steps in its supervisory approach to the stock of NPEs. The approach creates a consistent framework for addressing the issue, as part of the supervisory dialogue, through bank-specific supervisory expectations aimed at achieving adequate provisioning of legacy NPEs. This assessment was guided by: i) individual banks' current NPE ratios, ii) their main financial features, iii) their NPE reduction strategy (if available), and iv) a benchmarking of comparable peers in order to ensure consistent treatment. Most recent data and their capacity to absorb additional provisions were also considered. All SIs have been assessed with the aim of setting bank-specific expectations so as to ensure continued progress in reducing legacy risks and the same coverage of the stock and flow of NPEs over the medium term.

BOC PCL, being a bank with elevated levels of NPEs, received a letter from the ECB, as part of normal supervisory activities, containing qualitative elements, focused on ensuring it is managing and addressing NPEs in line with supervisory expectations.

On 22 August 2019 the ECB has revised its supervisory expectations for prudential provisioning of new NPEs specified in the "NPE Addendum", after taking into account the adoption of the new EU regulation that outlines the Pillar I treatment for NPEs. Supervisory expectations for coverage of stock of NPEs remain unchanged. NPEs arising from loans originated after 26 April 2019 in principle are subject solely to Pillar II treatment. Taking into account the specificities of the supervisory expectations, banks will thus be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, from early 2021 onwards. Supervisory expectations for the stock of NPEs (i.e. loans classified as NPEs on 31 March 2018) remain unchanged, as communicated in the Supervisory Review and Evaluation Process letters sent to banks and in the press release in July 2018.

The Group's 2020 year end disclosures comply with all relevant CRD IV, CRR and associated EBA and ECB guidelines and technical standards in force at 31 December 2020 including the EBA published guidelines on COVID 19 payment moratoria and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID 19 pandemic introduced in 2020.

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

- *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 must be transposed into national law. To date, this transposition has not yet taken place. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019 as part of the reform package and took immediate effect.

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

2.2 Pillar III Regulatory Framework (continued)

As per the draft decision, the minimum MREL is set at 23.32% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) and must be met by 31 December 2025. Furthermore, BOC PCL must comply by 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) will not be eligible to meet its MREL expressed in terms of risk weighted assets. Once the above mentioned decision becomes final (expected early April 2021), these requirements will replace those that were previously applicable.

The MREL ratio of BOC PCL as at 31 December 2020, calculated according to SRB's eligibility criteria currently in effect and based on the BOC PCL's internal estimate, stood at 15.36% of risk weighted assets (and at 14.92% of risk weighted assets as at 1 January 2021) and at approximately 10% of LRE (and at approximately 10% of LRE as at 1 January 2021). Pro forma for Project Helix 2, the MREL ratio of BOC PCL as at 31 December 2020, calculated on the same basis, stood at 15.80% of risk weighted assets (and at 15.35% of risk weighted assets as at 1 January 2021). The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, currently at 3.50% and expected to increase to 4.00% on 1 January 2022.

The MREL per the draft decision is in line with BOC PCL's expectations and funding plans, and in this context, BOC PCL will consider initiating its MREL issuance, as part of its overall capital and funding strategy.

- *CRR II and CRD V*

  On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force. As this was an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Being a Regulation, CRR II is directly applicable in each member state. Member states are required to transpose the CRD V into national law. Certain provisions took immediate effect (primarily relating to MREL), but most changes will start to apply as of mid-2021. Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission. The key changes introduced consist of, among others, changes to qualifying criteria for CET1, AT1 and Tier 2 (T2) instruments, introduction of MREL requirements and a binding Leverage Ratio and NSFR requirement.

2.2 Pillar III Regulatory Framework (continued)

Capital requirements

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

Minimum Capital Requirements

	2021 Note 2	2020	2019
	%	%	%
Pillar 1			
CET1	4.50	4.50	4.50
Tier 1	6.00	6.00	6.00
Total Capital requirement-Pillar 1	**8.00**	**8.00**	**8.00**
Pillar 2			
CET1	1.69	1.69	3.00
AT1	0.56	0.56	-
Tier 2	0.75	0.75	-
Total Capital requirement-Pillar 2	**3.00**	**3.00**	**3.00**
Buffers			
Capital Conservation Buffer (CCB)-Note 3	2.50	2.50	2.50
Countercyclical Capital Buffer (CCyB)-Note 4	-	-	0.03
Other Systematically Important Institutions (O-SII)-Note 5	1.00	1.00	0.50
Total minimum requirements CET1	**9.69**	**9.69**	**10.53**
Overall Capital requirement	**14.50**	**14.50**	**14.03**

2.2 Pillar III Regulatory Framework (continued)

Notes:

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

2. The ratios are in line with the 2019 SREP decision (as amended in March 2020). In November 2020, the Group received communication from the ECB according to which no SREP decision will be issued for the 2020 SREP cycle and that the 2019 SREP will remain in force, hence leaving the Group's capital requirements unchanged, as well as other requirements established by the 2019 SREP decision. The communication follows relevant announcement by the ECB earlier in 2020 that ECB will be taking a pragmatic approach towards the SREP for the 2020 cycle. Further information is disclosed in Notes 4.1 of the Consolidated Financial Statements of the Company for 2020 included in the Company's Annual Financial Report for 2020.

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

4. In accordance with the provisions of the above law, the CBC determines, on a quarterly basis, the Countercyclical Capital Buffer (CCyB) level in accordance with the methodology described in this law. The CCyB is effective as of 1 January 2016 and is determined for all the countries in the European Economic Area (EEA) by their local competent authorities ahead of the beginning of each quarter. The CBC has set the level of the CCyB for Cyprus at 0% for the years of 2020 and 2019 and the six months up to June 2021. The CCyB for the Group has been calculated at 0.00% for the year 2020 (2019: 0.03%) (Section 5.4).

5. In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are 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 set the O-SII buffer for the Group at 2.00%. This buffer is phased in gradually, starting as of 1 January 2019 at 0.50% and set to be increasing by 0.50% every year thereafter, until being fully implemented at 2.00%. In April 2020 the CBC decided to delay the phasing in (0.50%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set.

The EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of Pillar II Guidance (P2G) cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice. In line with the final 2019 SREP decision these new provisions became effective as of 1 January 2020.

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA announced that banks are temporarily allowed to operate below the level of capital defined by the P2G, the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the combined buffer requirement (CCB, CCyB, O-SII buffer) until at least end of 2022, without automatically triggering supervisory actions.

2.2. Pillar III Regulatory Framework (continued)

In April 2020, and following ECB and EBA announcements on 12 March 2020, in response to the Covid-19 outbreak, the Bank received an amending SREP decision from the ECB amending the composition of the Pillar II additional own funds requirement, allowing to use AT1 capital and T2 capital to meet Pillar II Requirement (P2R) and not only by CET1, compared to the 2019 final SREP decision received in December 2019 which required P2R to be met in full with CET1. This decision is effective as of 12 March 2020. This brings forward a measure that was scheduled to come into force in January 2021 with CRD V. As a result of this amending decision, the minimum phased in CET1 requirement decreased to 9.69%, comprising a 4.50% Pillar I requirement, a 1.69% P2R, the CCB of 2.50% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.00%. There is no change on the TC requirement.

The capital position of the Bank and the Group at 31 December 2020 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 subsidiaries of the Group which are not included in the prudential consolidation and have capital requirements to comply with, are the following insurance subsidiaries:

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

The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance and specifically the minimum solvency ratio as at 31 December 2020. Therefore there is no capital shortfall to report with respect to the insurance subsidiaries of the Group in accordance with CRR Article 436(d). The Solvency and Financial Condition Report of GIC and EuroLife Ltd is made public on a yearly basis beginning of April and is published on their websites, www.eurolife.com.cy and www.gic.com.cy (Solvency and Financial Condition Reports).

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 as at 31 December 2020. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), was behind the minimum initial capital requirement and the additional capital conservation buffer as at 31 December 2019. In 2020, CISCO took the necessary steps, restored its regulatory capital and complied with the minimum capital adequacy ratio requirements.

Comparative information

Comparative information was restated in:

(i) Section 6.2.5 Non performing exposures and Section 6.2.8 Forbearance in relation to the presentation of loans and advances to customers - the residual fair value adjustment on initial recognition (which is mainly relating to loans acquired from Laiki Bank and is calculated as the difference between the outstanding contractual amount and the fair value of loans acquired) is included within the Gross Loans, as in accordance with IFRS 3 this adjustment decreases the gross balance of loans and advances to customers. For credit risk monitoring this amount is presented separately from the gross balance of loans and advances. The information in the tables has been restated to be presented consistent with amortised cost of loans and advances as reported in the financial statements (the statutory basis),

(ii) Section 8 to disclose information on the basis of prudential consolidation instead of accounting consolidation previously applied and

(iii) Section 5.5.5 EU Non-deducted participations in insurance undertakings, the carrying amount for the "Holdings of own funds instruments of a financial sector entity where the Group has a significant investment not deducted from own funds (before risk-weighting)" and the carrying amount for the "Total RWAs".

Disclosure policy

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

2.2. Pillar III Regulatory Framework (continued)

Basis and of preparation

The 2020 Pillar 3 Disclosures report (the 'Report') of the Group sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the CRR specify the Pillar 3 framework requirements (refer to Appendix VI Specific References to CRR Articles at the end of the Report). The Report includes, to a large extent, tables prepared in line with the EBA guidelines published on 14 December 2016 as amended on 4 August 2017 (refer to Appendix VI Specific References to EBA guidelines at the end of the Report), which are now in force for the purposes of this Report. A CRR mapping table has been included in Appendix VII which details how the Group has complied with each article under Part Eight.

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

Frequency, media and location

The Report is published annually and in conjunction with the Group's Annual Financial Report, whilst certain disclosures are published on a more frequent basis if necessary on the Group's website http://www.bankofcyprus.com (Investor Relations), in accordance with regulatory guidelines. The Group publishes semi-annually and quarterly the disclosures required by EBA guidelines GL/2014/14-title VII paragraph 26 (a) and (b). The semi-annual disclosures are included in the Additional Risk and Capital Management Disclosures report (provides additional information on the capital and risk profile of the Group) which is approved by the Board and published together with the Mid-Year Financial Report. The quarterly disclosures are reported in the Group Results announcement which is also approved by the Board.

Copies of the Group's Annual Report 31 December 2020 along with the Group's Pillar III Disclosures can be obtained from Group's website http://www.bankofcyprus.com (Investor Relations).

Basis of credit risk exposures

To ensure compliance with both CRR and subsequent EBA guidelines, credit risk exposures are presented on different bases throughout the document. Information on the exposure basis is given either in column headings or supporting narrative within Pillar 3 Credit risk in Section 6.

Verification

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

Group Compliance Division had an oversight of the framework and assurance procedures and Group Internal Audit performed a review of the process followed by the Group for the preparation of Pillar 3 Disclosures for 2020.

The Pillar 3 report pre its submission to the Board is reviewed and approved by the Executive Committee (ExCo). The Board, through the Risk and Audit Committees scrutinises and approves the Pillar 3 report. This governance process ensures that both management and the Board are given sufficient opportunity to challenge the disclosures. Further controls and processes about the preparation of periodic reporting are disclosed in the Directors' report of the 2020 Annual Financial Report (page 37).

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

2.3. Governance Arrangements

2.3.1. Recruitment Policy

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

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

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

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

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

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

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

Following the Board Performance Evaluation in 2020, the NCGC determined that the skills profile of the Board, either academically or through professional experience was appropriate and relevant to the business of the Group including inter alia, banking, insurance, audit and accounting, economics, risk management, dealing with competent authorities, strategy and business models, legal and consultancy services, Information Technology (IT) and human resource management. The NCGC further considered the Committees' composition and in accordance with best practice decided on a rotation of Committee memberships that would best utilise the members' skills and experience and to this effect appointed Mr. Nicolaos Sofianos, an experienced auditor, to chair the Audit Committee. The appointment took effect on 26 February 2021, following ECB approval.

2.3.1. **Recruitment Policy** (continued)

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

In April 2020 Mrs Anat-Bar-Gera resigned effective 25 May 2020 and Mr. Nicolaos Sofianos was appointed to the Board subject to ECB consent which was received on 26 February 2021. Dr. Patsalides resigned as First Deputy CEO and Executive member of the Board effective 31 October 2020. In September 2020 the Board appointed Mrs Eliza Livadiotou, Executive Director Finance as Executive member of the Board and Mr. Constantine Iordanou as Independent Non-Executive member, both subject to ECB consent.

2.3.2. **Other Directorships**

The NCGC considers amongst other whether a potential director is able to devote the requisite time and attention to the Bank's affairs, prior to the BoD's approval of the individual's appointment.

The CBC Assessment of the Suitability of members of the management body and key function holders Directive 2020 which incorporates the provisions of Article 91 of CRD IV determines that a director cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships.
- Four non-executive directorships.

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

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

2.3.2. Other Directorships (continued)

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

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

- Mr. Arapoglou 4 Non-executive directorships
- Mr. Nicolaou 2 Non-Executive directorships
- Mrs Lyn Grobler 1 Executive directorship
- Mr. Zographakis 1 Non-Executive directorship
- Dr. Heger 1 Executive directorship
- Mr. Berggren 2 Non-Executive directorships
- Mr. Goldman 2 Non-Executive directorships
- Mr. Sofianos 1 Executive directorship and 1 Non-Executive directorship
- Mr. Iordanou 3 Non-Executive directorships

Full biographies can be accessed online and in the Annual Corporate Governance Report 2020 which is included in the Annual Financial Report for 2020 and is available at www.bankofcyprus.com (Who we are).

2.3.3. Diversity

The Board has a balanced and diverse range of skills, knowledge and experience, and is close to achieving its target for female representation. Following the approval of the Board Diversity Policy in May 2015 an action plan was prepared which set as target to achieve 40% female representation on the Board by 2020. The change in the composition of the Board in 2020 maintained gender diversity at 33.3%. The Board remains committed to achieving its set target the earliest possible. Nationality, gender, age, specialised skills and other relevant qualities are all taken into consideration in order to maintain an appropriate range of balance of skills, experience and background on the Board.

Following review in 2020, the NCGC determined that the skills and experience of the Board were appropriate in areas relevant to the business of the Group such as banking & financial services, strategy & business models, risk management, business/industry experience, audit/accounting & economics, insurance, international experience, capital markets, legal governance, IT, human resource management and dealing with regulators and governments.

Further information on the Group Board Nomination Policy and the Group Board Diversity Policy is contained in the Annual Corporate Governance Report for 2020 which is available at www.bankofcyprus.com (Who we are).

2.3.4. The Board

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in achieving its strategic objectives and ensuring the maintenance of an effective risk management and oversight process across the Group. The CRO regularly reports to the Board, developments in the risk environment and performance trends.

The Board is also responsible for ensuring that the management maintains an appropriate system of internal controls which provides on-going assurance of effective operations, internal financial controls and compliance with policies and procedures. The Board exercises the responsibility for approving and monitoring the Group's overall strategy, risk appetite and policies for managing risks through two of its Committees, namely the Board Risk Committee (RC) and the Board Audit Committee (AC).

2.3.5. Board Risk Committee (RC)

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

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

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

The RC currently comprises 4 Non-executive directors, the majority of whom are independent. During 2020 the RC held 17 meetings (2019: 13 meetings).

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

- Review pricing of products and where prices do not properly reflect risk, present a remedy plan to the BoD.
- Examine the adequacy and effectiveness of the contingency and insurance strategy of the Group and make appropriate recommendations to the Board.
- Examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
- Submit proposals to the BoD and recommendations for corrective action whenever weaknesses are identified in implementing the risk strategy.
- Appraise the CRO and the Information Security Officer and submit appraisals to the BoD.
- Approve sufficient resources and budget for the Bank's Risk Management Division (RMD) and the Information Security function.
- Review and approve the organisational structure of the RMD.
- Assess and monitor the independence, adequacy and effectiveness of the RMD and the Information Security Function.
- Advise the BoD on the adequacy and effectiveness of the risk management framework and the information security framework, drawing on the reports of the AC, the RMD and external auditors.
- Advise the BoD on the adequacy, effectiveness and robustness of information and communications systems.
- Advise the BoD on the adequacy of the provisions and effectiveness of strategies and policies with respect to maintaining adequate internal capital and own funds to cover the risks of the Bank.
- Ensure that stress tests and related procedure are carried out as appropriate on all major risks, at least on an annual basis and where necessary, challenge the appropriateness of limits and adequacy of capital and budgets.
- Review and recommend for approval to the Board the Group Recovery Plan and any revisions therein.
- Conduct a self-assessment and report its conclusions and recommendations for improvements and changes to the BoD.

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

2.3.6. Board Audit Committee (AC)

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

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

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

The AC comprises of 5 independent Non-executive directors. During 2020 the AC held 14 meetings (2019: 13 meetings).

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

2.3.7. Board Human Resources & Remuneration Committee (HRRC)

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

Further information on the Group Board Committees, their composition, number of meetings, their activities and terms of reference are contained in the Annual Corporate Governance Report for 2020 which is included in the Annual Financial Report 2020.

2.3.8. Reporting and Control

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

- Risk appetite framework and risk appetite dashboard
- Financial plan risk assessment
- ICAAP and ILAAP
- Updates on all main risks faced by the Bank
- Credit portfolio overview
- Loan loss provisions
- Stress test results
- Risk quantification
- Regulatory communication
- Information security
- Updates on specific segment of the portfolio such as shipping, syndicated lending, real estate portfolio.

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

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

2.4. Strategies and Processes to Manage Risks

2.4.1. Principal Risks

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

Principal Risks	
Risk	***Mitigating considerations***
Business and strategic risk	
Business and strategic risk arises from changes in the external environment including economic trends and competition. The Group faces competition from domestic banks, international banks and financial technology companies operating in Cyprus and in other parts of Europe.	• The Group has a clear strategy with key objectives to enable delivery. • The strategy is developed within the risk appetite and is monitored closely on a regular basis. • The Group remains ready to explore opportunities that complement its strategy.
Macroeconomic outlook and capital risk	
Since the outbreak of COVID-19, the macroeconomic environment of the country has deteriorated and as such the Group is found to operate in a heightened risk environment and may face deterioration in the value of its profitability and assets. A continuing deterioration of the macroeconomic environment stemming from the COVID-19 pandemic or other factors could lead to adverse financial performance which could deplete capital resources.	• Close and continuous monitoring of the risks and impact of changing macroeconomic conditions on its strategy and objectives. • An internal stress testing framework (ICAAP) is in place to provide insights on projected capital adequacy.
Country risk	
The Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated.	The Group has a clear strategy with key objectives to address this risk including the diversification of income sources.

Principal Risks	
Risk	***Mitigating considerations***
Credit risk	
The risk that arises when counterparty has failed to fulfil its financial obligations in a timely manner. This may be brought up as a result of negative changes in the economic environment leading to higher rates of non-payment by borrowers. The continuing COVID-19 pandemic has further heightened this risk. The Group's financial condition and prospects are affected by the high level of NPEs in its existing portfolio and the pace it is able to resolve these NPEs either organically or through sales.	• Specific risk appetite limits on credit risk are in place. • A lending policy and related circulars, incorporating prudent lending criteria, aligned with the Group’s RAS are in effect and are revised on an annual basis or a more frequent ad hoc basis if deemed necessary. • A credit risk monitoring framework is in place which has been further enhanced following the end of the general moratorium on loan instalments enacted as a response to the COVID-19 pandemic. • The management remains committed to carefully further de-risk its balance sheet through the further reduction of NPEs without causing significant capital erosion.
Market risk	
The risk that the Group’s capital or earnings are affected by adverse movement in market rates, in particular interest rates, credit spreads, foreign exchange movements and property prices (refer to Property risk below).	• The RAS sets limits on market risk losses and property exposures aiming to ensure that no major and material losses from market price related moves are suffered. • The Group does not maintain a trading book while equity holdings are not material. • Proper limit framework is in place for all market risk areas.
Property risk	
A significant proportion of the Group's loan portfolio is secured primarily by mortgages over Cypriot real estate. Furthermore, the Group retains a portfolio of real estate in Cyprus, mainly as a result of the enforcement of loan collateral and debt-for-asset swaps. As a result of the above the Group's business, financial condition is affected by: • Changes in the demand for, and prices of, Cypriot real estate; or • Regulatory requests which may increase the capital requirement of stocks of properties.	• The Group has set up a specialised division to manage the repossessed portfolio (REMU) including employing appropriate disposal strategies. • The Group takes 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. • As part of the Group’s provisioning process, assumptions are made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. • As part of the Group’s assessment for measuring properties owned by the Group judgement is exercised which takes into account all available reference points, such as expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.

<table>
<tr><th colspan="2">Principal Risks</th></tr>
<tr><th>Risk</th><th>Mitigating considerations</th></tr>
<tr><th colspan="2">Funding & Liquidity Risk</th></tr>
<tr><td>Funding risk is the risk that we do not have sufficiently stable sources of funding or access to sources of funding may not always be available and thus the Group may fail to meet its regulatory obligations (i.e. MREL).

In May 2020, the Bank received formal notification from its Regulator for the binding MREL requirement. This decision is based on the current legislation, is expected to be updated annually and could be subject to subsequent changes by the resolution authorities.

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its commitments as they fall due.</td><td>• Sizeable surpluses in all regulatory and internal liquidity ratios.
• LCR and NSFR ratios above regulatory limits close monitoring of daily flows.
• Daily internal stress testing.
• An updated and tested Liquidity Contingency Plan and an internal stress testing framework are in place.
• The MREL requirement is in line with the Bank's expectations, and largely in line with its funding plans. The Bank plans to initiate MREL issuance and refinance Tier 2 subject to market conditions.</td></tr>
<tr><th colspan="2">Concentration Risk</th></tr>
<tr><td>Concentration risk is the risk of loss due to exposures to any single entity or group of related entities with the potential to produce losses large enough (relative to capital, total assets, or overall risk level), to threaten the Group's health, reputation, or ability to maintain its core operations.</td><td>• The Group's risk appetite statement imposes strict concentration limits and the Group is taking actions to run down problematic exposures which are in excess of these internal limits over time. Internal limits are stricter than the ones provided by the Banking Law.
• Concentration Risk Policy and related guidelines aligned with the Risk Appetite Statement are on place.
• Exposures are monitored and reported on a monthly basis.</td></tr>
<tr><th colspan="2">Operational Risk</th></tr>
<tr><td>The risk of direct or indirect impact/loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes compliance and legal risk as well as reputational risk as the Group uses a broader scope when defining operational risk for the purposes of its ORM Framework.

Operational risks can arise from all business lines and from all activities carried out by the Bank and are thus diverse in nature.</td><td>• The RAS sets limits on aggregate operational losses as well as across sub-categories of operational risk including, among others, fraud, conduct, legal, compliance and reputational risk.
• In addition, several processes, control and procedures are in place, such as:
  o A Risk and Control Self-Assessment (RCSA) process.
  o A rigorous monitoring of risk mitigation action implementation plans.
  o Loss/Incident recording and analysis
  o Established Key Risk Indicators.
  o Disaster Recovery.</td></tr>
</table>

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

<table>
<tr><th colspan="2">Principal Risks</th></tr>
<tr><th>Risk</th><th>Mitigating considerations</th></tr>
<tr><th colspan="2">Insurance and Reinsurance Risk</th></tr>
<tr><td>The Group, through its subsidiaries EuroLife Ltd ("EuroLife") and General Insurance of Cyprus Ltd ("GIC"), provides life insurance and non-life insurance, respectively, and is exposed to certain risks particular to these businesses.

Insurance events are unpredictable and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial and statistical techniques.

In addition, although reinsurance arrangements mitigate insurance risk, the Group's insurance subsidiaries are not completely relieved of their direct obligations to their policyholders and also a credit (counterparty) exposure exists to the extent that any reinsurer is unable to meet its contractual obligations.</td><td>• Both Insurance companies perform their annual stress tests (ORSA) which aim to ensure among others:
  • The appropriate identification and measurement of risks;
  • An appropriate level of internal capital in relation to the Company's risk profile;
  • The application and further development of suitable risk management and internal control systems;
• Reinsurance arrangements are monitored and reviewed to ensure their adequacy as per the Reinsurance Policy
• The lead re-insurer is of high credit rating and the rating is closely monitored for any signs of deterioration. In addition, counterparty risk assessment is performed on a frequent basis</td></tr>
</table>

It is further noted that detailed information relating to Group risk management in relation to credit risk, liquidity risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and insurance risk is set out in Notes 45 to 48 of the Consolidated Financial Statements of the Company for 2020 and in the Additional Risk and Capital Management Disclosures which form part of the 2020 Annual Financial Report.

2.4.1.1. Risk Management Framework

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

- Risk governance
- Organisational model
- Three lines of defence model
- Risk appetite framework
- Risk communication and reporting
- Frameworks, policies, circulars, systems and models
- Risk culture

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

2.4.1.2. Effectiveness of the Risk Management Framework

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

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

The Group's management and BoD needs to be satisfied that the Risk Management Framework is appropriate given the risk profile of the Group and its Strategy. As such, the Group has in place a process whereby certain confirmations/representations and warranties as to the effectiveness of Risk policies, procedures and monitoring activities, as part of the Corporate Governance Code's (Code) obligations, are provided by all the business lines and subsidiary companies to the BoD through its AC on an annual basis. Furthermore, RMD, having received such quarterly confirmations/representations from the business lines and subsidiary companies, subsequently provides confirmations/representations and warranties as to the effectiveness of its policies, procedures and monitoring activities to the BoD through its AC. The Board declaration on Risk Management is fulfilled within the Directors' Report of 2020 Annual Financial Report.

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

2.4.2. Risk Governance

The responsibility for approving and monitoring the Group's overall strategy, risk appetite and policies for managing risks lies with the BoD, which exercises this responsibility through its Board Committees, RC and AC. Additionally, the Group Risk Management Framework is monitored and implemented by various Board, Executive and Management Committees including:
- ExCo
- Board Technology Committee (TC)
- Asset Acquisition and Disposal Committee (ADC)
- Asset and Liability Committee (ALCO)
- Executive Management Credit Committees

The role of the Board, RC and AC in Sections 2.3.4 to 2.3.6 above.

Executive and Management Committees

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

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

2.4.2. **Risk Governance** (continued)

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

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

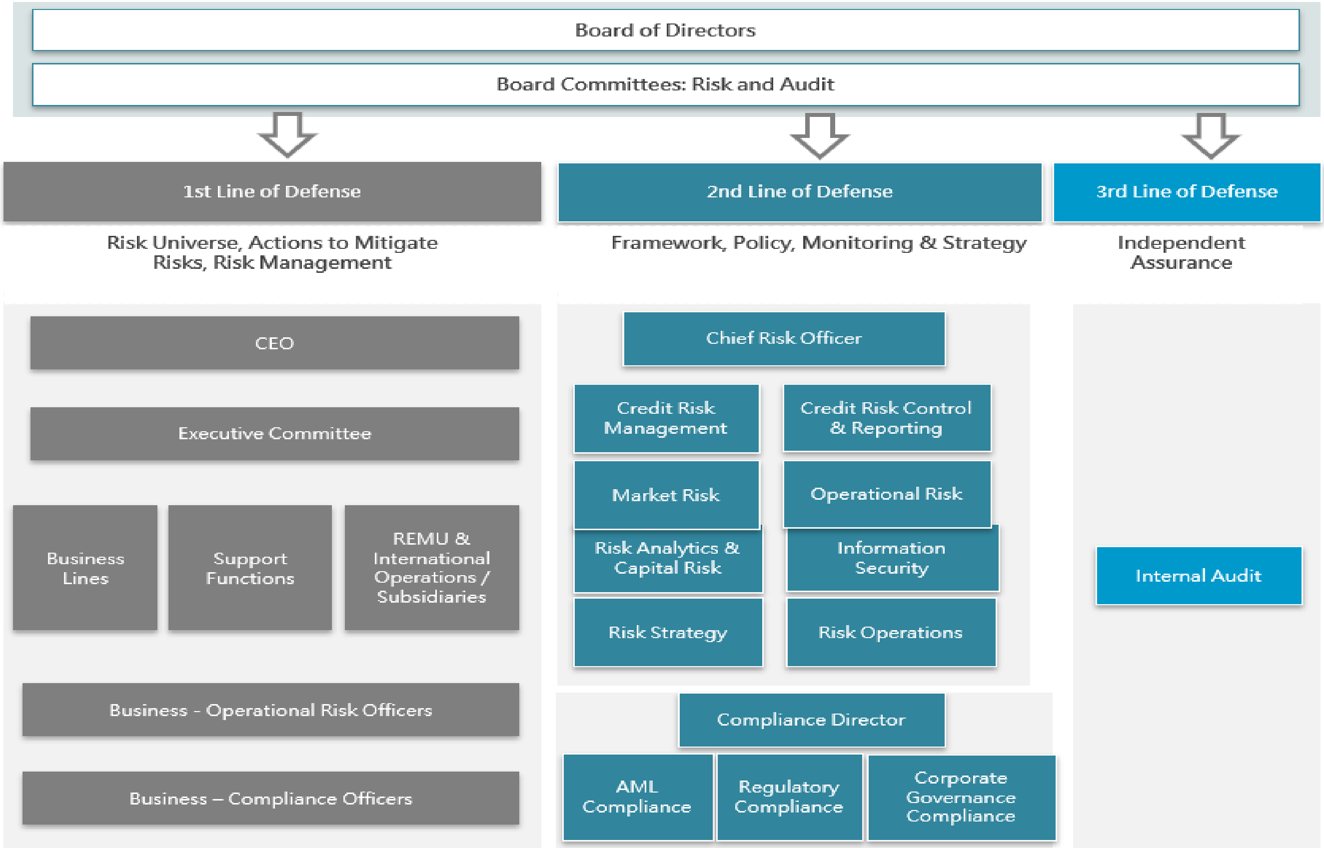
Chief Executive Officer (CEO)
The CEO is accountable for leading the development of the Group's strategy and business plans in a manner that is consistent with the approved risk appetite and for managing and organising Executive Management to ensure these are executed. It is the CEO's responsibility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

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

Three Lines of Defence
The Bank follows the regulatory guidelines for Corporate Governance and has defined a set of rules and controls governing the Bank's organisational and operational structure including reporting processes and functions for risk management, compliance and internal audit.

The Bank has established the Three Lines of Defence model as a framework for effective risk management and control which depicts the relationship of RMD with other internal control functions as well as the front line. All employees are responsible for identifying and managing risk within the scope of their role as part of the Three Lines of Defence model.

2.4.2. Risk Governance (continued)



1st Line of Defence

Risk Owners

The first line of defence against risks lies with the front line which includes all units that on-board risk into the Bank as well as all associated support functions (e.g., Treasury). They are responsible for the implementation, maintenance and enhancement of the risk management framework through:

- Identification and effective management of risks.
- Compliance with all limits applicable to their operations in line with the RAS.
- Issues identification, recording, escalation and management.

2nd Line of Defence

Review & Challenge

Consists of the Risk Management and Compliance Divisions that provide independent oversight of the risk profile and of the risk management framework through:

1. Challenge to activities of the first line that materially affect the Bank's risk profile.
2. Developing, maintaining and enhancing the RMD framework considering new risks.
3. Independently reporting & escalating issues
4. Providing specialist advice and training to the Board, to the board committees and to the first line of defence.

3rd Line of Defence

Independent Assurance

Internal Audit comprises provides independent assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

Furthermore, as per the CBC Directive on Governance and Management Arrangements, the adequacy and effectiveness of the Bank's internal control framework is also assessed by an external independent auditor once every three years.

2.4.2. Risk Governance (continued)

Risk Management Division (RMD) relation with control functions

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

2.4.3. Risk Management Division (RMD)

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

The RMD organisational model is structured so that to:

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

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

2.4.4. Risk Culture

A robust risk culture is a substantial determinant of whether the Bank will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that the Bank has been building is reflected in its policies and procedures and these are closely aligned to its risk appetite. Risk culture is manifested in the institutions norms, its day-to-day decisions that indicate how risk is identified, understood, discussed and acted upon.

The Group's Ethics, Conduct and Culture Board Committee (ECCC) has a significant role in defining and enhancing risk culture as is tasked, among others, to:

- Support the Board in promoting its collective vision of values, conduct and culture.
- Oversee management's efforts to foster a culture of ethics and appropriate conduct within the Group.

2.4.4. Risk Culture (continued)

- Oversee the way the Group conducts business focusing on developing a customer-centric culture with an eye on profitability in all its operations.
- Oversee the Group's conduct in relation to its corporate and societal obligations, including setting the direction and policies for the Group's approach to customer and regulatory matters.
- Oversee the effectiveness of the Group's whistleblowing procedures.

Under the ECCC a project for the enhancement of the Bank's risk and control culture has been initiated in 2020. The project includes a number of workstreams aiming to align management and employee perceptions on risk culture, create focus and targeted actions and promote desired risk culture behaviours.

2.4.5. Risk Appetite Framework (RAF)

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

The RAF has been developed in order to be used as a key management tool to better align business strategy and financial targets with risk management. In doing so, the RAF:
- Incorporates quantitative risk metrics and qualitative Risk Appetite statements that are easy to communicate and adapt
- Establishes the governance arrangements for the RAF update and monitoring process
- Defines the roles and responsibilities of involved stakeholders overseeing the development, implementation and monitoring of the RAF
- Defines the escalation and assessment process in case of an indicator breach, in order for management actions to be timely initiated and implemented to reduce the level of risk as required
- Contributes in promoting a risk culture across the Group

The RAS considers, but is not limited to, the following critical & material risks as indicated below:

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

Risk Appetite and Capital Plan Interaction

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

2.4.6. Risk Management Policies & Frameworks

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

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

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

2.4.7. Risk Measurement and reporting systems

The Bank has developed risk measurement and reporting systems that help ensure that risks are captured, assessed and reported.

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

2.4.8. Recovery Plan

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

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

The Bank prepared and submitted to the ECB the updated RP in September 2020 in line with the relevant operational reliefs provided by the ECB for the 2020 RP as a result of the COVID-19 outbreak.

2.4.9. Stress Testing

2.4.9.1. Purpose

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

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

2.4.9.2. Development of stress tests

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

The approach to stress testing requires the following steps:

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

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

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

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

2.4.9.3. Stress Testing Coverage

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

2.4.9.4. Regulatory Considerations

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

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

2.4.9.5. Evaluating and documenting mitigating actions

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

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

2.4.9.6. Responsibility

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

2.4.9.7. ECB 2021 Stress Test

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

However due to the outbreak of COVID –19 and its global spread, EBA decided to postpone until 2021 the EU-wide Stress Test Exercise of 2020 to allow banks to focus on and ensure continuity of their core operations. The exercise was initiated on 29 January 2021 with the announcement of the macro assumptions of the stress tests. The baseline scenario for EU countries is based on the projections from the national central banks on December 2020. The adverse scenario assumes the materialisation of the main financial stability risks that have been identified by the ESRB and which the EU banking sector is exposed to and reflects recent risk assessments by the EBA.

The results of the exercise should be published by the end of July 2021. The outcome may provide valuable input to make informed decisions on possible exit strategies from the flexibility measures granted to banks due to the Covid-19 crisis, or on the need for additional measures, should the economic conditions deteriorate further.

2.4.9.8. Other business and risk type specific stress tests

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

2.4.10. ICAAP, Pillar II and SREP

2.4.10.1. ICAAP

ICAAP is an annual process that demonstrates whether the Group has all the necessary procedures in place to ensure adequate capital resources for all potential risks, under both normal and stress conditions under the normative and economic perspectives. The ICAAP process considers the following:
- integration of ICAAP in the overall management framework
- identification and quantification of all material risks
- assessment of the capital adequacy under adverse circumstances

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

The Group prepares the ICAAP report annually. The report for 2020 is in progress and will be submitted to the ECB by end of April 2021, once approved by the Board of Directors.

The Group also undertakes quarterly reviews of its ICAAP results considering the latest actual and forecasted information. During the quarterly review, the Group's risk profile and risk management policies and processes are reviewed and any changes since the annual ICAAP exercise are taken into consideration.

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

2.4.10.2. Pillar II and SREP

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

In November 2020, the Group received communication from the ECB according to which no SREP decision will be issued for the 2020 SREP cycle and the 2019 SREP decision will remain in force, hence leaving the Group's capital requirements unchanged as well as other requirements established by the 2019 SREP decision (as amended). The communication follows relevant announcement by the ECB earlier in the year that ECB will be taking a pragmatic approach towards the SREP for the 2020 cycle.

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

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons).

Following the annual SREP performed by the ECB in 2019 and based on the final 2019 ECB decision received on 4 December 2019, the Group's minimum phased-in CET1 capital ratio and TC ratio remained unchanged for 2020 compared to 2019, when ignoring the phasing in of the O-SII buffer.

The Group's minimum phased in CET1 capital ratio for 2020 was initially set at 11.00% (2019: 10.53%), comprising a 4.50% Pillar I requirement, a 3.00% P2R, the CCB of 2.50% and the O-SII Buffer of 1.00% (2019: 0.50%). The ECB had also provided non-public guidance for an additional Pillar II CET1 buffer.

The Group's minimum phased in TC ratio requirement for 2020 was 14.50% (2019: minimum phase in Total capital ratio of 14.03%), comprising a 8.00% Pillar I requirement (of which up to 1.50% could be in the form of AT1 capital and up to 2.00% in the form of T2 capital), a 3.00% P2R, the CCB of 2.50% and the O-SII buffer of 1.00% (2019: 0.50%).

In addition, the EBA final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of P2G cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice. In line with the final 2019 SREP decision, these new provisions became effective as of 1 January 2020.

As part of the relaxation measures following the COVID-19 outbreak, on 12 March 2020, the ECB and the EBA announced that banks are temporarily allowed to operate below the level of capital defined by the P2G, the CCB and the CCyB. In July 2020, the ECB committed to allow banks to operate below P2G and the combined buffer requirement until at least end of 2022, without automatically triggering supervisory actions.

In April 2020 the CBC announced that the phasing in of the O-SII buffer of 1 January 2021 will delay by one year. The O-SII buffer will be fully phase in on 1 January 2023, instead of 1 January 2022 as originally set.

In April 2020, and following ECB and EBA announcements on 12 March 2020, the Group received an amending SREP decision from the ECB amending the composition of the Pillar II additional own funds requirement, allowing to use AT1 capital and T2 capital to meet P2R and not only by CET1, compared to the 2019 final SREP decision received in December 2019 which requested P2R to be met in full with CET1. This decision is effective as of 12 March 2020.

2.4.10.2. Pillar II and SREP (continued)

This brings forward a measure that was scheduled to come into force in January 2021 with CRD V. As a result of this amending decision, the minimum phased in CET1 requirement decreased to 9.69%, comprising of 4.50% Pillar I requirement, 1.69% P2R, the CCB of 2.50% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.00%. There is no change on the TC requirement.

Based on the SREP decisions of prior years, the Company and BOC PCL were under a regulatory prohibition for equity dividend distribution and therefore no dividends were declared or paid during 2019. Following the 2020 SREP communication, the Company and BOC PCL are still under equity dividend distribution prohibition as the 2019 SREP decision remains in force. 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 and BOC PCL.

Following the final 2019 SREP decisions the variable pay is capped at 10% of consolidated net revenues.

2.4.11. COVID 19- Risk and Uncertainties

As the coronavirus outbreak unfolds, the Group is following the local government guidelines in its response to the virus. Furthermore, in accordance with its Business Continuity Plans (BCP), the Pandemic Incident Management Plan of the Group has been invoked and the Group has adopted a set of measures to ensure minimum disruption to its operations and to protect its customers and employees. Further details of the COVID-19 impact on the Group are disclosed in the Group's 2020 Annual Financial Report in Directors' Report in Section 'Business Overview'.

2.4.11. COVID 19- Risk and Uncertainties (continued)

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

The Government of Cyprus, through a decree issued by the Minister of Finance on 30 March 2020 and revised on the 7 May 2020, offered a general payments moratorium as a response to the Covid-19 pandemic. The main provisions of the Decree were:

- Applicable for:
  - all types of borrowers (natural persons, self-employed, legal entities)
  - syndicated loans
  - Facilities undertaken in Cyprus and governed by law of other jurisdictions provided that, borrowers applied through a written declaration stating that they have been affected by the Covid-19 pandemic. If the criteria were met, credit institutions had no right to reject an application.
- Moratorium of instalments (capital and interest) from the date of issuance of the relevant Decree i.e. 30/03/2020 and until 31/12/2020, covering fixed term loans, overdrafts and credit cards.
- Eligibility criteria:
  - Amount in arrears at account level, irrespective of any arrears by the borrower for loans held by other credit institutions
  - not exceeding 30 days past due (dpd) on 29 February 2020 or exceeding 30 dpd on 29 February 2020 with subsequent arrangements so that on 30 March 2020 not exceeding 30 dpd
- Total amount in arrears irrespective of dpd at credit institution level on 30/03, (materiality threshold):
  - less than €100 for retail banking
  - less than €500 for wholesale banking
- Deadline for expressing interest was the 26th of June 2020.
- Retroactivity: instalments that had been paid prior to the process or submission of application could have been refunded to borrowers, following a written request.
- The credit institutions were obliged to grant a tenor extension for the purpose of full repayment of the deferred instalments (capital and interest).
- The borrower had the right to voluntarily pay any amount during the moratorium.

Given the provisions of the decree described above, a significant take-up of the scheme was observed by the Bank’s clients. Details on the loans and advances under the moratorium granted in 2020 are provided in the tables below.

The payment holidat period ended on 31 December 2020, for all loans under the scheme.

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

2.4.11. COVID 19- Risk and Uncertainties (continued)

The table below has been prepared in accordance to EBA/GL/2020/07 and covers loans and advances subject to EBA-compliant moratoria (legislative and non-legislative). The template provides a breakdown of the gross carrying amount net of fair value adjustment and the related loss allowances by the status of the exposure (performing and non-performing). A further breakdown of the exposures into a) instruments with significant increase in credit risk since origination and b) Instruments that are considered as unlikely to pay that not past due or past due <=90 is provided as well.

	Gross carrying amount[1]							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
31 December 2020			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances subject to moratorium	5,792,745	5,463,670	-	1,332,523	329,075	-	246,340	111,590	35,620	-	22,419	75,970	-	55,995	19,291
of which: Households	2,138,567	1,988,205	-	553,454	150,362	-	101,535	58,988	20,978	-	14,661	38,010	-	24,167	11,999
of which: Collateralised by residential immovable property	1,769,556	1,648,672	-	455,396	120,884	-	83,210	40,156	14,175	-	10,804	25,981	-	16,016	10,302
of which: Non-financial corporations	3,572,852	3,398,075	-	750,909	174,777	-	140,938	49,837	13,480	-	7,006	36,357	-	30,226	7,293
of which: Small and Medium-sized Enterprises	2,626,722	2,539,143	-	503,755	87,579	-	71,688	33,846	10,467	-	5,791	23,379	-	17,258	7,293
of which: Collateralised by commercial immovable property	3,190,781	3,033,844	-	684,733	156,937	-	127,045	40,038	9,414	-	5,368	30,624	-	26,586	5,591

1. The gross carrying amount is presented net of the residual fair value adjustment in line with the statutory basis (financial statements).

2.4.11. COVID-19 Risk and Uncertainties (continued)

The table below has been prepared in accordance to EBA/GL/2020/07 and covers loans and advances subject to EBA-compliant moratoria (legislative and non-legislative). The template provides information on the number of obligors subject to different statuses of EBA-compliant moratoria (requested/granted) and gross carrying amount for the granted ones. In addition, the template contains a breakdown by the residual maturity of EBA-compliant moratoria.

	Number of obligors	Gross carrying amount[1]							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances for which moratorium was offered	**24,442**	**5,820,836**							
Loans and advances subject to moratorium (granted)	**24,429**	**5,792,745**	**5,792,745**	**-**	**5,792,745**	**-**	**-**	**-**	**-**
of which: Households		2,138,567	2,138,567	-	2,138,567	-	-	-	-
of which: Collateralised by residential immovable property		1,769,556	1,769,556	-	1,769,556	-	-	-	-
of which: Non-financial corporations		3,572,852	3,572,852	-	3,572,852	-	-	-	-
of which: Small and Medium-sized Enterprises		2,626,722	2,626,722	-	2,626,722	-	-	-	-
of which: Collateralised by commercial immovable property		3,190,781	3,190,781	-	3,190,781	-	-	-	-

1. The gross carrying amount is presented net of the residual fair value adjustment in line with the statutory basis (financial statements).

The decrease, when compared to the last reporting period, 30 June 2020, in the gross carrying amount of the exposures benefited from the moratorium scheme is attributed mainly to the repayments observed during the period between June 2020 to December 2020 on non-financial corporations.

With regards to the Covid-19 related public guarantee schemes, the Group has not granted newly originated loans and advances under any applicable public guarantee schemes since such scheme had not been voted by the Parliament and hence no introduced up to the date of this Report.

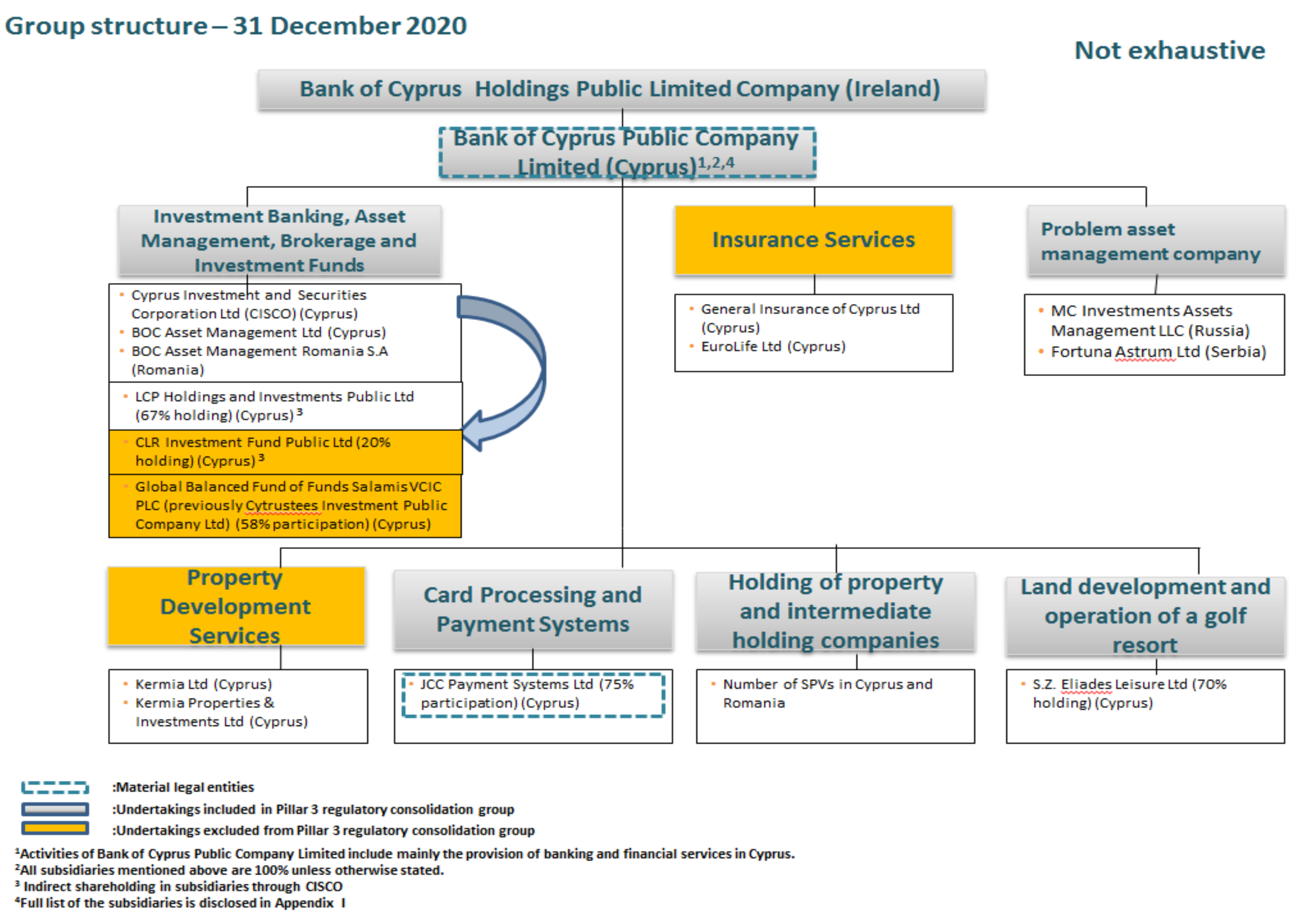
3. Scope of Application

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

The data included in this Report may be different than the respective data of the Consolidated Financial Statements of the Company for 2020, which are prepared in line with IFRS, as adopted by the EU, mainly due to differences between the prudential consolidation basis and the accounting consolidation basis and/or differences in the definitions used. The reconciliation between the balance sheet presented in the Consolidated Financial Statements of the Company for 2020 and the balance sheet prepared for prudential purposes is disclosed in this section.

The accounting consolidation basis of the Group is prepared in accordance with IFRS and is described in Note 2.1 of the Consolidated Financial Statements of the Company for 2020 included within the Annual Financial Report for 2020. The basis of consolidation for prudential purposes includes only those entities which form the basis for the calculation of regulatory capital requirements.

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



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

3. Scope of Application (continued)

Material legal entities

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

A group company is classified as material in the following cases:
- if at least one of the following quantitative criteria is met or
- if at least the first of the following qualitative criteria is met.

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

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

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

The results of the materiality analysis of the legal entities for 31 December 2020 are presented in Appendix V. The fulfilled criteria are highlighted in each case for the legal entities identified as material. Based on the materiality, the Bank and JCC have been identified as material entities as at 31 December 2020.

3.1. Reconciliation of Regulatory Capital, on a Transitional Basis, with Shareholders' Equity per Consolidated Financial Statements of the Company

The following table provides reconciliation between the Balance Sheet presented in the Consolidated Financial Statements of the Company for 2020 and 2019 with the Balance Sheet prepared for prudential purposes.

3.1. Reconciliation of Regulatory Capital, on a Transitional Basis, with Shareholders' Equity per Consolidated Financial Statements of the Company (continued)

	Ref[1]	**2020**	2019
		€ 000	€ 000
Total equity per Consolidated Financial Statements of the Company	**a**	**2,075,054**	**2,288,627**
Regulatory deductions:			
Deconsolidation of insurance and other entities	**b**	(190,465)	(187,197)
Minority interest adjustment to comply with regulatory requirements		(24,410)	(28,661)
Intangible assets	**c**	(27,171)	(51,204)
Additional Valuation Adjustment (AVA)[2]		(1,044)	(1,359)
Regulatory adjustments relating mainly to prudential charge for specific credits and other		(110,197)	(123,863)
Equity instruments transferred to AT1		(220,000)	(220,000)
IFRS 9 transitional arrangements		245,841	262,456
Temporary Treatment of certain FVOCI instuments transitional arrangements[3]		2,775	n/a
Reserves arising from revaluation of properties and other non CET1 eligible reserves		(27,632)	(29,750)
Total CET1		**1,722,751**	**1,909,049**
Additional Tier 1 capital		**220,000**	**220,000**
Total Tier 1 capital		**1,942,751**	**2,129,049**
Tier 2			
Property revaluation reserve and other unrealised gains		**-**	-
Regulatory deductions		**-**	-
Tier 2 instruments			
Tier 2 instruments as per Consolidated Financial Statements of the Company		*272,152*	*272,170*
Less: Accrued interest, issue cost and other		*(22,152)*	*(22,170)*
Less: Amount allocated to qualifying own funds deduction (minority interest) – transitional		*(57,752)*	*(60,045)*
Tier 2 recognised in own funds		***192,248***	***189,955***
Total Tier 2 capital		**192,248**	**189,955**
Total own funds		**2,134,999**	**2,319,004**

[1] The references (a) to (c) refer to the items shown in reconciliation of Balance Sheet in Section 3.1.1. For 2020 the difference in item (c) is due to an amount of €21,985 thousand which was not deducted from CET1 capital as a result of the revised rules of CRR II on the prudential treatment of software assets.

[2] Regulatory adjustment relating to assets and liabilities measured at Fair Value as per the Commission Delegated Regulation (EU) 2016/101

[3] Regulation EU 2020/873 allows unrealised gains and losses for certain exposures measured at fair value through other comprehensive income to be removed from CET1 capital. As a result of this provision, as at 31 December 2020 losses amounting to €2,775 thousand were not deducted from CET1 capital

No restrictions apply on the items listed above for the purpose of the calculation of own funds in accordance with the CRR. It should be noted that on the basis of Article 26(i) of the CRR and the EBA guidelines on prudent valuations, a part of the fixed assets revaluation reserve (2020: €27,632 thousand, 2019: €29,750 thousand) is not allowed to be included in CET1 capital.

3.1.1. Reconciliation between the Balance Sheet presented in Consolidated Financial Statements of the Company with the Balance Sheet prepared for Regulatory Purposes

2020	Ref[1]	Group Balance Sheet per financial statements € 000	Deconsolidation of insurance / other entities € 000	Balance sheet per regulatory scope of consolidation € 000
Assets				
Cash and balances with central banks		**5,653,315**	**(15)**	**5,653,300**
Loans and advances to banks		**402,784**	**(10,856)**	**391,928**
Derivative financial assets		**24,627**	**-**	**24,627**
Investments		**1,876,009**	**(196,721)**	**1,679,288**
Investments pledged as collateral		**37,105**	**-**	**37,105**
Loans and advances to customers		**9,886,047**	**-**	**9,886,047**
Life insurance business assets attributable to policyholders		**474,187**	**(474,187)**	**-**
Prepayments, accrued income and other assets		**249,877**	**(69,681)**	**180,196**
Stock of property		**1,349,609**	**(2,997)**	**1,346,612**
Investment properties		**128,088**	**(19,840)**	**108,248**
Property and equipment		**272,474**	**(35,244)**	**237,230**
Intangible assets	**c**	**185,256**	**(136,100)**	**49,156**
Investments in associates and joint ventures		**2,462**	**(2,460)**	**2**
Deferred tax assets		**341,360**	**-**	**341,360**
Non-current assets and disposal groups held for sale		**630,931**	**-**	**630,931**
Investments in Group undertakings		**-**	**43,273**	**43,273**
Total assets		**21,514,131**	**(904,828)**	**20,609,303**
Liabilities				
Deposits by banks		**391,949**	**(744)**	**391,205**
Funding from central banks		**994,694**	**-**	**994,694**
Derivative financial liabilities		**45,978**	**-**	**45,978**
Customer deposits		**16,533,212**	**29,669**	**16,562,881**
Insurance liabilities		**671,603**	**(671,603)**	**-**
Accruals, deferred income, other liabilities and other provisions		**359,892**	**(48,017)**	**311,875**
Deferred tax liabilities		**45,982**	**(21,294)**	**24,688**
Pending litigation, claims, regulatory and other matters		**123,615**	**(22)**	**123,593**
Subordinated loan stock		**272,152**	**-**	**272,152**
Total liabilities		**19,439,077**	**(712,011)**	**18,727,066**
Equity				
Share capital		**44,620**	**-**	**44,620**
Share premium		**594,358**	**-**	**594,358**
Revaluation and other reserves		**209,153**	**(111,771)**	**97,382**
Retained earnings		**982,513**	**(78,694)**	**903,819**
Equity attributable to the owners of the Company		**1,830,644**	**(190,465)**	**1,640,179**
Other equity instruments		**220,000**	**-**	**220,000**
Total equity excluding non-controlling interests	**b**	**2,050,644**	**(190,465)**	**1,860,179**
Non-controlling interests		**24,410**	**(2,352)**	**22,058**
Total equity	**a**	**2,075,054**	**(192,817)**	**1,882,237**
Total liabilities and equity		**21,514,131**	**(904,828)**	**20,609,303**

1. The references (a) to (c) refer to the items in the reconciliation in Section 3.1

3.1.1. Reconciliation between the Balance Sheet presented in Consolidated Financial Statements of the Company with the Balance Sheet prepared for Regulatory Purposes (continued)

	Ref[1]	Group Balance Sheet per financial statements	Deconsolidation of insurance / other entities	Balance sheet per regulatory scope of consolidation
2019		**€ 000**	**€ 000**	**€ 000**
Assets				
Cash and balances with central banks		5,060,042	(4)	5,060,038
Loans and advances to banks		320,881	(9,718)	311,163
Derivative financial assets		23,060	-	23,060
Investments		1,682,869	(161,516)	1,521,353
Investments pledged as collateral		222,961	-	222,961
Loans and advances to customers		10,721,841	8	10,721,849
Life insurance business assets attributable to policyholders		458,852	(458,852)	-
Prepayments, accrued income and other assets		243,930	(64,831)	179,099
Stock of property		1,377,453	(3,193)	1,374,260
Investment properties		136,197	(19,474)	116,723
Property and equipment		288,054	(31,862)	256,192
Intangible assets	c	178,946	(127,742)	51,204
Investments in associates and joint ventures		2,393	(2,391)	2
Deferred tax assets		379,126	-	379,126
Non-current assets and disposal groups held for sale		26,217	-	26,217
Investments in Group undertakings		-	43,623	43,623
Total assets		**21,122,822**	**(835,952)**	**20,286,870**
Liabilities				
Deposits by banks		533,404	(829)	532,575
Repurchase agreements		168,129	-	168,129
Derivative financial liabilities		50,593	-	50,593
Customer deposits		16,691,531	43,664	16,735,195
Insurance liabilities		640,013	(640,013)	-
Pending litigation, claims, regulatory and other matters		108,094	(186)	107,908
Accruals, deferred income, other liabilities and other provisions		324,246	(29,121)	295,125
Subordinated loan stock		272,170	-	272,170
Deferred tax liabilities		46,015	(20,251)	25,764
Total liabilities		**18,834,195**	**(646,736)**	**18,187,459**
Equity				
Share capital		44,620	-	44,620
Share premium		1,294,358	-	1,294,358
Revaluation and other reserves		210,701	(103,726)	106,975
Retained earnings		490,286	(83,471)	406,815
Equity attributable to the owners of the Company		**2,039,965**	**(187,197)**	**1,852,768**
Other equity instruments		220,000	-	220,000
Total equity excluding non-controlling interests	b	**2,259,965**	**(187,197)**	**2,072,768**
Non-controlling interests		**28,662**	**(2,019)**	**26,643**
Total equity	a	**2,288,627**	**(189,216)**	**2,099,411**
Total liabilities and equity		**21,122,822**	**(835,952)**	**20,286,870**

1. The references (a) to (c) refer to the items in the reconciliation in Section 3.1

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

2020	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	€000	€000	€000	€000	€000	€000	€000
Assets							
Cash and balances with central banks	5,653,315	5,653,300	5,653,300	-	-	-	-
Loans and advances to banks	402,784	391,928	391,928	-	-	-	-
Derivative financial assets	24,627	24,627	-	24,627	-	-	-
Investments	1,876,009	1,679,288	1,646,402	-	32,886	-	-
Investments pledged as collateral	37,105	37,105	37,105	-	-	-	-
Loans and advances to customers	9,886,047	9,886,047	9,886,047	-	-	-	-
Life insurance business assets attributable to policyholders	474,187	-	-	-	-	-	-
Prepayments, accrued income and other assets	249,877	180,196	180,196	-	-	-	-
Stock of property	1,349,609	1,346,612	1,346,158	-	-	-	454
Investment properties	128,088	108,248	108,248	-	-	-	-
Property and equipment	272,474	237,230	204,694	-	-	-	32,536
Intangible assets	185,256	49,156	21,985	-	-	-	27,171
Investments in Group undertakings, associates and joint ventures	2,462	43,275	43,273	-	-	-	2
Deferred tax assets	341,360	341,360	341,360	-	-	-	-
Non-current assets and disposal groups held for sale	630,931	630,931	630,931	-	-	-	-
Total assets	**21,514,131**	**20,609,303**	**20,491,627**	**24,627**	**32,886**	**-**	**60,163**

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

2020	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	€000	€000	€000	€000	€000	€000	€000
Liabilities							
Deposits by banks	391,949	391,205	-	-	-	-	391,205
Funding from central banks	994,694	994,694	-	-	-	-	994,694
Derivative financial liabilities	45,978	45,978	-	45,978	-	-	-
Customer deposits	16,533,212	16,562,881	-	-	-	-	16,562,881
Insurance liabilities	671,603	-	-	-	-	-	-
Accruals, deferred income, other liabilities and other provisions	359,892	311,875	19,658	-	-	-	292,217
Deferred tax liabilities	45,982	24,688	-	-	-	-	24,688
Pending litigation, claims, regulatory and other matters	123,615	123,593	-	-	-	-	123,593
Subordinated loan stock	272,152	272,152	-	-	-	-	272,152
Total liabilities	**19,439,077**	**18,727,066**	**19,658**	**45,978**	**-**	**-**	**18,661,430**

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

2019	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying value of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets							
Cash and balances with central banks	5,060,042	5,060,038	5,060,038	-	-	-	-
Loans and advances to banks	320,881	311,163	311,163	-	-	-	-
Derivative financial assets	23,060	23,060	-	23,060	-	-	-
Investments	1,682,869	1,521,353	1,481,519	-	39,834	-	-
Investments pledged as collateral	222,961	222,961	222,961	185,163	-	-	-
Loans and advances to customers	10,721,841	10,721,849	10,721,849	-	-	-	-
Life insurance business assets attributable to policyholders	458,852	-	-	-	-	-	-
Prepayments, accrued income and other assets	243,930	179,099	179,099	-	-	-	-
Stock of property	1,377,453	1,374,260	1,374,260	-	-	-	-
Investment properties	136,197	116,723	116,723	-	-	-	-
Property and equipment	288,054	256,192	237,768	-	-	-	18,424
Intangible assets	178,946	51,204	-	-	-	-	51,204
Investments in Group undertakings, associates and joint ventures	2,393	43,625	43,255	-	-	-	370
Deferred tax assets	379,126	379,126	379,126	-	-	-	-
Non-current assets and disposal groups held for sale	26,217	26,217	26,217	-	-	-	-
Total assets	**21,122,822**	**20,286,870**	**20,153,978**	**208,223**	**39,834**	**-**	**69,998**

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

2019	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Carrying value of items**				
			Subject to the credit risk framework	**Subject to the CCR framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Liabilities							
Deposits by banks	533,404	532,575	-	-	-	-	532,575
Repurchase agreements	168,129	168,129	-	168,129	-	-	-
Derivative financial liabilities	50,593	50,593	-	50,593	-	-	-
Customer deposits	16,691,531	16,735,195	-	-	-	-	16,735,195
Insurance liabilities	640,013	-	-	-	-	-	-
Accruals, deferred income, other liabilities and other provisions	324,246	295,125	18,892	-	-	-	276,233
Deferred tax liabilities	46,015	25,764	-	-	-	-	25,764
Pending litigation, claims, regulatory and other matters	108,094	107,908	-	-	-	-	107,908
Subordinated loan stock	272,170	272,170	-	-	-	-	272,170
Total liabilities	**18,834,195**	**18,187,459**	**18,892**	**218,722**	**-**	**-**	**17,949,845**

The difference between the carrying values reported in the Consolidated Financial Statements of the Company for 2020 and the carrying values under the scope of regulatory consolidation is due to the different basis of consolidation for prudential purposes. The basis of consolidation for prudential purposes includes only those entities which form the basis for the calculation of the regulatory capital requirements. A summary of the Groups structure on the basis of consolidation for the prudential purposes and the basis for consolidated accounting is presented in Section 3 'Differences on the basis of consolidation for financial reporting and prudential purposes'. Also, reconciliation between the Balance Sheet presented in Consolidated Financial Statements of the Company for 2020 and the Balance Sheet for regulatory purposes is presented in Section 3.1.1.

The column 'Subject to market risk framework' is based on trading book assets. For the liabilities balances, shown in column 'Not subject to capital requirements or subject to deduction from capital' are balancing amounts in order for 'Carrying values under scope of regulatory consolidation' to agree to the sum of those in columns relating to the regulatory framework.

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

2020	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
	€ 000	€ 000	€ 000	€ 000	€ 000
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**20,609,303**	**20,491,627**	**24,627**	**32,886**	**-**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(18,727,066)	(19,658)	(45,978)	-	-
Total net amount under the regulatory scope of consolidation	**1,882,237**	**20,471,969**	**(21,351)**	**32,886**	**-**
Off-balance sheet amounts	2,650,159	511,836	-	-	-
Differences due to different netting rules, other than those already included in row 'Liabilities carrying value amount under the regulatory scope of consolidation'	34,473	-	34,473	-	-
Differences due to consideration of provisions	142,232	142,232	-	-	-
Items not subject to capital requirements or subject to deduction from capital	(60,163)	-	-	-	-
Items subject to capital requirements for more than one risk framework	-	-	-	-	-
Liabilities not under RWAs scope	18,661,430	-	-	-	-
Exposure amounts considered for regulatory purposes	**23,310,368**	**21,126,037**	**13,122**	**32,886**	**-**

3.1.3. EU LI2-Main sources of differences between regulatory exposure amounts and carrying values in the Consolidated Financial Statements of the Company (continued)

2019	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
	€ 000	€ 000	€ 000	€ 000	€ 000
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**20,286,870**	**20,153,978**	**208,223**	**39,834**	**-**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(18,187,459)	(18,892)	(218,722)	-	-
Total net amount under the regulatory scope of consolidation	**2,099,411**	**20,135,086**	**(10,499)**	**39,834**	**-**
Off-balance sheet amounts	2,650,687	518,349	-	-	-
Differences due to different netting rules, other than those already included in row 'Liabilities carrying value amount under the regulatory scope of consolidation'	37,241	-	37,241	-	-
Differences due to consideration of provisions	142,525	142,525	-	-	-
Items not subject to capital requirements or subject to deduction from capital	(69,998)	-	-	-	-
Items subject to capital requirements for more than one risk framework	185,163	-	-	-	-
Liabilities not under RWAs scope	17,949,845	-	-	-	-
Exposure amounts considered for regulatory purposes	**22,994,874**	**20,795,960**	**26,742**	**39,834**	**-**

"Off-balance sheet amounts'', the amounts shown in the Total column, which relates to exposures pre-Credit Conversion Factor (CCF), do not equal the sum of the amounts shown in the remaining columns, as these are post-CCF.

"Differences due to different netting rules, other than those already included in row ''Liabilities carrying value amount under the regulatory scope of consolidation'', represents the balancing figure to arrive at the exposure amount for derivative and SFT exposures which incorporate adjusted notional amounts by add-on factors and exposure volatility adjustments respectively.

3.1.3. EU LI2-Main sources of differences between regulatory exposure amounts and carrying values in the Consolidated Financial Statements of the Company (continued)

"Differences due to consideration of provisions" relate to the difference between the specific credit risk adjustments deducted in accordance with the applicable accounting framework and the specific credit risk adjustments deducted under the CRR framework for RWAs purposes. These amounts relate to:

i. the difference between the IFRS 9 transitional arrangement under article 473(a) of the CRR (€245,841 thousand on transition as at 31 December 2020, included as an exposure in exposure class "Other items" (2019: €262,456 thousand in the comparative information this transitional adjustment was allocated to the various exposures mainly on-balance sheet exposures).
ii. the COVID-19 CRR transitional arrangement under article 468 (€2,775 thousand on transition as at 31 December 2020) which is allocated on on-balance sheet exposures to debt securities and decreases the specific credit risk adjustments, and
iii. a prudential charge relating to specific credits (€106,384 thousand as at 31 December 2020 (2019: €119,931 thousand), allocated exclusively on on-balance sheet exposures) which increases the specific credit risk adjustments deducted for RWAs purposes.

The Group does not have any general credit risk adjustments.

"Items subject to capital requirements for more than one risk framework" relate to investments pledged as collateral which are subject to both the credit risk and to the CCR framework as part of the SFT exposures. The Group did not have such exposures as at 31 December 2020.

''Items not subject to capital requirements or subject to deduction from capital'' comprise mainly of intangible assets deductible from CET1 capital as per Article 36(i) (b) of the CRR, properties held for sale deductible from CET1 capital and the difference in the treatment of exposure value and accounting value for the Right of use assets (RoU assets) under article 134 paragraph 7 of the CRR. The Group recognises RoU assets and lease liabilities for contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Additional details on RoU are disclosed in Note 2.27 of the Consolidated Financial Statements of the Company for 2020.

4. Risk Management Objectives and Policies

4.1. Credit Risk Management

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

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

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

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

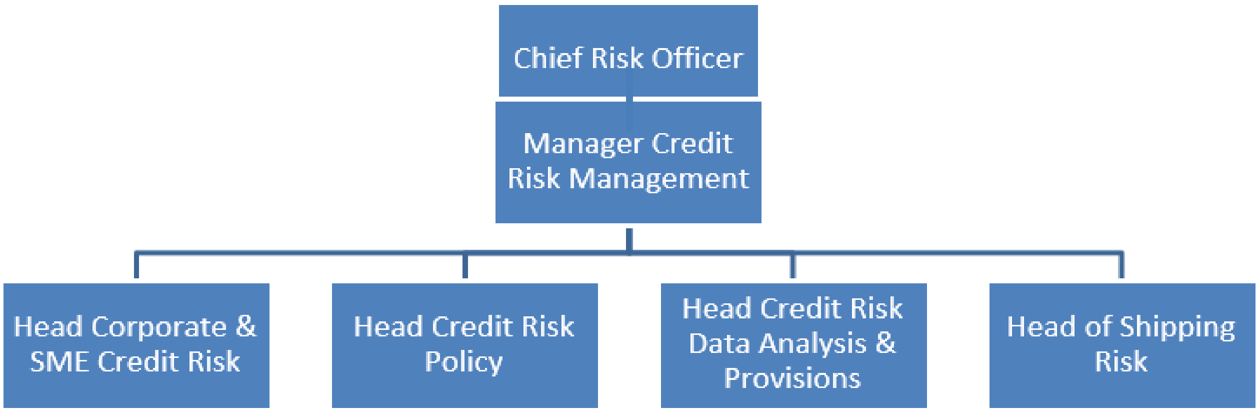
There are various tools involved in the management of credit risk, including systems used to measure and assess customer risk, credit approval limits and structure, lending criteria, monitoring of customer advances and methods of mitigating risk. In addition, Credit Risk Management is involved in the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

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

- The *Corporate & SME Credit Risk Department* manages the operational well-functioning of the three main Credit Committees (Joint CC1/CC2 and CC3). It appraises all applications from an independent credit risk perspective and prepares recommendations to credit committees with suggestions to improve credit proposals and mitigate credit risks.
- The *Credit Risk Policy* department develops the relevant policies, guidelines, and approval limits necessary to address the credit risk in the Bank. These documents are reviewed and updated at least annually or earlier if deemed necessary to reflect any changes in the Group's risk appetite and strategy and the market environment/economy.
- The *Data Analysis and Provisions department (DA&P)* is responsible for monitoring the Group's credit portfolio, implementing the credit provisioning policy and reports on the relevant credit risk metrics.
- The *Shipping Risk Desk* was established in September 2017 as a specialised department. Amongst other it is responsible for the development & review/update on the Shipping Finance Lending Policy and on the Specialized Shipping Finance Procedures; it reviews all Shipping Finance Transactions and prepares specialised Risk Recommendation for approval by Credit Committee (CC3) and monitors compliance of financing proposals with Lending policy and identify deviations & propose possible mitigants/improvements.

4.1 Credit Risk Management (continued)

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



4.1.1. Measurement and Assessment - Systems

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

Credit Scoring Systems

Retail-SAS Credit Scoring for Banking
The Bank maintains credit scoring systems for new customers through Application Scorecards. For existing customers, the Bank uses, amongst others, behavioural scoring which takes into account factors such as the conduct of existing accounts and whether the customer has been in arrears, has consumed their overdraft limits, etc.

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

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

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

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

4.1.1 Measurement and Assessment - Systems (continued)

Special Purpose Vehicle exposures
During 2019 the Bank has developed a scorecard for rating special purpose vehicles. The scorecard is based on an expert judgement approach with the main drivers being financial ratios that indicate borrower's ability to repay, asset/transaction characteristics, strength of sponsor and security package such as the nature of lien etc.

Project Finance exposures
During 2019 the Bank also developed a project finance scorecard, also based on an expert judgment approach. The main drivers of the scorecard are the financial ratios that indicate borrower's ability to repay, asset/transaction characteristics and security package such as assignment of contracts and accounts, lender's control over cash flow etc.

4.1.2. Credit Risk Policy (CRP)

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

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

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

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

4.1.3. Credit Limits and Process

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

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

Corporate & SME Credit Risk (CSCR) is responsible for the well-functioning of the credit approval process and its Head or his delegates, is delegated to act on behalf of the CRO with the power to Veto decisions in the lower credit committees (Joint CC1/CC2) where the CRO is not present.

CSCR manages the well-functioning of the main Credit Committees and guide them in their role to normalise, expand and enhance the Group's Credit portfolio. It appraises all applications from an independent credit risk perspective and prepares recommendations to CC with suggestions to improve credit proposals and mitigate credit risks.

The Shipping Finance Risk Desk appraises applications submitted from the Shipping Centre from an independent credit risk perspective and prepares recommendations to the CC including suggestions to improve credit proposals and mitigate credit risks.

4.1.4. Risk Identification, Measurement, Control and Reporting

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

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

Management, monitoring and control of customer advances

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

- Measuring exposures and concentrations
- Analysing performance and asset quality
- Identifying weaknesses in portfolios
- Raising allowances for impairment

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

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

With the aim of identifying credit risk at an early stage, the following key reports are prepared for the Senior Management of the Bank:

- Risk report which is prepared on a monthly basis and includes KPIs on a Group and business line level, such as gross advances, provisions, NPEs, 90+DPD, restructurings etc.
- Daily report of the NPEs inflow/outflow and restructurings.
- Daily report of arrears / excesses

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

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

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

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

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

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

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

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

4.1.5. Credit Risk with Correspondent Banks and Countries

The Market Risk Department (MR) is responsible for the credit risk, with correspondent banks and countries. CCR is discussed in Section 6.1 and Country risk is analysed below.

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

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

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

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

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

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

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

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

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

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

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

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

4.1.6. Policies for Credit Risk Mitigation (CRM)

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

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

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

4.1.6 Policies for Credit Risk Mitigation (CRM) (continued)

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

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

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

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

Leveraged Transactions
This covers the requirements related to the corresponding ECB Guidance (Guidance on Leveraged Transactions – May 2017). A Leveraged Transaction is any transaction that meets at least one of the conditions below:
- All types of loan or credit exposure, where the borrower's post-financing level of leverage exceeds a Total Debt to EBITDA ratio of 4.0 times;
- All types of loan or credit exposures where the borrower is owned by one or more financial sponsors.

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

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

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

4.1.6 Policies for Credit Risk Mitigation (continued)

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

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

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

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

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

4.2. Market Risk Management

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

The MR reports to the CRO and is responsible for measuring and monitoring the following risks:
- Interest Rate Risk (Section 4.2.1)
- Currency Risk (Section 4.2.2)
- Liquidity Risk and Funding (Section 4.2.3)
- Credit Risk with Correspondent Banks (Section 4.1.5)
- Country Risk (Section 4.1.5)
- Securities Price Risk (bonds and equities) (Section 4.2.4)
- Property Risk (Section 4.2.5)
- Commodities Risk – The Group does not currently have any such exposures

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

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

4.2.1. Interest Rate Risk

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

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

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

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

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

As at 31 December 2020, the total EV effect for a 200bps increase/decrease in the yield curves in all currencies was minus €80.9 million/positive €3.7 million (-4.7% and +0.2% of CET1 capital respectively) (2019: minus €83.8 million (-4.2% of CET1 capital)).

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

Interest Rate Risk Management
The nature of interest rate risk as well as the impact from changes in interest rates is covered in Section 6.5.

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

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

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

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

4.2.2. Currency Risk

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

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

2020	**Intraday** **€ million**	**Overnight** **€ million**
Cyprus	**20**	**20 (10 per currency)**
Total	**20**	**20 (10 per currency)**
2019		
Cyprus	20	20 (10 per currency)
Total	20	20 (10 per currency)

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

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

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

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

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

Currency Risk Management
The table below sets out the Group's currency risk resulting from its FX open positions as at 31 December 2020 and 2019 (including the impact on equity from the revaluation of the net assets of the foreign operations and the relevant hedging instruments), assuming reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations:

4.2.2 Currency Risk (continued)

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

2019	Change in foreign exchange rate %	Impact on profit/(loss) after tax € 000	Impact on equity € 000
US Dollar	+10	89	-
Russian Rouble	+10	-	(160)
Romanian Lei	+10	-	(10)
Swiss Franc	+10	(2)	-
British Pound	+10	2	(13)
Japanese Yen	+10	-	-
Other currencies	+10	7	-
US Dollar	-10	(73)	-
Russian Rouble	-10	-	131
Romanian Lei	-10	-	9
Swiss Franc	-10	1	-
British Pound	-10	(2)	11
Japanese Yen	-10	-	-
Other currencies	-10	(6)	-

4.2.3. Liquidity Risk and Funding

Definition

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

Governance and Oversight

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

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

4.2.3. Liquidity Risk and Funding (continued)

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

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

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

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

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

The designing of the stress tests followed the best practice guidance and was based on the liquidity risk drivers which are recognised internationally by both the PRA and EBA SREP and the Bank's risk inventory. The stress tests assumptions are included in the Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested by ALCO and the RC.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a LCP for handling liquidity difficulties. The LCP details the steps to be taken in the event those liquidity problems arise, which escalate to a special meeting of the extended ALCO. The LCP sets out the members of this Committee and a series of possible actions that can be taken. This LCP, as well as the Group's Liquidity Policy, is reviewed by ALCO at least annually. The ALCO submits the updated Liquidity Policy with its recommendations to the Board through the RC for approval. The approved Liquidity Policy is notified to the SSM.

Any breaches of limits are promptly reported to the MR from the respective banking unit who in turn reports them to the:
- CEO
- Executive Director Finance
- CRO
- Director Treasury

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

4.2.3. Liquidity Risk and Funding (continued)

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

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

During 2020, considerable increase in liquid assets was observed in June due to the TLTRO III funding of €1 billion.

The Group LCR was as follows as at 31 December 2020 and 2019:

Group LCR	**2020 %**	2019 %
31 December	**254**	208
Average Ratio[1]	**245**	221
Highest ratio	**282**	253
Lowest ratio	**215**	200

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

The LCR of the Group amounted to 254% as at 31 December 2020 (31 December 2019: 208%).

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

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

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

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

b) Adverse market movements affecting the mark to market.
The potential negative impact on the mark to market of derivatives and the underlying collateral of repos is calculated in the case of adverse market movements. The methodology followed is based on historical VAR analysis performed on historical data (FX rates and bond prices) as well as the current outstanding derivatives and repos. The resulting expected loss is the increased expected outflow.

4.2.3. Liquidity Risk and Funding (continued)

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

The Group also monitors its position against the Basel Quantitative Impact Study (QIS) NSFR. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities. The NSFR ratio was not introduced on 1 January 2018, as per expectations. It will become a regulatory indicator when Capital Requirements Regulation 2 (CRRII) is enforced with the limit set at 100% in June 2021. At 31 December 2020 the Group's NSFR, on the basis of the Basel III standards, stood at 139% (compared to 122% at 31 December 2019).

4.2.3. Liquidity Risk and Funding (continued)

Scope of consolidation: **Consolidated**

€ million		**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on:		**March 20**	**June 20**	**Sep 20**	**Dec 20**	**March 20**	**June 20**	**Sep 20**	**Dec 20**
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total HQLA					5,761	5,834	5,945	6,146
CASH-OUTFLOWS		-	-	-	-	-	-	-	-
2	Retail deposits and deposits from small business customers, of which:	5,986	6,178	6,402	6,648	392	400	414	430
3	Stable deposits	4,756	4,918	5,101	5,292	238	246	255	265
4	Less stable deposits	1,230	1,260	1,301	1,356	154	154	159	165
5	Unsecured wholesale funding	4,044	4,072	4,085	4,059	2,173	2,183	2,193	2,171
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	4,044	4,072	4,085	4,059	2,173	2,183	2,193	2,171
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	301	263	259	267	118	111	107	106
11	Outflows related to derivative exposures and other collateral requirements	93	91	90	90	93	91	89	89
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	208	172	169	178	25	20	18	17
14	Other contractual funding obligations	107	103	107	106	107	103	107	106
15	Other contingent funding obligations	2,479	2,460	2,440	2,434	217	213	215	215
16	TOTAL CASH OUTFLOWS					3,007	3,010	3,035	3,028
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	272	294	337	391	203	225	270	326
19	Other cash inflows	1,029	1,002	970	934	210	205	198	191
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	1,301	1,296	1,307	1,325	413	430	468	517
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,301	1,296	1,307	1,325	413	430	468	517
21	LIQUIDITY BUFFER					5,761	5,834	5,945	6,146
22	TOTAL NET CASH OUTFLOWS					2,594	3,400	4,411	5,388
23	LCR (%)					222%	227%	232%	245%

4.2.3. Liquidity Risk and Funding (continued)

Scope of consolidation: **Consolidated**									
€ million		**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on:		**March 19**	**June 19**	**Sep 19**	**Dec 19**	**March 19**	**June 19**	**Sep 19**	**Dec 19**
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total HQLA					4,777	5,080	5,386	5,552
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	5,993	5,890	5,677	5,836	437	417	385	389
3	Stable deposits	4,242	4,382	4,459	4,615	212	219	223	231
4	Less stable deposits	1,751	1,508	1,218	1,222	225	198	162	158
5	Unsecured wholesale funding	3,970	3,887	3,860	3,931	2,066	2,038	2,036	2,102
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	3,970	3,887	3,860	3,931	2,066	2,038	2,036	2,102
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	486	465	424	361	152	149	148	129
11	Outflows related to derivative exposures and other collateral requirements	112	110	112	100	112	109	111	99
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	374	355	312	262	40	39	36	30
14	Other contractual funding obligations	34	58	78	105	34	58	78	105
15	Other contingent funding obligations	2,585	2,548	2,505	2,494	258	250	235	226
16	TOTAL CASH OUTFLOWS					2,947	2,911	2,882	2,952
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	558	422	329	296	487	360	273	234
19	Other cash inflows	1,085	1,070	1,056	1,037	222	219	217	210
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	1,643	1,493	1,385	1,332	709	579	490	444
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,643	1,493	1,385	1,332	709	579	490	444
21	LIQUIDITY BUFFER					4,777	5,080	5,386	5,552
22	TOTAL NET CASH OUTFLOWS					2,238	2,332	2,391	2,507
23	LCR (%)					213%	218%	225%	221%

4.2.3. Liquidity Risk and Funding (continued)

As at 31 December 2020, the Group is in compliance with its regulatory liquidity requirement with respect to the LCR.

RAS for Liquidity Risk and Funding
The Bank's risk appetite on Liquidity risk is summarised as follows:
- The Bank has a very limited appetite for liquidity risk and maintains strict limits relating to its high quality liquid asset holdings and its cash flow maturity profiles. Further, the Bank has zero tolerance for any limit breaches and aims to comply with regulatory and internal limits in the medium term.
- The Bank aims to ensure that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank aims to ensure that, it has enough liquid assets including the capacity to raise liquidity to survive a twelve-month stress test, under the combined scenario.
- The Bank should not rely on emergency funding from regulators but it should have contingency plans in place to be able to do that.
- For the medium term, the Bank plans to diversify its funding sources through an increase in its wholesale funding driven by the requirement to comply with the final MREL Requirement communicated to the Bank and the interim MREL Requirement that is expected to be communicated to the Bank by the SRB. Such requirements remain subject to annual review and revision by the SRB. The increase in wholesale funding is expected to consist of a blend of senior preferred and senior non-preferred issuances, subject to the subordination requirements that will be set to the Bank by the SRB.
- The Bank's liquid asset holdings must be comprised mostly of assets classified as liquid under the LCR definitions. In the medium term the Bank aims to:
    - Maintain an LCR of at least 140%.
    - Maintain an NSFR above 110%.
    - Comply with other regulatory requirements and ratios as set from time to time.
    - In keeping with best practice, the Bank needs to monitor and manage its liquidity position on a daily basis.

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

The Bank's risk appetite on Funding is described below:
- The Bank has low tolerance in mismanaging its liquidity and funding needs. To this end, it recognises the confidence sensitive nature of part of its liabilities pool, adapting its funding and liability management strategy accordingly, in order to maintain business volumes and meet its obligations as they fall due.
- The reliance on confidence-sensitive deposits from non-residents needs be closely monitored. This is measured as the ratio of Internal Business Unit (IBU) deposits / total Cyprus deposits which should not be increasing over time. If this ratio does increase for temporary or other idiosyncratic reasons, then this will need to be taken into account during the ILAAP process. It is expected that the increased volatility associated with such liquidity to be adequately addressed, analysed and highlighted during this process. Currently this ratio should not exceed 23%.
- All material subsidiaries to be self-funded. Any Group assistance should be of temporary nature or for specific business activities with a clear repayment source.

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

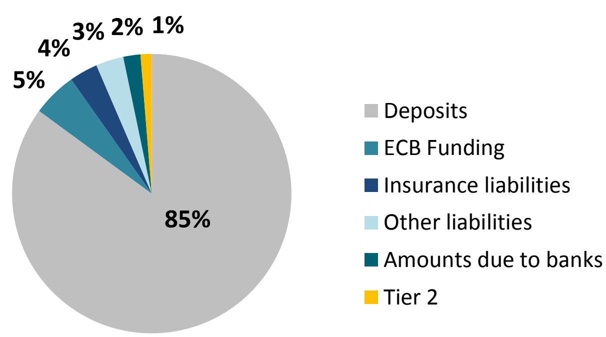
4.2.3. Liquidity Risk and Funding (continued)

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

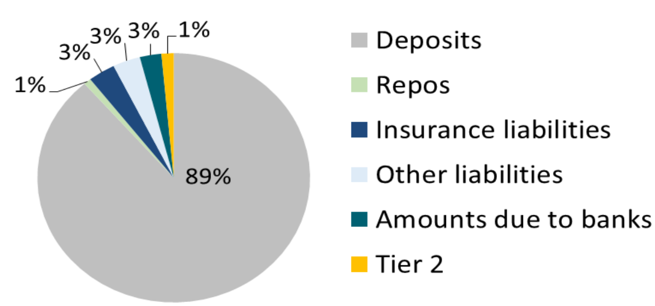
Current State of Funding and Funding sources
As at 31 December 2020, the Group had available liquids of €8 billion compared to €7.40 billion at the end of 2019. The increase is primarily due to ECB relaxations relating to lower haircuts of ECB eligible assets including Additional Credit Claims (ACCs) which caused an increase of around €440 million. €1 billion ECB funding in the form of TLTRO took place in June 2020 which does not have an impact on the internal liquidity buffer given that the ECB available credit line is substituted by the respective increase in cash with Central Bank. Further, in March 2021, the Bank borrowed additional €1.7 billion under the new TLTRO III operation conducted by ECB.

As presented in the chart below, as at 31 December 2020 the Group's liabilities were mainly composed of customer deposits amounting to 85% (2019: 89%).

Dec 2020



Dec 2019



4.2.3. Liquidity Risk and Funding (continued)

The credit ratings of the Republic of Cyprus by S&P and Fitch have remained at investment grade level during 2020 and thus the Cyprus Government Bonds have remained eligible collateral for Eurosystem monetary operations.

The ECB pool currently contains ACCs and the retained issue of the Bank's covered bond.

Impediments for the prompt transfer of funds between the parent entity and its subsidiaries
The funding provided by the Bank to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements. Any new funding and capital injection to subsidiaries require approval of the ECB. Currently there are no material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries. No such impediments are expected in the future.

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

4.2.4. Securities Price Risk

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

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

The table below shows the impact on the profit/loss before tax (from investments classified at FVPL) and on equity (from investments classified at FVOCI) of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	**Impact on loss before tax**	**Impact on equity**
2020	**%**	**€ 000**	**€ 000**
Cyprus Stock Exchange	**+20**	**447**	**294**
Athens Exchange	**+30**	**188**	**-**
Other stock exchanges and unlisted	**+20**	**140**	**2,670**
Cyprus Stock Exchange	**-20**	**(447)**	**(294)**
Athens Exchange	**-30**	**(188)**	**-**
Other stock exchanges and unlisted	**-20**	**(140)**	**(2,670)**

	Change in index	**Impact on loss before tax**	**Impact on equity**
2019	**%**	**€ 000**	**€ 000**
Cyprus Stock Exchange	+15	248	305
Athens Exchange	+20	94	-
Other stock exchanges and unlisted	+15	884	2,023
Cyprus Stock Exchange	-15	(248)	(305)
Athens Exchange	-20	(94)	-
Other stock exchanges and unlisted	-15	(884)	(2,023)

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

Debt securities price risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuers change and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in debt securities in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 31 December 2020 was Baa1 (2019: A2). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2020 was Aa1 (2019: Aa2). Further information on ratings of debt securities is disclosed in Note 45.13 of the Consolidated Financial Statements of the Company for 2020.

Changes in the prices of debt securities classified as investments at FVPL, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as FVOCI affect directly the equity of the Group.

The table below indicates how the profit/loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

	Impact on loss before tax	**Impact on equity**
Change in market prices	**€ 000**	**€ 000**
2020		
+3.0% for Aa3 and above rated bonds	**2,627**	**7,287**
+3.5% for A3 and above rated bonds	**905**	**981**
+4.0% for Baa3 and above rated bonds	**51**	**39**
+4.3% for Cyprus Government bonds	**-**	**16,322**
-3.0% for Aa3 and above rated bonds	**(2,627)**	**(7,287)**
-3.5% for A3 and above rated bonds	**(905)**	**(981)**
-4.0% for Baa3 and above rated bonds	**(51)**	**(39)**
-4.3% for Cyprus Government bonds	**-**	**(16,322)**

	Impact on loss before tax	**Impact on equity**
Change in market prices	**€ 000**	**€ 000**
2019		
+1.1% for Aa3 and above rated bonds	915	4,891
+3.2% for A3 and above rated bonds	1,108	894
+4.7% for Baa3 and above rated bonds	-	509
+7.6% for Cyprus Government bonds	-	30,011
-1.1% for Aa3 and above rated bonds	(915)	(4,891)
-3.2% for A3 and above rated bonds	(1,108)	(894)
-4.7% for Baa3 and above rated bonds	-	(509)
-7.6% for Cyprus Government bonds	-	(30,011)

4.2.4. Securities Price Risk (continued)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and on equity of the Group from a change in the price of other non-equity investments held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	Impact on loss before tax	Impact on equity
2020	**%**	**€ 000**	**€ 000**
Other (non-equity instruments)	**25**	**4,596**	**-**
Other (non-equity instruments)	**-25**	**(4,596)**	**-**
2019			
Other (non-equity instruments)	15	3,539	-
Other (non-equity instruments)	-15	(3,539)	-

4.2.5. Property Risk

The Group is exposed to the risk on changes in the fair value of property which is held either for own use or, as stock of property or as investment property. Stock of property is predominately acquired in exchange of debt and is intended to be disposed of in line with the Group's strategy. Such property exposures, due to their nature, are difficult to hedge. Any decision to hedge will be taken on a case by case basis by the ALCO committee of the Bank following recommendation from Group Treasury and Group Finance. Information on stock of properties and investment properties owned by the Group is disclosed in Notes 22 and 27 of the consolidated financial statements of the Company for the year ended 31 December 2020.

4.3. Operational Risk Management (ORM)

4.3.1. Definition and Structure

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

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

- **Regulatory/Conduct risk**: defined as the risk of failure to observe the letter and spirit of laws, codes, rules, regulations and standards of good market practice relating to the provision of banking and financial services and incur fines, penalties and damage to the Bank's business as a consequence. Regulatory Compliance risk captures the risks associated with breaching the Bank's duty to clients and other counterparties, inappropriate market conduct and breaching other regulatory standards. Additionally, Data Privacy related risks are captured under this risk category.
- **Financial Crime and Sanctions Compliance risk**: defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.
- **Internal Fraud risk**: the risk that a person or persons (involving at least one internal party within the Bank) acts dishonestly or deceitfully against the Bank, or the Bank's customers for advantage or gain.
- **External Fraud risk**: the risk a person or persons (not involving any internal party) acts dishonestly or deceitfully against the Bank or the customers of the Bank for advantage or gain.
- **People risk**: the risk of loss, reputational damage or regulatory censure due to not having the right people with the right skills doing the right thing. This could be caused by insufficient quantity of staff, inappropriate capability of staff, employee misconduct and values/cultural misalignment, or mismanagement of factors that negatively impact the Bank's employees.
- **Business Continuity risks**: referring to risks impacting the capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.
- **Information Security risk (including Cyber risk)**: defined as the risk arising from the loss of confidentiality, integrity and availability of information.
- **Technology risk**: defined as the risk that leads to system unavailability/IT disruption.
- **Data accuracy and data integrity risk**: referring to wrong, inaccurate or incomplete data due to lack of data validation controls.
- **Physical security and safety risk**: the risk of theft of physical assets or criminal injury (including death) to personnel.
- **Model risk:** defined as the risk of loss resulting from using models to make decisions, in cases where financial models used to measure risks or value transactions do not perform the tasks or capture the risks they were designed to.
- **Legal risk:** defined as the possibility of the operations and conditions of the Bank to be disrupted or adversely affected given lawsuits, adverse judgments or unenforceable contracts. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as, private settlements.
- **Third-party risk**: referring to risks arising from the fact that a number of operations/processes, have been assigned by the Bank for execution by external associates.
- **Statutory Reporting and Tax Risk**: the risk that financial information is misreported ultimately to external users such as investors and regulators, or as internal management information. This includes tax submissions to the respective tax authorities.
- **Transaction processing and execution**: a risk of an error in the end-to-end processing of a client's instruction which leads to a failure to deliver the client's requested product or service and/or charge the client appropriately.
- **Project risk**: project risk is an uncertain event or condition that, if it occurs, has an effect on at least one project objective.
- **Reputational risk**: defined as the risk from negative perception, on the part of the stakeholders, that can adversely affect the Bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

4.3.1. Definition and Structure (continued)

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

ORMD Structure

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

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

4.3.1. Definition and Structure (continued)

Insurance Risk Management
The Insurance Risk Management Department is responsible to ensure that adequate insurance policies are purchased to cover the Group against material insurable risks. To this end Group insurance coverage includes, inter alia, the following insurance policies:

- Directors and Officers Liability Insurance,
- Bankers' Blanket Bond, Computer Crime and Civil Liability Insurance, and
- Cyber Insurance.

Fraud Risk Management Department
The Fraud Risk Management Department is responsible for co-ordinating the Group's approach to fraud management in consultation with Internal Audit, Compliance division and Information security departments by developing and maintaining a framework and supporting policies for the management of internal and external fraud risks, promoting and adopting automated fraud systems and controls, providing guidelines on the prevention, detection, investigation and response of actual and suspected fraud as well as promoting direction through policy, education, tools and training.

The Bank has reinforced its fraud Risk Management Framework, through (i) the implementation of the Fraud Risk Management system, the formation of a new Web banking Fraud Alerts Investigation team to manage the daily alerts and (ii) additional actions involving the analysis and monitoring of KFIs, the identification and assessment of internal and external fraud risks, the formalisation of the Fraud Incident Response Plans (FIRPs) for the Bank as well as the promotion of fraud awareness to top management and all employees.

The Card Fraud module in detection mode, with Rules and behavioural profiles, has been implemented by year-end 2020 adding another layer of fraud prevention to the existing Card's fraud detection controls.

Third-Party Risk Management (TPRM) Department
The recently established TPRM Department, is responsible to assess whether a new arrangement qualifies as outsourcing or not and whether is critical or not (based on CBC's Directive to Credit Institutions on Governance and Management Arrangements 2014, and the latest EBA Guidelines on Outsourcing arrangements), responsible to ensure that all outsourcing and strategic arrangements of the Group are properly risk assessed, all risks are addressed and that the contracts executed comply with the related regulatory framework and policy (Third Party & Outsourcing Risk Management Policy). TPRM Department is also responsible to perform regular risk assessments on the outsourcing and strategic arrangements (annual/upon their renewal), to perform ad-hoc risk assessments in case of events that affect the contracts (change of subcontractors, vendor's financial position etc.) and responsible to discuss and decide with the Business Owner key controls and mitigation actions for third party risks.

4.3.2. Management and Control of Operational Risk

The following diagram summarises the ORM Framework and its components:

1. CULTURE AND VALUES (CODE OF ETHICS/CODE OF CONDUCT)-see section 2.1

2. GOVERNANCE AND ESCALATION – see section 2.2

3. OPERATIONAL RISK STRATEGY AND APPETITE – see section 2.3

4. OPERATIONAL RISK POLICY AND FRAMEWORK – see section 2.4

5. ROLES AND RESPONSIBILITIES
5.1 Three Lines of Defence – see section 2.5

6. OPERATIONAL RISK CATEGORISATION
6.1 Risk Taxonomy
6.2 Risk Assessment (Scoring)
6.3 Policies under Non-financial Risk*

7. RISK CONTROL ASSESSMENT (RCA)/ RISK & CONTROL SELF-ASSESSMENT (RCSA) – part of O.E.099

8. INCIDENT MANAGEMENT – part of O.E. 099

9. KEY RISK INDICATORS (KRIs) – part of O.E. 099

10. OPERATIONAL RISK CAPITAL MANAGEMENT

11. CAPITAL ALLOCATION

12. STRESS TESTING

13. SCENARIO ANALYSIS

14. OPERATIONAL LOSS DATABASE (RCMS)

15. OVERSIGHT AND ADOPTION

**Operational Risk Management Policy, Fraud Risk Management Policy, Business Continuity Management Policy, Insurance Management Policy, Reputational Risk Management Policy, Third-party/Outsourcing Risk Management Policy, New Products/Services Policy.*
The Operational Risk Management Framework includes all other non-financial risks, which are overseen by the relevant control functions (including Compliance [Regulatory Compliance, Financial Crime Compliance, DPO], Information Security).

The ORM framework strives to achieve the following specific objectives:

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

4.3.2. Management and Control of Operational Risk (continued)

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

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

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

Based on the RCSA methodology, business owners are requested to place emphasis in identifying risks that arise primarily from the risk areas under Level 1 Risk Taxonomy (as outlined under Section 4.3.1).

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

As mentioned above for all these assessments, an Operational Risk Assessment Scoring methodology is in place, based on which the risk level is calculated depending on the likelihood of a risk event occurring, both before and after taking into consideration available mitigants and the impact on business objectives in case it occurs. The impact is assessed by taking into consideration quantitative parameters (i.e. financial impact) and the qualitative parameters (e.g. Potential Legal or Regulatory impact, Impact on Process or Service continuity, Effect on Management Decisions and strategic objectives, etc.). The resulting score (Likelihood X Impact) is calculated and categorized into Critical, High, Medium, Low, based on a predefined matrix.

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

4.3.2. Management and Control of Operational Risk (continued)

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

The data collected is categorised and analysed to facilitate the management of operational risks and, where possible, to prevent future losses by implementing relevant mitigating actions. Emphasis is constantly placed on carrying out root-cause analysis of both operational risk incidents with a significant impact and repeated operational risk incidents which present worrying trends. This enables the identification of weaknesses or vulnerabilities and potential threats, which in turn supports the specification of actions to minimise the risk of similar incidents occurring in the future. In 2020, 314 loss events with gross loss equal to or over €1,000 were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2020, compared to 562 loss events in 2019.

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

Operational Risk Capital Requirements and ICAAP
Regulatory and economic capital requirements for operational risk are calculated using the Standardised Approach (see details under Section 5.5.3). Additional Pillar II Regulatory capital is calculated for operational risk on a scenario-based approach. Scenarios are built after taking into consideration the Key Risk Drivers, which are identified using a combination of methods and sources, through top-down and bottom-up approaches. Both approaches are complementary and are simultaneously used in order to identify all key risks the organization is faced with. The Key Risk identification process is reviewed every quarter as part of the ICAAP process and new risks identified are added, while others that become obsolete are removed. Risk scores are updated depending on changes to circumstances (e.g. added controls, changes in the regulatory environment, etc.). The Bank, following the EBA's methodology guidelines on stress-testing for Conduct and other operational risks, projects the P&L impact of losses arising from non-material conduct risks and other operational risks using its internally built scenarios (quantitative method) and in the case of material conduct risk, available qualitative information and feedback from the Subject Matter Experts. In order to determine which operations/actions and events may lead to material conduct risks the Bank analyses all material conduct risk events which took place in the preceding 5 years but also takes into account the prevailing environment in which it operates, as well as the strategy it has formulated for the following 3 years. Such analysis/assessment results in the identification of potential material conduct risks that may materialise within a 3-year horizon in an adverse environment.

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

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

4.3.3. Management of Litigation risk

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

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

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

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

Pending litigation, claims, regulatory and other matters

The Group in the ordinary course of business is subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies, 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. Most on-going investigations and proceedings of significance relate to matters arising during the period prior to the issue of the bail-in Decrees.

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

Apart from what is disclosed in Note 39 of the Consolidated Financial Statements of the Company for 2020 the Group considers that none of these matters is 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.

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 matters as at 31 December 2020 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

4.3.3. **Management of Litigation risk** (continued)

Despite the novelty of many of the claims such as the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of BOC PCL, based on the information available at present and on the basis of the law as it currently stands, management does not expect these to have a material adverse impact on the financial position and capital adequacy of the Group.

The provisions for pending litigation, claims, regulatory and other matters are analysed as follows:

	31 December 2020	31 December 2019
	€ 000	€ 000
Pending litigation and claims	**67,439**	70,075
Regulatory matters	**12,305**	13,691
Other matters	**43,871**	24,328
	123,615	108,094

For additional information on pending litigation, claims, regulatory and other matters as well as the judgement exercised in concluding on the impact of these matters refer to Notes 5.4 and 39 of the Consolidated Financial Statements of the Company for 2020.

Major developments relating to ORM during 2020

The Group invoked its Pandemic Incident Management Plan since early February 2020. The Pandemic Incident Management Team (PIMT) initiated regular updates to the Crisis Management Committee, also invoked to effectively deal with a potential crisis. Business continuity arrangements were put in place (i.e. split operations for critical units, granting access to work remotely for other units). Apart from very few cases of branch temporary closures for disinfection, no other major impact on the continuity of the Bank's operations was observed due to the Covid-19 pandemic outbreak.

During the year, Operational Risk performed an increased number of assessments for new products/procedures triggered by the pandemic. A new Risk Taxonomy for Non-Financial risks was defined, while a number of RCMS system enhancements were designed (e.g. introduction of workflows, web module for risks). Annual review of RCSAs within 2020 was completed for 136 Units. By the end of the year, 11 RCSAs were pending but on track for completion within agreed deadlines. Plan for 2021 annual RCSA reviews already initiated. RCSAs are completed with line management assuming full responsibility of their respective RCSA monitoring/updating in RCMS system (module supporting the RCSA process) and divisional Directors providing their sign-off upon the finalisation of the RCSA reports and the risks accepted. Early within 2020, an ORM IT specialist was onboarded to further enhance the IT risk management.

The Bank has completed the setup of a separate Department (in January 2020), namely the Third-party Risk Management Department (under Operational Risk Management). The Department published the relevant processes within the year which are in line with the latest EBA Guidelines on Outsourcing arrangements, as well as the CBC's relevant directive.

4.3.3. Management of Litigation risk (continued)

The Fraud System (EFRM) is currently monitoring more than 250 thousand Web & Mobile transactions daily, through the use of predefined rules and behavioural profile analytics creating Alerts, for any abnormal behavioural; The alerts are being daily investigated and handled by a dedicated Investigations team. The Fraud System Cards and ATM Fraud system in detection mode was implemented at the end of 2020, building Cards behaviour profiles and detection Alerts which are created for analysis and investigation. The Bank's extended future scope is to expand the Fraud System Analytics Platform to fraud monitor additional areas. Fraud Management Policy and Fraud Incident Management Response plans in place. Within 2020, the calculation and monitoring of the Bank's fraud ratio for credit transfers was performed, while the Bank's Annual Fraud reporting (for year-end 2019) to CBC was also initiated.

As a result of the pandemic, all face-to-face training was cancelled in 2020. Instead, training through e-learning to all staff was offered on Anti-Fraud awareness, as well as, Reputation/Reputational Risk management. The Bank qualifies for the use of the Standardised Approach for the calculation of capital for operational risk (see details under Section 5.5.3).

4.3.4. Reporting

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

5. Own Funds and Leverage disclosures

5.1. CRD IV Regulatory Capital

The tables below disclose the components of regulatory capital presented on both a transitional and fully loaded basis as at 31 December 2020 and 2019.

This disclosure has been prepared using the format set out in Annex IV of the 'Commission Implementing Regulation (EU) No 1423/2013', which lays down implementing technical standards with regards to disclosure of own funds requirements for institutions according to the CRR.

5.1. CRD IV Regulatory Capital (continued)

	Group		
	Transitional position	**Transitional impact**	**Fully loaded**
	2020	**2020**	**2020**
	€ 000	**€ 000**	**€ 000**
Capital instruments and the related share premium	638,978	-	638,978
Retained earnings	903,819	-	903,819
Accumulated other comprehensive income (OCI) and other reserves	97,382	-	97,382
Minority interests (amount allowed in consolidated CET1)	-	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,640,179**	**-**	**1,640,179**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-	-
Intangible assets	(27,171)	-	(27,171)
Regulatory adjustments relating mainly to prudential charge for specific credits and other	(110,197)	-	(110,197)
Additional Valuation Adjustment (AVA)	(1,044)	-	(1,044)
Reserves arising from revaluation of properties and other non CET1 eligible reserves	(27,632)	-	(27,632)
Deferred tax assets arising from temporary differences (amount above 10% threshold)	-	-	-
Direct and indirect holdings of financial sector entities where the institution has a significant investment (amount above 10% threshold)	-	-	-
Amount exceeding the 17.65% threshold	-	-	-
Of which: Direct and indirect holdings of financial sector entities where the institution has a significant investment	-	-	-
Of which: Deferred tax assets arising from temporary differences	-	-	-
IFRS 9 transitional arrangements	245,841	(245,841)	-
Temporary Treatment of certain FVOCI instuments transitional arrangements	2,775	(2,775)	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**82,572**	**(248,616)**	**(166,044)**
Common Equity Tier 1 (CET1) capital	**1,722,751**	**(248,616)**	**1,474,135**
Additional Tier 1 (AT1) capital	**220,000**	**-**	**220,000**
Tier 1 capital (T1=CET1+AT1)	**1,942,751**	**(248,616)**	**1,694,135**
Tier 2 (T2) capital			
Tier 2 instruments	192,248	19,999	212,247
Tier 2 (T2) capital	**192,248**	**19,999**	**212,247**
Total Capital (TC=T1+T2)	**2,134,999**	**(228,617)**	**1,906,382**
Risk weighted assets			
Credit risk	10,504,937	(245,890)	10,259,047
Market risk	-	-	-
Operational risk	1,131,438	-	1,131,438
Total Risk Weighted Assets	**11,636,375**	**(245,890)**	**11,390,485**
Capital ratios			
Common Equity Tier 1 (CET1)	**14.80%**	**-1.86%**	**12.94%**
Tier 1	**16.70%**	**-1.82%**	**14.87%**
Total Capital	**18.35%**	**-1.61%**	**16.74%**
Direct and indirect holdings of financial sector entities (amount below 10% threshold) subject to 250% risk weight	31,020	-	31,020
Deferred tax assets (amount below 10% threshold) subject to 250% risk weight	-	-	-
Capital Ratios			
Institution specific buffer requirement (CET1 requirement in accordance with article 92 plus the Combined Buffer Requirement)	**8.00%**	**1.00%**	**9.00%**
Of which:			
Capital Conservation Buffer (CCB)	*2.50%*	-	*2.50%*
Other Systematically Important Institution (O-SII) buffer	*1.00%*	*1.00%*	*2.00%*
Countercyclical buffer	-	-	-
Systemic risk buffer	-	-	-
Common Equity Tier 1 available to meet buffers	***6.80%***	***-2.86%***	***3.94%***

5.1. CRD IV Regulatory Capital (continued)

	Group		
	Transitional position	**Transitional impact**	**Fully loaded**
	2019	**2019**	**2019**
	€ 000	**€ 000**	**€ 000**
Capital instruments and the related share premium	1,338,978	-	1,338,978
Retained earnings	406,816	-	406,816
Accumulated other comprehensive income (OCI) and other reserves	106,975	-	106,975
Minority interests (amount allowed in consolidated CET1)	-	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,852,769**	**-**	**1,852,769**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-	-
Intangible assets	(51,204)	-	(51,204)
Regulatory adjustments relating mainly to prudential charge for specific credits and other	(123,863)	-	(123,863)
Additional Valuation Adjustment (AVA)	(1,359)	-	(1,359)
Reserves arising from revaluation of properties and other non CET1 eligible reserves	(29,750)	-	(29,750)
Deferred tax assets arising from temporary differences (amount above 10% threshold)	-	-	-
Direct and indirect holdings of financial sector entities where the institution has a significant investment (amount above 10% threshold)	-	-	-
Amount exceeding the 17.65% threshold	-	-	-
Of which: Direct and indirect holdings of financial sector entities where the institution has a significant investment	-	-	-
Of which: Deferred tax assets arising from temporary differences	-	-	-
IFRS 9 transitional arrangements	262,456	(262,456)	-
Temporary Treatment of certain FVOCI instuments transitional arrangements	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**56,280**	**(262,456)**	**(206,176)**
Common Equity Tier 1 (CET1) capital	**1,909,049**	**(262,456)**	**1,646,593**
Additional Tier 1 (AT1) capital	**220,000**	**-**	**220,000**
Tier 1 capital (T1=CET1+AT1)	**2,129,049**	**(262,456)**	**1,866,593**
Tier 2 (T2) capital			
Tier 2 instruments	189,955	18,869	208,824
Tier 2 (T2) capital	**189,955**	**18,869**	**208,824**
Total Capital (TC=T1+T2)	**2,319,004**	**(243,587)**	**2,075,417**
Risk weighted assets			
Credit risk	11,547,303	(282,736)	11,264,567
Market risk	-	-	-
Operational risk	1,342,700	-	1,342,700
Total Risk Weighted Assets	**12,890,003**	**(282,736)**	**12,607,267**
Capital ratios			
Common Equity Tier 1 (CET1)	**14.81%**	**-1.75%**	**13.06%**
Tier 1	**16.52%**	**-1.71%**	**14.81%**
Total Capital	**17.99%**	**-1.53%**	**16.46%**
Direct and indirect holdings of financial sector entities (amount below 10% threshold) subject to 250% risk weight	31,020	-	31,020
Deferred tax assets (amount below 10% threshold) subject to 250% risk weight	-	-	-
Capital Ratios			
Institution specific buffer requirement (CET1 requirement in accordance with article 92 plus the Combined Buffer Requirement)	**7.53%**	**1.50%**	**9.03%**
Of which:			
Capital Conservation Buffer (CCB)	*2.50%*	-	*2.50%*
Other Systematically Important Institution (O-SII) buffer	*0.50%*	*1.50%*	*2.00%*
Countercyclical buffer	*0.03%*	-	*0.03%*
Systemic risk buffer	-	-	-
Common Equity Tier 1 available to meet buffers	***7.28%***	***-3.25%***	***4.03%***

5.1. CRD IV Regulatory Capital (continued)

In June 2020, Regulation (EU) 2020/873, in response to the COVID-19 pandemic, came into force, bringing forward some of the capital-relieving measures that were due to come into force at a later stage and introducing modifications as part of the wider efforts of competent authorities to provide the support necessary to the institutions. The main amendments affecting the Group's own funds relate to the acceleration of the implementation of the new SME discount factor under CRR II introduced in June 2020, instead of June 2021, extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1, advancing the application of the prudential treatment of software assets as amended by CRR II, and introducing temporary treatment of unrealised gains and losses accumulated since 31 December 2019 for certain financial instruments accounted for as "debt instruments measured at fair value through other comprehensive income".

During the year ended 31 December 2020, the CET1 was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2020, the decrease in reserves and the ECL charges, including provisions recognised as a result of the NPE sale agreement signed in August 2020 and January 2021 (Project Helix 2 Portfolios A and B sale agreements). Risk weighted assets movement and pre-provision income had a positive effect on CET1 ratio. The recently introduced adjustments in response to the COVID-19 pandemic as described above, affected positively the CET1 ratio through increasing the IFRS9 add-back (dynamic component), the add-back in relation to unrealised losses of certain financial instruments measured at FVOCI and by decreasing Risk Weighted Assets through the implementation of the new SME supporting factor, which expanded the population of performing exposures that benefit from lower risk weights and also revised the discount factor applicable to such exposures, the increased provision coverage in NPEs, the decrease in the overall customer advances balance sheet values, and the decrease in operational risk RWA.

As a result of the above, the CET1 ratio has remained broadly unchanged during the year.

Prudential filters and deductions

Prudential filters

The Group capital, in accordance with the CRR Article 34 is subject to the prudential filter of additional value adjustments for assets measured at fair value. These adjustments are deductible from CET1 capital. As such, Additional Valuation Adjustments (AVA) relating to assets and liabilities measured at fair value are deducted from CET1 capital in accordance with the Commission Delegated Regulation (EU) 2016/101. Under the Commission Delegated Regulation (EU) 2016/101, the Group satisfies the conditions for using the simplified approach. The AVA deduction for 2020 and 2019 is reported within the AVA line in the tables above.

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

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

Deductions from own funds

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

- Losses for the year 2020 of €176,801 thousand, in line with the prudential consolidation, were deducted from CET1 capital.
- Intangible assets, which include mainly computer software, were deducted from CET1 capital as per CRR provisions (Article 36(1) (b)). The amount deducted in 2020 and 2019 is reported within the 'Intangible assets' line in the tables above. In December 2020 the revised rules on the prudential treatment of software assets as amended by CRR II came into force, under which, EU banks no longer have to fully deduct prudently valued software and IT systems from CET1 capital.

5.1. CRD IV Regulatory Capital (continued)

- In line with the CRR provisions (Articles 47 and 48) and subject to the transitional arrangements, the excess DTA of 10% of CET1 is deducted from CET1 capital and the amount of less than 10% is risk-weighted at 250%. Following the application of the provisions of the EU Regulation 2016/445, the phase-in period in respect of the deductible amount of DTA is 5 years. On 1 March 2019 the Cyprus Parliament adopted legislative amendments allowing for the conversion of DTA into DTC for regulatory purposes, under the CRR (For more details refer to Note 17 of the Consolidated Financial Statements of the Company for 2020).
- The Group's Insurance business is deconsolidated for regulatory capital purposes and replaced by the amount of the Group's investment in insurance entities. In line with the CRR provisions (Articles 47 and 48) and subject to the transitional arrangements, the excess of 10% of CET1 is deducted from the capital (shown as 'Direct and indirect holdings of financial sector entities where the Group has a significant investment' in the tables above) and the amount of less than 10% is risk-weighted at 250%.
- In addition and in line with Article 48 of the CRR, DTA and direct and indirect holdings of financial sector entities where the Group has a significant investment are subject to a combined threshold of 17.65% of CET1 capital.

There were no deductions from CET1 deriving from the above guidelines and regulations in 2020 and 2019.

In addition, during 2020 and 2019, the Group deducted from CET1 a prudential charge relating to specific credits. The deduction amounted to c.€110 million as at 31 December 2020 and c.€120 million as at 31 December 2019.

There are no deductions from the T2 capital under Article 66 of the CRR. However, the T2 capital instruments are subject to qualifying own funds deductions (non-controlling interests) in accordance with Article 87 of the CRR.

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

Items not deducted from own funds

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

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

IFRS 9 Financial Instruments

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

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

5.1. CRD IV Regulatory Capital (continued)

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

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

Additional disclosures on IFRS 9 impact on capital ratios are shown in Section 5.7.

Issued share capital

The issued share capital consists of 446,200 thousand (2019: 446,200 thousand) number of shares at nominal value of €0.10 each. The movement of the share capital for the years 2020 and 2019 is shown on the table below:

	2020		2019	
	Number of shares (thousand)	**€ 000**	Number of shares (thousand)	€ 000
Authorised				
Ordinary shares of €0.10 each	**10,000,000**	**10,000,000**	10,000,000	1,000,000
Issued				
1 January and 31 December	**446,200**	**44,620**	446,200	44,620

Further details in relation to the share capital of the Company are presented in Note 35 of the Consolidated Financial Statements of the Company for 2020.

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement.

The life insurance subsidiary of the Group, as at 31 December 2020, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2019: 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 (Note 24 of the Consolidated Financial Statements of the Company for 2020). The cost of acquisition of these shares was €21,463 thousand (2019: €21,463 thousand).

The treasury shares represent 0.03% of the total issued share capital of the Company (2019: 0.03%).

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

5.1. CRD IV Regulatory Capital (continued)

Share Premium reserve

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

2019
There were no changes to the share premium reserve during the year ended 31 December 2019.

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

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

Other equity instruments
In December 2018 the Company issued €220 million Subordinated Fixed Rate Reset Perpetual AT1 Capital Securities. AT1 constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2020, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2019: €27,199 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 circumstances. AT1 is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary subject to the prior approval of the regulator. AT1 is listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

5.2. Summary of the terms and conditions of Capital Resources

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

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

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

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

5.2. Summary of the terms and conditions of Capital Resources (continued)

In January 2017, BOC PCL issued a €250 million unsecured and subordinated T2 Capital Note (the Note) under BOC PCL's EMTN Programme. The Note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5-year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The Note matures on 19 January 2027. BOC PCL has the option to redeem the Note early on 19 January 2022, subject to applicable regulatory consents. The Note is listed on the Luxembourg Stock Exchange's Euro MTF market. The full terms and conditions of the Note are presented in Section 5.3.

For financial reporting purposes the Note is treated as Subordinated loan stock. The subordinated loan stock is initially measured at the fair value of the consideration received, net of any issue costs. It is subsequently measured at amortised cost using the effective interest method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Group has the right to redeem the subordinated loan stock. Interest on subordinated loan stock is included in 'Interest expense' in the consolidated income statement.

5.3. Full terms and conditions of Capital Resources

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

AT1 instruments

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

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

The listing particulars and detailed information on the terms and conditions of the AT1 are published on the Group's website www.bankofcyprus.com (https://www.bankofcyprus.com/globalassets/investor-relations/debt-securities/at1/eng/20181224-boch-plc---at1-capital-securities---listing-particulars.pdf).

Tier 2 instruments

In January 2017, BOC PCL issued a €250 million unsecured and subordinated T2 Capital Note (Note) under BOC PCL's EMTN Programme.

The main features of the Note are presented in Appendix IV.

The pricing supplement and detailed information on the terms and conditions of the T2 is published on the Group's website www.bankofcyprus.com (https://www.bankofcyprus.com/globalassets/investor-relations/debt-securities/emtn/emtn-eng/20170117-tier-ii-final-terms-pricing-supplement-2017-01-17.pdf).

5.4. Geographical distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer

The table below presents the exposures that give rise to CCyB requirement.

In accordance with the provisions of the above law, the CBC sets, on a quarterly basis, the Countercyclical Capital buffer (CCyB) level in accordance with the methodology described in this law. The CCyB is effective as from 1 January 2016 and is determined for all the countries in the EEA by their local competent authorities ahead of the beginning of each quarter. The applicable CCyB rate for Cyprus for years 2020 and 2019 is set by CBC at 0%.

The material decreases in the exposures that give rise to the CCyB capital requirement relate to Cyprus which carries a 0% CCyB rate hence the minor CCyB capital requirement remains stable. The decrease in Cyprus exposures was mainly driven by increased provisioning and loan settlements.

5.4. Geographical distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer (continued)

Materiality level: all countries which have more than 1% contribution to the total credit exposures are shown separately. All other countries have been grouped at country countercyclical buffer rate level. The contribution of France fell below the 1% materiality threshold and it is included in "Other countries" with 0% CCyB.

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

31 December 2020	General credit exposure	Trading book exposures	Own fund requirements			Own funds requirements weights	Countercyclical buffer rate
			of which: General credit exposures	of which: Trading book exposures	Total		
Breakdown by country:	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**%**	**%**
Cyprus	11,436,671	-	726,809	-	726,809	91.2	-
United Kingdom	187,946	-	11,430	-	11,430	1.43	1
Greece	289,569	-	22,358	-	22,358	2.81	-
Other countries[1]	568,108	-	32,173	-	32,173	4.04	-
Other countries[1]	45,141	-	3,816	-	3,816	0.48	0.25
Other countries[1]	1,961	-	142	-	142	0.02	0.5
Other countries[1]	19,674	-	193	-	193	0.02	1
Total	**12,549,070**	**-**	**796,921**	**-**	**796,921**	**100.00**	

1 . List of other countries and their % countercyclical buffer rate is presented in Appendix III.

5.4. Geographical distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer (continued)

31 December 2019	General credit exposure	Trading book exposures	Own fund requirements			Own funds requirements weights	Countercyclical buffer rate
			of which: General credit exposures	of which: Trading book exposures	Total		
Breakdown by country:	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**%**	**%**
Cyprus	11,655,285	-	787,016	-	787,016	90.03	-
United Kingdom	250,088	-	18,481	-	18,481	2.11	1
Greece	305,605	-	24,260	-	24,260	2.78	-
Other countries[1]	581,272	-	37,909	-	37,909	4.34	-
Other countries[1]	15,047	-	1,230	-	1,230	0.14	0.25
Other countries[1]	3,129	-	229	-	229	0.03	0.5
Other countries[1]	52,847	-	4,587	-	4,587	0.52	1
Other countries[1]	212	-	8	-	8	-	1.5
Other countries[1]	108	-	9	-	9	-	1.75
Other countries[1]	45,175	-	429	-	429	0.05	2.5
Total	**12,908,768**	**-**	**874,158**	**-**	**874,158**	**100.00**	

1.List of other countries and their % countercyclical buffer rate is presented in Appendix III.

Amount of specific Countercyclical Capital Buffer

	2020	2019
Total risk exposure €000	**11,636,375**	12,890,003
Institution specific CCyB rate %	**-**	0.03%
Institution specific CCyB requirement €000	**-**	3,867

Since March 2020 the CCyB is calculated to zero following almost all EU Member States eliminating their applicable CCyB for the year.

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

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

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

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

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

The key pillars of the Group's strategy are to:
- Complete balance sheet de-risking
- Grow revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book and less capital-intensive banking and financial services operations (Insurance and Digital economy)
- Improve operating efficiency; by achieving leaner operations through digitisation and automation
- Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities

The RWAs that form the denominator of the risk-based capital ratio are presented below. Minimum capital requirements are calculated as 8% of the RWAs. All rows that are not relevant to the Group's activities are not included.

As of 1 January 2018 the RWAs are reported on an IFRS 9 transitional basis under article 473(a) of the CRR by which until 27 June 2020 provisions amounts are decreased by an appropriate ratio. As of 27 June 2020 following the amendment of the CRR, the IFRS 9 amount added back to CET1 capital is included as an exposure to "Other Items" and risk weighted at 100%. Both approaches create higher exposures compared to the actual balance sheet values and as a result comparatively higher RWAs and capital requirements. The IFRS 9 transitional basis effect for the "static component" will be phased out by 1 January 2023 and for the "dynamic component" will be phased out by 1 January 2025. Furthermore, as of 27 June 2020 the RWA of debt securities are reporting on a transitional basis under article 468 of the CRR by which provision amounts are decreased by the amount that is added back to CET1 capital. The transitional basis effect is phased out by 1 January 2023. Further information is disclosed in Section 5.7.

EU OV1 Overview of RWAs

		RWAs		Minimum capital requirements
		31 December 2020	31 December 2019	31 December 2020
		€ 000	€ 000	€ 000
1	Credit risk (excluding CCR)	10,382,775	11,411,497	830,622
2	*Of which the Standardised Approach*	*10,382,775*	*11,411,497*	*830,622*
6	CCR	5,786	12,618	463
7	*Of which mark to market*	*3,299*	*9,568*	*264*
12	*Of which CVA*	*2,487*	*3,050*	*199*
14	Securitisation exposures in the banking book (after the cap)	37,128	45,638	2,970
18	*Of which Standardised approach*	*37,128*	*45,638*	*2,970*
23	Operational risk	1,131,438	1,342,700	90,515
25	*Of which Standardised Approach*	*1,131,438*	*1,342,700*	*90,515*
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	79,248	77,550	6,340
29	**Total**	**11,636,375**	**12,890,003**	**930,910**

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

The main drivers behind the decrease in the RWAs for the year relate to (a) the implementation of the new SME supporting factor, which expanded the population of performing exposures that benefit from lower risk weights and also revised the discount factor applicable to such exposures; (b) increased provisioning, settlements/repayments and curing in NPEs and regulatory high risk exposure classes in customer loans; (c) reduction in operational operating income; and (d) the maturing of securities financing transactions. The impact of the decrease in the operational income is reflected in line 23 whilst for drivers (a) and (b) in line 2 and driver (d) in line 6.

The main drivers behind the decrease in the RWAs for the different types or risk for the year are analysed in the tables below.

There were no large exposures for institutions that exceeded the relevant limits.

EU OV1 Overview of RWAs

		RWAs		Minimum capital requirements
		31 December 2019	31 December 2018	31 December 2019
		€ 000	€ 000	€ 000
1	Credit risk (excluding CCR)	11,411,497	13,236,498	912,920
2	*Of which the Standardised Approach*	*11,411,497*	13,236,498	*912,920*
6	CCR	12,618	22,859	1,009
7	*Of which mark to market*	*9,568*	*13,996*	*765*
12	*Of which CVA*	*3,050*	*8,863*	*244*
14	Securitisation exposures in the banking book (after the cap)	45,638	-	3,651
18	*Of which Standardised approach*	*45,638*	-	*3,651*
19	*Market Risk*	-	*2,182*	107,416
20	*Of which Standardised Approach*	-	*2,182*	*107,416*
23	Operational risk	1,342,700	1,538,588	107,416
25	*Of which Standardised Approach*	*1,342,700*	*1,538,588*	*107,416*
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	77,550	571,651	6,204
29	**Total**	**12,890,003**	**15,371,778**	**1,031,200**

5.5.1. Credit Risk

The Standardised Approach has been applied to calculate the minimum capital requirement in accordance with the requirements laid down in Article 92 of the CRR as shown in the table below. Minimum capital requirements are calculated as 8% of the RWAs.

5.5.1. Credit Risk (continued)

Exposure Portfolio	**2020**	2019
	€ 000	€ 000
Central governments or central banks	**27,913**	30,607
Regional governments or local authorities	**36**	43
Public sector entities	**-**	1
Multilateral Development Banks	**-**	-
International Organisations	**-**	-
Institutions	**12,356**	15,081
Corporates	**240,887**	268,319
Retail	**73,690**	76,832
Secured by mortgages on immovable property	**102,227**	94,432
Exposures in default	**97,308**	164,290
Items associated with particularly high risk	**94,634**	112,388
Covered bonds	**1,198**	1,307
Items representing securitisation positions	**2,970**	3,651
Claims on institutions and corporates with a short-term credit assessment	**15**	-
Collective Investments Undertakings (CIU)	**197**	16
Equity	**8,004**	6,422
Other items	**178,761**	150,151
Total Capital Requirement for Credit Risk	**840,196**	923,540

The implementation of the new SME supporting factor, which expanded the population of performing exposures that benefit from lower risk weights and also revised the discount factor applicable to such exposures, resulted in a decrease in the RWA and capital requirements of exposures classes "Corporates" and "Secured by mortgages on immovable property". The curing of NPEs shifted RWA and capital requirements from exposure class "Exposures in default" to mainly exposure class "Secured by mortgages on immovable property". The RWA and capital requirements of "Exposures in default" were further decreased by the increased provisioning coverage and change in the treatment of the IFRS 9 transitional arrangement under article 473a of the CRR whereby the IFRS 9 adjustment is transferred to exposure class "Other items" (further explained in Section 5.5 above). The decrease in the RWA and capital requirements in exposure class "Central governments or central banks" is the result of the annual instalment amount converted into DTC and subsequently into refundable to the Cyprus Government as allowed under the law amendment of the Cyprus Parliament legislative on 1 March 2019, which allows for the conversion of DTA into DTC for regulatory capital purposes carrying a RW of 100% which were previously risk weighted at 250% or deducted from capital. All other capital requirements movements follow movements in the book value of balance sheet assets.

5.5.2. Market Risk

There are no minimum capital requirements for market risk for 2020 or 2019. FX risk does not require any capital since the materiality threshold set by Article 351 of the CRR is not met. Furthermore, due to the small trading book, Article 94 of the CRR was applied as of 2019 allowing the RWAs for trading book positions to be calculated in accordance with Article 92 paragraph 3(a) of the CRR; hence the RWAs and capital requirements are included in the Credit Risk tables.

5.5.3. Operational Risk

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

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

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

The minimum capital requirement in relation to operational risk calculated in accordance with the Standardised Approach amounts to €90,515 thousand (2019: €107,416 thousand).

2020	**Standardised Approach**
	€ 000
Corporate Finance (CF)	91
Trading and Sales (TS)	5,118
Retail Brokerage (RBr)	112
Commercial Banking (CB)	50,431
Retail Banking (RB)	22,035
Payment and Settlement (PS)	12,328
Agency Services (AS)	377
Asset Management (AM)	23
Total Capital Requirement for Operational Risk	**90,515**

2019	**Standardised Approach**
	€ 000
Corporate Finance (CF)	98
Trading and Sales (TS)	7,488
Retail Brokerage (RBr)	109
Commercial Banking (CB)	63,258
Retail Banking (RB)	23,736
Payment and Settlement (PS)	12,324
Agency Services (AS)	357
Asset Management (AM)	46
Total Capital Requirement for Operational Risk	**107,416**

5.5.4. Credit Valuation Adjustment (CVA) Risk

CVA captures the credit risk of derivative counterparties not already included in CCR. It calculates the potential loss on derivatives due to increase in the credit spread of the counterparty.

The Standardised Approach has been used to calculate the CVA charge for regulatory purposes in accordance with the requirements of the CRR (Standardised Approach: Articles 381, 382 and 384).

	2020	2019
	€ 000	€ 000
Credit Valuation Adjustment (CVA) Capital Requirement	**199**	244

The decrease in the capital requirements relates mainly to the maturing of security financing transactions that have not been renewed or replaced.

5.5.5. EU INS1 Non - deducted participations in insurance undertakings

	Carrying amount	Carrying amount
	2020	2019 (Restated)
	€ 000	€ 000
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	**22,803**	22,803
Total RWAs	**57,008**	57,008

5.6. Leverage

The disclosure has been prepared using the format set out in Annex I and Annex II of the final "Implementation Technical Standards with regard to disclosure of the Leverage ratio for instructions" (Commission Implementing Regulation-EU 2016/200).

The leverage ratio of the Group is calculated using two capital measures:

a) Tier 1 capital: fully phased-in definition.
b) Tier 1 capital: transitional definition.

As a result, two leverage ratios are calculated.

5.6. Leverage (continued)

As at 31 December 2020, the leverage ratio of the Group was 9.08% (2019: 10.10%) on a transitional basis and 8.01% (2019: 8.95%) using a fully phased-in definition of T1. This ratio is well above the regulatory 3% limit.

Table LRQua: Disclosure on qualitative items

<table>
<tr><td>Description of the processes used to manage the risk of excessive leverage</td><td>This internal leverage ratio is conservative compared to the required minimum ratio set at 3% and which comes into effect on 28 June 2021 and it is monitored at least quarterly by ExCo and by RC. Under the current CRR there is no pre-set minimum leverage ratio. The following risk levels will be used for exposures reporting and monitoring based on the fact that the risk appetite is to have low leverage levels.
<table>
<tr><th>Leverage Ratio</th><th>Level</th><th>Required Actions</th></tr>
<tr><td>>9%</td><td>BAU</td><td>No change in plans or actions.</td></tr>
<tr><td>6%-9%</td><td>Warning</td><td>Demonstrate in the business plan lower levels in the coming 6m.</td></tr>
<tr><td><6%</td><td>Breach</td><td>Immediate action to return to yellow levels within 3m and green within 9m.</td></tr>
</table></td></tr>
<tr><td>Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers</td><td>The overall leverage ratio has increased despite the decrease in “Tier 1 capital” (see Section 5.1) due to the comparatively higher reduction in “Total Exposures”. The movement on the “Total Exposures” is explained in Section 5.6.1 below.</td></tr>
</table>

5.6.1. LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

		Applicable amounts	
		2020	2019
		€ 000	€ 000
1	**Total assets as per published financial statements**	**21,514,131**	**21,122,822**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(904,828)	(835,952)
	Total assets as per regulatory consolidation	**20,609,303**	**20,286,870**
4	Adjustments for derivative financial instruments	(12,280)	(22,327)
5	Adjustments for Securities Financing Transactions (SFTs)	-	17,082
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	695,562	700,896
7	Other adjustments	113,561	92,990
8	**Leverage ratio total exposure measure**	**21,406,146**	**21,075,511**

The increase in the overall net balance sheet assets was the major driver behind the increase in the Leverage ratio exposure.

5.6.2. LRCom: Leverage Ratio Common Disclosure

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

		CRR leverage ratio exposures	
		2020	2019
	On-balance sheet exposures (excluding derivatives and SFTs)	**€ 000**	€ 000
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**20,726,906**	20,403,116
2	Asset amounts deducted in determining Tier 1 capital	**(28,669)**	(46,316)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**20,698,237**	20,356,800
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**2,250**	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**10,097**	733
11	Total derivative exposures (sum of lines 4 to 10)	**12,347**	733
	SFT exposures		
14	Counterparty Credit Risk exposure for SFT assets	**-**	17,082
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	**-**	17,082
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	**2,650,159**	2,653,906
18	Adjustments for conversion to credit equivalent amounts	**(1,954,597)**	(1,953,010)
19	Other off-balance sheet exposures (sum of lines 17 and 18)	**695,562**	700,896
	Capital and Total Exposures		
20	Tier 1 capital	**1,942,751**	2,129,049
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**21,406,146**	21,075,511
	Leverage Ratios		
22	Leverage ratio	**9.08%**	10.10%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Transitional**	**Transitional**

The overall leverage ratio has decreased due to decreased "Tier 1 capital – transitional definition" (refer to Section 5.1) and comparatively higher "Total Exposures". The movement on the "Total Exposures" is explained in Section 5.6.1 above.

5.6.3. LRSpl: Split-Up of on-Balance Sheet Exposures (excluding derivatives and SFTs)

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

		CRR Leverage ratio exposures	
		2020	2019
		€ 000	€ 000
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs exempted exposures), of which:**	**20,698,237**	**20,356,800**
EU-2	**Trading Book exposures**	**-**	**-**
EU-3	**Banking Book exposures, of which:**	**20,698,237**	**20,356,800**
EU-4	Covered bonds	149,698	163,331
EU-5	Exposures treated as sovereigns	7,280,362	6,592,624
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	20,463	20,784
EU-7	Institutions	627,262	579,074
EU-8	Secured by mortgages of immovable properties	3,569,975	3,201,195
EU-9	Retail exposures	1,484,663	1,524,032
EU-10	Corporates	3,250,602	3,305,840
EU-11	Exposures in default	1,166,723	1,896,844
EU-12	Other exposures (e.g. equity, securitisation and other non-credit obligation assets)	3,148,489	3,073,076

For detailed analyses on the movements on banking book exposures, refer to Section 5.5.1 above which provides extensive information on movements between the various exposure classes.

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

Template IFRS 9/Article 468 – FL Template

		31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
		€ 000	€ 000	€ 000	€ 000	€ 000
1	Common Equity Tier 1 (CET1) capital	1,722,751	1,734,560	1,707,010	1,806,926	1,909,049
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,476,910	1,502,062	1,479,450	1,590,786	1,646,593
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	1,719,976	1,726,264	1,707,010	1,806,926	1,909,049
3	Tier 1 capital	1,942,751	1,954,560	1,927,010	2,026,926	2,129,049
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,696,910	1,722,062	1,699,450	1,810,786	1,866,593
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	1,939,976	1,946,264	1,927,010	2,026,926	2,129,049
5	Total Capital	2,134,999	2,149,940	2,126,084	2,227,575	2,319,004
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,909,157	1,937,107	1,917,532	2,028,428	2,075,418
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	2,132,224	2,141,644	2,126,084	2,227,575	2,319,004
	Risk-weighted assets					
7	Total risk-weighted assets	11,636,375	11,887,795	11,960,184	12,598,792	12,890,003
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,390,534	11,655,297	11,732,624	12,368,530	12,607,267
	Capital ratios					
9	CET1 (as a percentage of risk exposure amount)	14.80%	14.59%	14.27%	14.34%	14.81%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.97%	12.89%	12.61%	12.86%	13.06%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.78%	14.52%	14.27%	14.34%	14.81%
11	Tier 1 (as a percentage of risk exposure amount)	16.70%	16.44%	16.11%	16.09%	16.52%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.90%	14.77%	14.48%	14.64%	14.81%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16.67%	16.37%	16.11%	16.09%	16.52%
13	Total Capital (as a percentage of risk exposure amount)	18.35%	18.09%	17.78%	17.68%	17.99%
14	Total Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.76%	16.62%	16.34%	16.40%	16.46%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.32%	18.02%	17.78%	17.68%	17.99%
	Leverage ratio					
15	Leverage ratio total exposure measure	21,406,146	21,377,843	21,219,766	20,316,602	21,075,511
16	Leverage ratio	9.08%	9.14%	9.08%	9.98%	10.10%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.02%	8.11%	8.06%	8.97%	8.95%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.06%	9.07%	9.08%	9.98%	10.10%

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

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

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

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

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

The RWAs decreased during the year mainly due to (a) the implementation of the new SME discount supporting factor, which expanded the population of performing exposures that benefit from lower risk weights and also revised the discount factor applicable to such exposures; (b) the increased provision coverage in NPEs; (c) the decrease in the overall customer advances balance sheet values; and (d) the decrease in operational risk RWA.

The overall leverage ratio which is well above the minimum regulatory ratio decreased due to the decrease in "Tier 1 capital" and increased "Leverage ratio total exposure measure". The leverage ratio exposure measure follows the movements in the Group's balance sheet assets.

6. Pillar I Requirements

6.1. Counterparty Credit Risk (CCR)

CCR arises from the possibility a counterparty failing to perform on an obligation arising from derivative transactions and SFTs such as repurchase agreements.

The exposure values for SFTs and derivative transactions have been calculated by applying respectively the "Financial Collateral Comprehensive Method" and the Mark-to-Market Method of the CRR. Total exposures values are analysed in template EU CCR2 in Section 6.1.8 below.

6.1.1. Internal Capital and Credit Limits for Counterparty Credit Exposures

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

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

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

Two types of limits are monitored:

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

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

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

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

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

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

6.1.2. Policies for Securing Collateral and Establishing Credit Reserves

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

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

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

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

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

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

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

As at 31 December 2020, the Group had signed the CSA annex of the ISDA Master Agreement with 35 counterparties (2019: 28 counterparties) and Global Master Repurchase Agreements (GMRAs) with 17 counterparties (2019: 11 counterparties). The increase in the number of signed documents compared to last year is due to replication agreements signed with new European entities set up by counterparties due to Brexit. The Group has an agreement in place with a Qualifying Central Counterparty (QCCP) since 2018. As at 31 December 2020, the Group maintained CSA exposures with 13 counterparties, one of which is QCCP (2019: 14 counterparties one of which is QCCP). The Group did not have any exposures under GMRA as at 31 December 2020, following the maturity of the outstanding REPOs in the year (2019: 2 counterparties).

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

The following table presents the total amounts that were transferred to (where the indicated amount is negative) or obtained from (where the indicated amount is positive) counterparties as a result of reaching the threshold amounts of 10 of the counterparties (2019: 11 counterparties) for CSAs, one of which the QCCP. There were no amounts transferred to counterparties for GMRAs in 2020 since no amounts were outstanding (2019: 2 counterparties), as at 31 December:

	2020	2019
	€ 000	€ 000
Total Positive	**1,190**	470
Total Negative	**(34,522)**	(41,104)
Total	**(33,332)**	(40,634)

A breakdown of all types of collateral posted or received by banks to support or reduce CCR exposures, as at 31 December, is presented below:

EU CCR5-B - Composition of collateral for exposures to Counterparty Credit Risk

2020	**Collateral used in derivative transactions**				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Cash	**-**	**1,190**	**30,622**	**3,900**	**-**	**-**
Total	**-**	**1,190**	**30,622**	**3,900**	**-**	**-**

2019	**Collateral used in derivative transactions**				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Cash	-	470	28,610	7,907	-	4,587
Total	-	470	28,610	7,907	-	4,587

Reduction in Mark to Market losses of the outstanding derivative transactions since last reporting date; translate into lower posted amount in the case of derivatives. There is no any posted amount in the case of SFTs as the outstanding REPOs of 2019, matured within 2020.

6.1.3. Policies with Respect to Wrong-Way Risk Exposures

Wrong way risk occurs when an exposure to a counterparty is adversely correlated with the credit quality of that counterparty i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Group's derivative transactions) have an adverse impact on the Probability of Default (PD) of a counterparty. This risk is not currently measured as it is not anticipated to be significant given that the bulk of the deals are cleared with the Bank's QCCP and the existence of CSAs for almost all the uncleared derivative transactions, with daily settlement of margins that significantly reduce credit risk resulting in a total accounting CVA charge equal to only €13 thousand (2019: €539 thousand) and a net credit exposure from Group derivative contracts, after considering both the benefits from legally enforceable netting agreements and collateral arrangements of €1,835 thousand (2019: €150 thousand).

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

As at 31 December 2020, the only instance where the Group would have to provide additional collateral in the event of a downgrade, involved derivative transactions under ISDA agreements, where a CSA has been signed. Currently, no CSA agreement is linked to the credit ratings of the involved parties. Thus, no additional collateral is expected to be required, as at 31 December 2020, in the event of a downgrade.

6.1.5. Gross Positive Fair Value of Contracts, Netting Benefits, Netted Current Credit Exposure, Collateral held and Net Derivatives Credit Exposure

The gross positive fair value of Group derivative contracts, which mainly consist of IRS and FX contracts, is presented in the table below:

Gross positive fair value	**2020**	2019
	€ 000	€ 000
Cyprus and Group	**24,538**	23,040

The Bank has netting benefits for the derivatives, through the ISDA/CSA agreements signed with the majority of counterparties and an agreement in place with a QCCP. The netted credit exposure for the Group derivative contracts (without considering collateral arrangements), is presented in the table below:

Netted credit exposure	**2020**	2019
	€ 000	€ 000
Cyprus and Group	**3,025**	620

Net derivative credit exposure	**2020**	2019
	€ 000	€ 000
Cyprus and Group	**1,835**	150

The net credit exposure of Group derivative contracts, after considering both the benefits from legally enforceable netting agreements and collateral arrangements, is presented in the table below. Collateral received through the CSA agreements from counterparties as at December 2020 was €1,190 thousand (2019: €470 thousand).

EU CCR5-A Impact of netting and collateral held on exposure values

	Gross positive fair value or net carrying amount	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
2020	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Derivatives	**24,538**	**21,513**	**3,025**	**1,190**	**1,835**
SFTs	**-**	**-**	**-**	**-**	**-**
Cross-product netting	**-**	**-**	**-**	**-**	**-**
Total	**24,538**	**21,513**	**3,025**	**1,190**	**1,835**

6.1.5. Gross Positive Fair Value of Contracts, Netting Benefits, Netted Current Credit Exposure, Collateral held and Net Derivatives Credit Exposure (continued)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
2019	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Derivatives	23,040	22,420	620	470	150
SFTs	17,737	-	17,737	-	17,737
Cross-product netting	-	-	-	-	-
Total	**40,777**	**22,420**	**18,357**	**470**	**17,887**

6.1.6. Mark-to-Market Method for Derivatives and Financial Collateral Comprehensive Approach for Security Financing Transactions

Derivative exposure values are calculated by applying the Mark-to-market method of the CRR whereby the exposure value is the sum of:

- Positive mark-to-market after taking into account:
    a. Accrued interest
    b. Netting within each counterparty (where set-off agreement exists)

Potential future credit exposure: Add-on amount equal to a percentage of the nominal amount of each deal based on its remaining maturity and the type of contract.

The mark-to-market of derivatives is calculated using the Net Present Value (NPV) of future cash flows method.

Where the derivatives are under ISDA, article 298 of the CRR is applied whereby the single derivative exposure values under the particular agreement are netted in the manner described by paragraph 1(c) of article 298 of the CRR.

In the case where a CSA agreement is in place (and the relevant amount has already been settled) the exposure is set to zero, since no credit risk exists.

SFT exposure values are calculated by applying the Financial Collateral Comprehensive Approach of the CRR and the appropriate supervisory volatility adjustments whereby the exposure value is net of:

- Security value posted as collateral which is the sum of its book value and an appropriate add-on based on supervisory volatility adjustments. The appropriate supervisory volatility adjustments are based on the type of security, its issuer, their external credit assessment and their residual maturity.
- The cash received under the repurchase agreement transaction.

6.1.6. Mark-to-Market Method for Derivatives and Financial Collateral Comprehensive Approach for Security Financing Transactions (continued)

Only Cyprus has derivative and SFT transactions. All SFT transactions are performed with Institutions. As at 31 December 2020, the Group does not have any SFT transactions. The table below presents the Exposures at Default (EAD) by exposure class.

	2020	2019
	€ 000	€ 000
Institutions	**10,809**	17,737
Corporates	**1,107**	718
Retail	**47**	15
Claims on institutions and corporates with a short-term credit assessment	**384**	-
Total	**12,347**	18,470

The table below presents the analysis of CCR per approach. All rows and columns that are not relevant to the Group's activities or methods applied are not included.

EU CCR1 - Analysis of the Counterparty Credit Risk (CCR) exposure by approach

	Replacement cost/current market value	**Potential future credit exposure**	**Exposure at Default (EAD) post Credit Risk Mitigation (CRM)**	**RWAs**
2020	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Mark to market	3,025	10,097	12,347	3,299
Financial collateral comprehensive method (for SFTs)			-	-
Total				**3,299**

	Replacement cost/current market value	**Potential future credit exposure**	**Exposure at Default (EAD) post Credit Risk Mitigation (CRM)**	**RWAs**
2019	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Mark to market	620	8,385	733	699
Financial collateral comprehensive method (for SFTs)			17,737	8,869
Total				**9,568**

The increase in the RWAs in derivative transactions under the mark-to-market method stems from increased exposure values due to decreased CRM. All SFTs have matured in 2020 hence no RWAs remain.

6.1.6. Mark-to-Market Method for Derivatives and Financial Collateral Comprehensive Approach for Security Financing Transactions (continued)

EU CCR8 Exposures to CCPs

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

2020		a	b
		EAD post CRM	RWA
1	**Exposures to QCCPs (total)**		**49**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,469	49
3	(i) OTC derivatives	2,469	49

As at 31 December 2019 the Group had exposures to a QCCP albeit without EAD post CRM.

6.1.7. CCR exposures by regulatory portfolio and risk

The table below provides a breakdown of CCR exposures, calculated under the Standardised Approach, by portfolio (type of counterparties) and by risk weight. All rows and columns that are not relevant to the Group's activities are not included.

Rows that are not applicable to the Group or do not contribute to the applicable amounts have not been included.

EU CCR3 - Standardised Approach-CCR exposures by regulatory portfolio and risk

Exposure classes		Risk weight					Total	Of which unrated
		2%	20%	50%	75%	100%		
2020		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
6	Institutions	2,469	7,199	1,141	-	-	10,809	-
7	Corporates	-	-	-	-	1,107	1,107	1,107
8	Retail	-	-	-	47	-	47	47
9	Institutions and corporates with a short-term credit assessment	-	-	384	-	-	384	-
11	**Total**	**2,469**	**7,199**	**1,525**	**47**	**1,107**	**12,347**	**1,154**

Exposure classes		Risk Weight				Total	Of which unrated
		20%	50%	75%	100%		
2019		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
6	Institutions	-	17,737	-	-	17,737	-
7	Corporates	-	-	-	718	718	718
8	Retail	-	-	15	-	15	15
11	**Total**	**-**	**17,737**	**15**	**718**	**18,470**	**733**

The allocation of exposure values among exposure classes remains relatively unchanged. The overall decrease among the values is the result of the maturing of all SFTs. The exposures under the 2% RW presented in 2020 relate to exposures to a QCCP.

6.1.8. Regulatory CVA charge for capital calculation

All rows that are not applicable to the Group's activities or methods applied have not included.

EU CCR2 - CVA capital charge

2020		Exposure value	RWAs
		€ 000	**€ 000**
4	All portfolios subject to the Standardised method	**12,347**	**2,487**
5	**Total subject to the CVA capital charge**	**12,347**	**2,487**

2019		Exposure value	RWAs
		€ 000	**€ 000**
4	All portfolios subject to the Standardised method	18,470	3,050
5	**Total subject to the CVA capital charge**	**18,470**	**3,050**

The decrease in the exposure value is the result of the maturing of all SFTs in 2020, partially offset by increased derivatives exposure due to value CRM.

6.2. Group's Exposure to Credit Risk and ECL

The following sections provide an analysis of past due and credit impaired loans, exposures post-value adjustments (before and after applying CRM and CCF) and ECL of loans and advances.

6.2.1. Past Due and Credit Impaired Loans

Past due and credit impaired loans
Past due loans are those with delayed payments or in excess of authorised credit limits.

The Group considers loans and advances to customers that meet the NPE definition as per EBA standards to be in default and hence Stage 3 (credit-impaired). Therefore such loans have ECL calculated on a lifetime basis and are considered to be in default for credit risk management purposes.

The definitions of credit impaired and default are aligned so that Stage 3 represents all loans which are considered defaulted or otherwise credit impaired. When a financial asset has been identified as credit impaired, its amortised cost amount is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

Additional details on credit impaired loans and the definition of default are disclosed in Note 2.19.2 of the Consolidated Financial Statements of the Company for 2020.

Expected credit losses (ECL)/impairment of loans and advances to customers
The Group uses a forward looking ECL model, requiring judgement, estimates and assumptions in determining the level of ECLs. ECLs are recorded for all financial assets measured at amortised cost.

At initial recognition, ECL impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI. In the event of a significant increase in credit risk since initial recognition, ECL impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The Group's policy for determining if there has been a significant increase in credit risk is disclosed in Note 2.19.3 of the Consolidated Financial Statements of the Company for 2020.

6.2.1. Past Due and Credit Impaired Loans (continued)

The Group based on the above process, groups its financial assets into Stage 1, Stage 2, Stage 3 and POCI for ECL measurement as described below:

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

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

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

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

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

The Group's policy on the impairment of financial assets is disclosed in Note 2.19 and the significant judgements, estimates and assumptions on the calculation of ECL are disclosed in Note 5.2 of the Consolidated Financial Statements of the Company for 2020.

6.2.2. Total and average amount of net exposures

The average corresponds to the average of the quarterly net amounts by exposure class of the year. Net exposures relate to amounts post value adjustments but before the application of CCF. Value adjustments refer to specific credit risk adjustments, additional value adjustments to reflect the fair value of the asset, where relevant and other own funds reductions on specific asset items.

Exposure classes that are not relevant to the Group's activities are not included.

6.2.2. Total and average amount of net exposures (continued)

EU CRB-B Total and average net amount of exposures

	Net exposures at 31 December 2020	Average net exposures 2020
	€ 000	€ 000
Central governments or central banks	6,902,794	6,448,350
Regional governments or local authorities	114,364	116,951
Public sector entities	63,377	71,568
Multilateral development banks	70,457	81,402
International organisations	106,609	106,946
Institutions	691,348	797,482
Corporates	4,505,020	4,422,055
Of which: SMEs	*2,718,524*	*2,719,861*
Retail	2,503,006	2,462,298
Of which: SMEs	*737,692*	*718,436*
Secured by mortgages on immovable property	3,649,449	3,538,378
Of which: SMEs	*815,311*	*804,769*
Exposures in default	1,265,311	1,630,157
Items associated with particularly high risk	975,920	1,028,018
Covered bonds	149,698	171,937
Claims on institutions and corporates with a short-term credit assessment	514	1,472
Collective investments undertakings	3,751	2,948
Equity exposures	52,497	54,518
Other exposures	2,223,366	2,014,321
Total Standardised Approach	***23,277,481***	***22,948,801***
Total	**23,277,481**	**22,948,801**

6.2.2. Total and average amount of net exposures (continued)

EU CRB-B Total and average net amount of exposures

	Net exposures at 31 December 2019	Average net exposures 2019
	€ 000	€ 000
Central governments or central banks	6,147,361	5,819,003
Regional governments or local authorities	129,451	137,020
Public sector entities	82,439	56,659
Multilateral development banks	112,144	114,458
International organisations	107,307	107,659
Institutions	657,243	707,975
Corporates	4,446,821	4,374,341
Of which: SMEs	*2,765,282*	*2,686,124*
Retail	2,533,994	2,571,297
Of which: SMEs	*733,414*	*747,853*
Secured by mortgages on immovable property	3,278,570	3,128,568
Of which: SMEs	*744,496*	*713,522*
Exposures in default	2,075,020	2,542,616
Items associated with particularly high risk	1,192,328	1,311,259
Covered bonds	163,331	167,553
Collective investments undertakings	205	354
Equity exposures	33,745	113,785
Other exposures	1,995,122	2,211,745
Total Standardised Approach	***22,955,081***	***23,364,292***
Total	**22,955,081**	**23,364,292**

The main drivers behind the changes in the net exposures and average net exposures are analysed in Section 5.5.1 above.

6.2.2.1. Breakdown of exposures by geographical areas and exposure classes

The net value relates to amounts post value adjustments but before the application of CCF. Value adjustments refer to specific credit risk adjustments, additional value adjustments to reflect the fair value of the asset where relevant and other own funds reductions related to specific asset items. The country or geographical area in which the exposure is classified is driven by the country of residence/incorporation of the counterparty.

The materiality of geographical areas has been determined using the following threshold: All EU countries that do not exceed 1% of total net exposures have been included in “Other countries” and all non-EU countries that do not exceed 1% of total net exposures have been included in “Other geographical areas”. There are no non-EU countries that exceed the 1% threshold. “Supranational” exposures are included in “Other geographical areas”. As at 31 December 2020 the exposures to France fell below the 1% threshold and have been reallocated in “Other EU countries”.

Exposure classes that are not relevant to the Group’s activities are not included.

6.2.2.1. Breakdown of exposures by geographical areas and exposure classes (continued)

EU CRB-C Geographical breakdown of exposures

2020	EU countries and UK	Cyprus	United Kingdom	Greece	Other EU countries[1]	Other geographical areas	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Central governments or central banks	6,850,737	6,788,986	-	4,754	56,997	52,057	**6,902,794**
Regional governments or local authorities	60,756	60,756	-	-	-	53,608	**114,364**
Public sector entities	63,377	675	-	-	62,702	-	**63,377**
Multilateral development banks	-	-	-	-	-	70,457	**70,457**
International organisations	-	-	-	-	-	106,609	**106,609**
Institutions	415,010	32,330	57,262	3,686	321,732	276,338	**691,348**
Corporates	4,321,997	3,922,379	59,184	211,436	128,998	183,023	**4,505,020**
Retail	2,481,398	2,446,630	24,246	7,406	3,116	21,608	**2,503,006**
Secured by mortgages on immovable property	3,597,546	3,532,520	54,835	2,687	7,504	51,903	**3,649,449**
Exposures in default	1,215,413	1,147,165	50,498	3,533	14,217	49,898	**1,265,311**
Items associated with particularly high risk	974,307	944,722	2,024	8,766	18,795	1,613	**975,920**
Covered bonds	30,773	-	4,129	-	26,644	118,925	**149,698**
Claims on institutions and corporates with a short-term credit assessment	514	-	514	-	-	-	**514**
Collective investments undertakings	3,751	193	-	-	3,558	-	**3,751**
Equity exposures	33,879	33,172	-	626	81	18,618	**52,497**
Other exposures	2,217,507	2,121,209	-	87,806	8,492	5,859	**2,223,366**
Total Standardised Approach	***22,266,965***	***21,030,737***	***252,692***	***330,700***	***652,836***	***1,010,516***	***23,277,481***
Total	**22,266,965**	**21,030,737**	**252,692**	**330,700**	**652,836**	**1,010,516**	**23,277,481**

1. List of immaterial countries is presented in Appendix II

6.2.2.1 Breakdown of exposures by geographical areas and exposure classes (continued)

EU CRB-C Geographical breakdown of exposures

2019	EU countries	Cyprus	United Kingdom	France	Greece	Other EU countries[1]	Other geographical areas	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Central governments or central banks	6,126,885	5,835,957	13,416	185,223	5,149	87,140	20,476	**6,147,361**
Regional governments or local authorities	75,488	66,452	-	-	-	9,036	53,963	**129,451**
Public sector entities	82,439	745	-	22,910	-	58,784	-	**82,439**
Multilateral development banks	-	-	-	-	-	-	112,144	**112,144**
International organisations	-	-	-	-	-	-	107,307	**107,307**
Institutions	461,700	27,972	61,590	82,495	3,718	285,925	195,543	**657,243**
Corporates	4,232,901	3,891,241	24,973	13,608	211,358	91,721	213,920	**4,446,821**
Retail	2,509,462	2,471,255	29,187	305	4,649	4,066	24,532	**2,533,994**
Secured by mortgages on immovable property	3,226,381	3,159,601	54,693	311	5,937	5,839	52,189	**3,278,570**
Exposures in default	1,998,246	1,886,035	82,954	45	11,573	17,639	76,774	**2,075,020**
Items associated with particularly high risk	1,158,680	1,092,136	37,642	4,645	8,848	15,409	33,648	**1,192,328**
Covered bonds	34,043	-	-	-	-	34,043	129,288	**163,331**
Collective investments undertakings	205	205	-	-	-	-	-	**205**
Equity exposures	33,745	33,136	-	-	472	137	-	**33,745**
Other exposures	1,987,586	1,848,876	29,575	-	99,031	10,104	7,536	**1,995,122**
Total Standardised Approach	***21,927,761***	***20,313,611***	***334,030***	***309,542***	***350,735***	***619,843***	***1,027,320***	***22,955,081***
Total	**21,927,761**	**20,313,611**	**334,030**	**309,542**	**350,735**	**619,843**	**1,027,320**	**22,955,081**

1. List of immaterial countries is presented in Appendix II

The main drivers behind the overall changes in net values are analysed in Section 5.5.1 and they relate to Cyprus, which is the primary country where the operations of the Group are carried out and exposures relate to.

6.2.2.2. Concentration of exposures by industry and exposure classes

The net exposures relate to amounts post value adjustments but before the application of CCF. "Other services" include exposures to private individuals, activities of extraterritorial organisations and bodies, other services activities, and financial and insurance activities.

The materiality of industry sectors has been determined using the following threshold: All industry groups that do not exceed 1% of total net exposures have been included in column “Other” and all exposure classes that do not exceed 1% of total net exposures have been included in row “Other”. The industry groups that for 2020 and 2019 have been included in “Other” are Agriculture, forestry and fishing; Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply Information and communication; Human health services and social work activities; Education and arts; Entertainment and recreation; and “Administrative and support service activities”.

6.2.2.2. Concentration of exposures by industry and exposure classes (continued)

EU CRB-D Concentration of exposures by industry

	Manufacturing	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Real estate activities	Professional, scientific and technical activities	Public administration and defence, compulsory social security	Other services	Other	Total
2020	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	-	-	-	-	-	-	6,902,794	-	-	**6,902,794**
Institutions	-	-	-	-	-	-	-	-	691,348	-	**691,348**
Corporates	298,973	213,003	901,563	323,304	1,118,500	727,864	217,363	-	306,810	397,640	**4,505,020**
Of which SMEs	*209,130*	*129,298*	*447,949*	*183,529*	*745,674*	*582,857*	*101,409*	-	*55,220*	*258,212*	***2,713,278***
Retail	92,416	89,661	318,233	28,929	43,451	39,982	81,052	18	1,625,871	183,393	**2,503,006**
Of which SMEs	*88,054*	*81,903*	*295,791*	*24,293*	*37,426*	*37,268*	*56,742*	-	*828*	*115,390*	***737,695***
Secured by mortgages on immovable property	104,515	92,225	334,708	38,335	83,835	182,522	110,793	-	2,516,189	186,327	**3,649,449**
Of which SMEs	*88,498*	*51,180*	*250,478*	*15,796*	*62,590*	*174,126*	*71,677*	-	*10,523*	*90,442*	***815,310***
Exposures in default	55,046	87,503	156,930	9,362	28,533	35,710	44,461	4	756,476	91,286	**1,265,311**
Items associated with particularly high risk	649	605,290	1,971	-	2,984	255,460	26,194	-	81,791	1,581	**975,920**
Other exposures	-	31,730	-	-	-	692,804	-	-	1,498,832	-	**2,223,366**
Other	1,970	-	65	552	3	5	-	221,890	336,673	109	**561,267**
Total Standardised Approach	***553,569***	***1,119,412***	***1,713,470***	***400,482***	***1,277,306***	***1,934,347***	***479,863***	***7,124,706***	***7,813,990***	***860,336***	***23,277,481***
Total	**553,569**	**1,119,412**	**1,713,470**	**400,482**	**1,277,306**	**1,934,347**	**479,863**	**7,124,706**	**7,813,990**	**860,336**	**23,277,481**

6.2.2.2. Concentration of exposures by industry and exposure classes (continued)

EU CRB-D Concentration of exposures by industry

	Manufacturing	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Real estate activities	Professional, scientific and technical activities	Public administration and defence, compulsory social security	Other services	Other	Total
2019	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	-	-	-	-	-	-	6,147,361	-	-	**6,147,361**
Institutions	-	-	-	-	-	-	-	-	657,243	-	**657,243**
Corporates	302,590	223,916	843,000	322,900	959,259	733,337	273,595	55	341,469	446,700	**4,446,821**
Of which SMEs	*205,637*	*147,989*	*459,703*	*200,045*	*715,069*	*579,302*	*89,829*	*55*	*57,794*	*312,335*	***2,767,758***
Retail	89,710	96,847	312,645	27,057	45,236	33,150	99,357	14	1,645,272	184,706	**2,533,994**
Of which SMEs	*84,988*	*88,811*	*290,150*	*22,349*	*38,994*	*30,944*	*57,645*	*3*	*1,304*	*118,225*	***733,413***
Secured by mortgages on immovable property	112,657	89,343	338,965	37,534	74,128	123,513	102,751	-	2,220,934	178,745	**3,278,570**
Of which SMEs	*94,338*	*56,479*	*258,002*	*13,685*	*49,315*	*113,546*	*65,561*	-	*5,509*	*88,059*	***744,494***
Exposures in default	80,261	169,670	273,349	15,666	50,050	56,015	72,613	5	1,190,728	166,663	**2,075,020**
Items associated with particularly high risk	984	678,027	29,611	-	42,208	299,981	10,183	-	129,431	1,903	**1,192,328**
Other exposures	-	55,485	-	-	-	703,165	-	-	1,236,472	-	**1,995,122**
Other	1,712	-	30	552	3	89	-	236,827	389,221	188	**628,622**
Total Standardised Approach	***587,914***	***1,313,288***	***1,797,600***	***403,709***	***1,170,884***	***1,949,250***	***558,499***	***6,384,262***	***7,810,770***	***978,905***	***22,955,081***
Total	**587,914**	**1,313,288**	**1,797,600**	**403,709**	**1,170,884**	**1,949,250**	**558,499**	**6,384,262**	**7,810,770**	**978,905**	**22,955,081**

The main drivers behind the overall changes in net values are analysed in Section 5.5.1.

6.2.3. Net exposures by residual maturity and exposure classes

The net exposures relate to amounts post value adjustments but before the application of CCF. Exposures for which the counterparty has a choice of when an amount is repaid (e.g. current accounts) have been assigned to column "On demand". Exposures for which there is no stated maturity (e.g. tangible assets such as properties) have been assigned to column "No stated maturity".

Materiality applied: All exposure classes that do not exceed 1% of total net exposures have been included in row "Other".

EU CRB–E Maturity of exposures

2020	Net exposure value					
	On demand	<=1 year	>1 year <=5 years	> 5 years	No stated maturity	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Central governments or central banks	5,588,114	269,795	431,207	613,678	-	**6,902,794**
Institutions	189,099	216,568	246,914	38,767	-	**691,348**
Corporates	1,493,689	358,622	641,357	2,011,352	-	**4,505,020**
Retail	1,117,931	58,308	230,976	1,095,791	-	**2,503,006**
Secured by mortgages on immovable property	147,966	53,405	263,416	3,184,662	-	**3,649,449**
Exposures in default	153,836	766,412	41,797	303,266	-	**1,265,311**
Items associated with particularly high risk	90,778	163,023	390,326	305,942	25,851	**975,920**
Other exposures	-	-	245,841	-	1,977,525	**2,223,366**
Other	12,093	44,489	401,192	47,245	56,248	**561,267**
Total Standardised Approach	***8,793,506***	***1,930,622***	***2,893,026***	***7,600,703***	***2,059,624***	***23,277,481***
Total	**8,793,506**	**1,930,622**	**2,893,026**	**7,600,703**	**2,059,624**	**23,277,481**

6.2.3. Net exposures by residual maturity and exposure classes (continued)

EU CRB–E Maturity of exposures

2019	Net exposure value					
	On demand	**<=1 year**	**>1 year <=5 years**	**> 5 years**	**No stated maturity**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	1,263,246	3,891,639	352,112	640,364	-	6,147,361
Institutions	130,883	250,361	216,284	59,715	-	657,243
Corporates	1,566,168	322,715	612,897	1,945,041	-	4,446,821
Retail	1,146,318	65,367	228,354	1,093,955	-	2,533,994
Secured by mortgages on immovable property	173,396	43,569	255,550	2,806,055	-	3,278,570
Exposures in default	272,564	1,122,296	94,300	585,860	-	2,075,020
Items associated with particularly high risk	105,912	243,292	429,920	363,229	49,975	1,192,328
Other exposures	-	-	-	-	1,995,122	1,995,122
Other	12,643	127,325	400,933	53,771	33,950	628,622
Total Standardised Approach	***4,671,130***	***6,066,564***	***2,590,350***	***7,547,990***	***2,079,047***	***22,955,081***
Total	**4,671,130**	**6,066,564**	**2,590,350**	**7,547,990**	**2,079,047**	**22,955,081**

The main drivers behind the overall changes in net values are analysed in Section 5.5.1.

6.2.4. Exposures covered by Eligible Financial Collateral and Credit Protection

The table below presents all types of collateral (other than real estate collateral which acts as a separate asset class) applied in the RWAs calculations and meet all the minimum requirements of the CRR Articles 192 to 217 for CRM under the Standardised Approach.

6.2.4. Exposures covered by Eligible Financial Collateral and Credit Protection (continued)

Exposure Portfolio	Financial collateral	On-balance sheet netting	Guarantees	Other funded Credit Protection	Total
2020	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	8	-	-	**8**
Corporates	195,517	18,130	16,487	-	**230,134**
Exposures in default	5,503	696	1,248	8	**7,455**
Institutions	873	3	12,555	-	**13,431**
Items associated with particularly high risk	71,817	11,786	30	-	**83,633**
Public sector entities	541	-	-	-	**541**
Regional governments or local authorities	2,509	14,283	29,890	-	**46,682**
Retail	229,389	77,158	6,961	313	**313,821**
Secured by mortgages on immovable property	34,499	61,118	19,325	23	**114,965**
Claims on institutions and corporate with a short-term credit assessment	130	-	-	-	**130**
Total	**540,778**	**183,182**	**86,496**	**344**	**810,800**

Exposure Portfolio	Financial collateral	On-balance sheet netting	Guarantees	Other funded Credit Protection	Total
2019	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	10	-	-	**10**
Corporates	181,851	26,490	17,361	19	**225,721**
Exposures in default	17,129	1,637	3,472	243	**22,481**
Institutions	8,569	2	1,777	-	**10,348**
Items associated with particularly high risk	98,751	26,805	8	-	**125,564**
Public sector entities	527	22	-	-	**549**
Regional governments or local authorities	2,635	15,475	33,075	-	**51,185**
Retail	215,976	85,782	7,754	480	**309,992**
Secured by mortgages on immovable property	30,442	63,544	20,331	31	**114,348**
Total	**555,880**	**219,767**	**83,778**	**773**	**860,198**

"Financial collateral" includes, at its majority, cash collateral, equities traded in the main index and government debt securities. On-balance sheet netting and master-netting agreements are explained in Section 6.6 below. "Guarantees" include guarantees received from banks, the Government of Cyprus and the European Investment Fund. "Other funded credit protection" refers to cash on deposit with third party institutions in a non-custodial arrangement and pledged to the lending institution. The treatment for "Other funded credit protection" is effectively the same as that of guarantees.

6.2.4.1. Credit quality of exposures by exposure class and instrument

The gross carrying value relates to the contractual balances before any impairments made via an allowance or via a direct reduction in the carrying amount according to the applicable accounting framework. Column (c) represents the value adjustment used in the calculation of the RWAs while column (e) is a subset of column (c) and represents the partial and total amount of principal and past-due interest of any on-balance sheet instrument that is derecognised because the Group has no reasonable expectations of recovering the contractual cash-flows. Column (f) includes changes in column (c) between the current and the previous year calculated at exposure class level. In the comparative period table, as at 31 December 2019, column (c) represented the IFRS 9 transitional specific credit risk adjustment values, calculated under article 473(a) of the CRR, which results in decreased provisions used for RWAs purposes compared to the provisions reported in the Consolidated balance sheet of the Group. As at 31 December 2020, column (c) represents the fully loaded specific provisions following the amendment of the CRR on 27 June 2020 explained in Section 5.5 where the transitional adjustment on exposures as a result of IFRS 9 transitional provisions is included as an increase within the gross carrying amount of exposure class “Other exposures”.

The amounts included in column (a) represent all defaulted exposures in accordance with Article 178 of the CRR. Row “Exposures in default” is an informative row which is not included in the rows “Total standardized approach” and “Total”. Column (a) summarises the defaulted exposures that have been reported in exposure class “Exposures in default” according to Article 112(j) of the CRR and it includes the defaulted exposures in all other exposure classes except for “Items associated with particularly high risk” and “Equity Exposures” which is included in row “Other”.

Materiality applied: All exposure classes that do not exceed 1% of total net exposures have been included in “Other”.

6.2.4.1. Credit quality of exposures by exposure class and instrument (continued)

EU CR1-A Credit quality of exposures by exposure class and instrument

	a	b	c	d	e	f	g
31 December 2020	**Gross carrying values of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the year**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	6,904,269	1,475	-	-	354	6,902,794
Institutions	-	680,010	115	-	-	(94,348)	679,895
Corporates	1,764,699	4,582,686	1,604,316	-	1,063,773	94,212	4,743,069
Of which: SMEs	*833,091*	*2,775,172*	*760,849*	-	*468,962*	*42,218*	*2,847,414*
Retail	1,984,316	2,561,048	1,735,584	-	935,855	(70,262)	2,809,780
Of which: SMEs	*452,549*	*748,956*	*386,311*	-	*179,495*	*(57,880)*	*815,194*
Secured by mortgages on immovable property	1,063,264	3,695,618	390,100	-	163,155	186,041	4,368,782
Of which: SMEs	*193,571*	*821,309*	*61,163*	-	*25,738*	*22,552*	*953,717*
Exposures in default	*4,812,279*	-	*3,546,969*	-	-	*73,990*	*1,265,310*
Items associated with particularly high risk	663,585	802,590	490,255	-	336,109	(23,781)	975,920
Other exposures	-	2,279,043	55,677	-	-	104	2,223,366
Other	-	563,144	2,391	-	437	(53)	560,753
Total Standardised Approach	***5,475,864***	***22,068,408***	***4,279,913***	***-***	***2,499,329***	***92,267***	***23,264,359***
Total	**5,475,864**	**22,068,408**	**4,279,913**	-	**2,499,329**	**92,267**	**23,264,359**
Of which: Loans	5,359,065	17,531,384	4,202,633	-	2,499,329	90,718	18,687,816
Of which: Debt securities	-	1,648,964	1,508	-	-	349	1,647,456
Of which: Off - balance-sheet exposures	116,799	806,505	20,095	-	-	1,096	903,209

6.2.4.1. Credit quality of exposures by exposure class and instrument (continued)

EU CR1-A Credit quality of exposures by exposure class and instrument

	a	b	c	d	e	f	g
31 December 2019	**Gross carrying values of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the year**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	-	6,148,482	1,121	-	-	(167)	6,147,361
Institutions	94,362	631,336	94,463	-	94,361	343	631,235
Corporates	1,980,168	4,510,952	1,510,104	-	1,015,450	(2,989,983)	4,981,016
Of which: SMEs	*939,586*	*2,813,177*	*718,631*	-	*454,454*	*(2,630,529)*	*3,034,132*
Retail	2,377,876	2,575,805	1,805,846	-	960,359	(156,508)	3,147,835
Of which: SMEs	*588,605*	*740,736*	*444,191*	-	*245,646*	*(49,806)*	*885,150*
Secured by mortgages on immovable property	1,095,592	3,313,286	204,059	-	91,147	2,135	4,204,819
Of which: SMEs	*189,552*	*751,264*	*38,611*	-	*17,862*	*(20,763)*	*902,205*
Exposures in default	*5,547,999*	-	*3,472,979*	-	-	*(3,123,512)*	*2,075,020*
Items associated with particularly high risk	785,024	921,340	514,036	-	342,719	(1,516,012)	1,192,328
Other exposures	-	2,050,695	55,573	-	-	55,515	1,995,122
Other	85	630,982	2,444	-	485	(3,022)	628,623
Total Standardised Approach	***6,333,107***	***20,782,878***	***4,187,646***	***-***	***2,504,521***	***(4,607,699)***	***22,928,339***
Total	**6,333,107**	**20,782,878**	**4,187,646**	-	**2,504,521**	**(4,607,699)**	**22,928,339**
Of which: Loans	6,124,883	16,173,439	4,111,915	-	2,504,521	(4,657,476)	18,186,407
Of which: Debt securities	-	1,665,186	1,159	-	-	(137)	1,664,027
Of which: Off - balance-sheet exposures	208,140	860,189	18,999	-	-	(5,604)	1,049,330

The main drivers behind the overall increase in net values are analysed in Section 5.5.1. At their majority they relate to an increase in the gross carrying amount of "Central governments or central banks" partially offset by a decrease in gross carrying values of defaulted exposures and increased corresponding specific credit adjustments.

6.2.4.2. Credit quality of exposures by industry

The gross carrying value relates to the contractual balances before any impairments made via an allowance or via a direct reduction in the carrying amount according to the applicable accounting framework. Column (c) represents the value adjustment used in for the calculation of the RWAs, while column (e) is a subset of column (c) and represents the partial and total amount of principal and past-due interest of any on-balance sheet instrument that is derecognised because the Group has no reasonable expectations of recovering the contractual cash-flows. Column (f) includes changes in column (c) between the current and the previous year calculated at exposure class level. In the comparative period table, as at 31 December 2019, Column (c) represented the IFRS 9 transitional specific credit risk adjustment values, calculated under article 473(a) of the CRR, which results in decreased provisions used for RWAs purposes compared to the provisions reported in the Consolidated balance sheet of the Group. As at 31 December 2020, column (c) represents the fully loaded specific provisions following the amendment of the CRR on 27 June 2020 explained in Section 5.5 from the transitional adjustment on exposures as a result of IFRS 9 transitional provisions is included as an increase within the gross carrying amount of industry line "Other Services".

Industry "Other services" includes exposures to Private individuals, Activities of extraterritorial organisations and bodies, Other services activities, and Financial and insurance activities.

Materiality applied: All industry sectors that do not exceed 1% of total net exposures have been included in row "Other". The industry groups that have been included in "Other" are Agriculture, forestry and fishing, Mining and quarrying, Electricity, gas, steam and air conditioning supply, Water supply, Information and communication, Human health services and social work activities, Education and arts and Entertainment and recreation, and Administrative and support service activities.

6.2.4.2. Credit quality of exposures by industry (continued)

EU CR1-B Credit quality of exposures by industry or counterparty types

	a	b	c	d	e	f	g
31 December 2020	**Gross carrying values of**		**Specific risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Manufacturing	211,409	503,611	161,968	-	93,380	(880)	553,052
Construction	527,268	978,895	386,752	-	211,128	25,631	1,119,411
Wholesale and retail trade	548,507	1,574,366	409,527	-	211,586	(41,008)	1,713,346
Transport and storage	48,360	392,504	40,652	-	22,649	(11,483)	400,212
Accommodation and food service activities	194,938	1,265,739	183,372	-	132,085	6,713	1,277,305
Real estate activities	443,343	1,827,458	336,619	-	232,760	12,309	1,934,182
Professional, scientific and technical activities	283,703	420,349	224,195	-	144,901	26,466	479,857
Public administration and defence, compulsory social security	4	7,128,564	3,863	-	438	301	7,124,705
Other services	2,872,028	7,191,949	2,262,030	-	1,317,566	54,784	7,801,947
Other	346,304	784,973	270,935	-	132,836	19,434	860,342
Total	**5,475,864**	**22,068,408**	**4,279,913**	**-**	**2,499,329**	**92,267**	**23,264,359**

6.2.4.2. Credit quality of exposures by industry (continued)

EU CR1-B Credit quality of exposures by industry or counterparty types

	a	b	c	d	e	f	g
31 December 2019	**Gross carrying values of**		**Specific risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Manufacturing	240,225	510,417	162,848	-	96,128	(249,905)	587,794
Construction	648,104	1,026,304	361,121	-	210,929	(1,599,589)	1,313,287
Wholesale and retail trade	727,279	1,520,817	450,535	-	231,998	(598,585)	1,797,561
Transport and storage	66,795	388,730	52,135	-	36,853	(89,252)	403,390
Accommodation and food service activities	211,782	1,135,760	176,659	-	128,123	(373,486)	1,170,883
Real estate activities	471,973	1,801,369	324,310	-	228,493	(543,767)	1,949,032
Professional, scientific and technical activities	269,315	486,914	197,729	-	141,197	(302,371)	558,500
Public administration and defence, compulsory social security	6	6,387,818	3,562	-	486	(3,376)	6,384,262
Other services	3,289,065	6,702,911	2,207,246	-	1,299,427	(595,255)	7,784,730
Other	408,563	821,838	251,501	-	130,887	(252,113)	978,900
Total	**6,333,107**	**20,782,878**	**4,187,646**	**-**	**2,504,521**	**(4,607,699)**	**22,928,339**

The main drivers behind the overall increase in net values are analysed in Section 5.5.1. At their majority they relate to an increase in "Public administration and defence, compulsory social security" as a result of an increase in balances with central banks and a reduction in "Construction", "Accommodation and food services activities", "Professional, scientific and technical services" and "Other services" as a result of the reduction in customers advances balances both due to increased provisioning and gross carrying amount.

6.2.4.3. Credit quality of exposures by geography

The gross carrying value relates to the contractual balances before any impairments made via an allowance or via a direct reduction in the carrying amount according to the applicable accounting framework. Column (c) represents the value adjustment used in the calculation of the RWAs, while column (e) is a subset of column (c) and represents the partial and total amount of principal and past-due interest of any on-balance sheet instrument that is derecognised because the Group has no reasonable expectations of recovering the contractual cash-flows. Column (f) includes changes in column (c) between the current and the previous year calculated at exposure class level. In the comparative period table, as at 31 December 2019, column (c) representeds the IFRS 9 transitional specific credit risk adjustment values, calculated under article 473(a) of the CRR, which results in decreased provisions used for RWAs purposes compared to the provisions reported in the Consolidated balance sheet of the Group. As at 31 December 2020, column (c) represents the fully loaded specific provisions following the amendment of the CRR on 27 June 2020 explained in Section 5.5 as the transitional adjustment on exposures as a result of IFRS 9 transitional provisions is included/presented as a reduction within the gross carrying amount of exposure class "Other".

The country or geographical area in which the exposure is classified is driven by the country of residence/incorporation of the counterparty.

The materiality of geographical areas has been determined using the following threshold: All EU countries that do not exceed 1% of total net exposures have been included in "Other countries" and all non-EU countries that do not exceed 1% of total net exposures have been included in "Other geographical areas". There are not non-EU countries that exceed the 1% threshold. "Supranational" exposures are included in "Other geographical areas". As at 31 December 2020, the contribution of France fell below the 1% materiality threshold and it is included in "Other EU countries".

EU CR1-C Credit quality of exposures by geography

	a	b	c	d	e	f	G
31 December 2020	**Gross carrying value of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the year**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
EU Countries	**5,267,682**	**21,106,750**	**4,120,131**	**-**	**2,402,473**	**90,905**	**22,254,301**
Cyprus	4,743,778	19,952,879	3,666,622	-	2,054,698	151,180	21,030,035
United Kingdom	301,451	201,846	252,134	-	198,888	32,043	251,163
Greece	26,982	328,474	24,764	-	5,704	(96,713)	330,692
Other EU countries[1]	195,471	623,551	176,611	-	143,183	4,395	642,411
Other geographical areas	**208,182**	**961,658**	**159,782**	-	**96,856**	**1,362**	**1,010,058**
Total	**5,475,864**	**22,068,408**	**4,279,913**	**-**	**2,499,329**	**92,267**	**23,264,359**

1. List of immaterial countries is presented in Appendix II

6.2.4.3. Credit quality of exposures by geography (continued)

EU CR1-C Credit quality of exposures by geography

	a	b	c	d	e	f	G
31 December 2019	**Gross carrying value of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the year**	**Net values**
	Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
EU Countries	**6,095,092**	**19,890,191**	**4,029,226**	**-**	**2,425,649**	**(4,575,203)**	**21,956,057**
Cyprus	5,464,822	18,364,022	3,515,442	-	2,025,982	(4,483,466)	20,313,402
United Kingdom	302,061	246,878	220,091	-	160,462	(5,532)	328,848
France	78	307,808	95	-	27	28	307,791
Greece	132,609	339,603	121,477	-	101,645	(18,000)	350,735
Other EU countries[1]	195,522	631,880	172,121	-	137,533	(68,233)	655,281
Other geographical areas	**238,015**	**892,687**	**158,420**	**-**	**78,872**	**(32,496)**	**972,282**
Total	**6,333,107**	**20,782,878**	**4,187,646**	**-**	**2,504,521**	**(4,607,699)**	**22,928,339**

1. List of immaterial countries is presented in Appendix II

The main drivers behind the overall increase in net values are analysed in Section 5.5.1 and primarily relate to Cyprus where the operations of the Group are located.

6.2.5. Non-performing exposures

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

a. The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
b. Defaulted or impaired exposures as per the approach provided in the CRR, which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.
c. Material exposures as set by the CBC, which are more than 90 days past due.
d. Performing forborne exposures under probation for which additional forbearance measures are extended.
e. Performing forborne exposures previously classified as NPEs that present more than 30 days past due.

Additional details on the definition of NPEs are disclosed in Note 2.19.2 of the Consolidated Financial Statements of the Company for 2020.

Overview of NPE trades since 2019

In May 2020, the Group completed the sale of a non-performing loan portfolio of primarily retail unsecured exposures, with a contractual balance of €398 million and gross book value of €144 million as at the reference date of 31 August 2019 (known as **Project Velocity 2**) to B2Kapital Cyprus Ltd. The gross book value of this portfolio as at the date of disposal was €133 million. The sale was broadly neutral to both the profit and loss and to capital.

In August 2020, the Group reached an agreement for the sale of a portfolio of loans with gross book value of approximately €898 million (of which €886 million related to non-performing exposures) as at 30 June 2020, known as **Project Helix 2 Portfolio A (Portfolio 2A)**. This portfolio comprises of loans to mainly retail and small-to-medium-sized enterprises, secured by real estate collateral and stock of property and cash already received since the reference date. The Portfolio 2A 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 2A. The gross consideration for Portfolio 2A amounts to €422 million before transaction and other costs, of which 35% is payable at completion and the remaining 65%, is deferred without any conditions attached. The deferred component is payable in three broadly equal instalments over 48 months from completion. An amount of €21,100 thousand was received as a deposit shortly after the signing of the agreement. As at 31 December 2020 this portfolio is classified as a disposal group held for sale.

In January 2021, the Group reached an agreement for the sale of a portfolio (the 'Portfolio 2B') of loans and advances to customers (known as **'Project Helix 2B'**). The Portfolio 2B will be transferred to a CyCAC by BOC PCL and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B. As at 31 December 2020, the Portfolio 2B including stock of property and cash, had a net book value of €224,476 thousand. The gross consideration for Project Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50%, is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

The completion of the sale of Helix 2B portfolio is planned to occur together with the completion of Helix 2A portfolio, currently estimated in the second half of 2021 and remains subject to a number of conditions, including required, customary regulatory and other approvals.

The tables below are presented using figures per the Consolidated Financial Statements of the Company for 2020 and 2019 including loans and advances to customers at amortised cost classified as held for sale and loans and advances to customers measured at FVPL.

6.2.5. Non-performing exposures (continued)

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

31 December 2020	Gross carrying amount/Nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
Loans and advances	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central banks	**5,513,799**	5,513,799	-	**-**	-	-	-	-	-	-	-	-
General governments	**50,770**	50,770	-	**1**	-	-	-	-	-	-	1	1
Credit institutions	**392,007**	392,007	-	**-**	-	-	-	-	-	-	-	-
Other financial corporations	**105,174**	105,174	-	**10,494**	3,985	-	5	5,319	75	440	670	10,494
Non-financial corporations	**4,790,511**	4,789,276	1,235	**574,205**	274,239	1,503	11,430	30,224	46,848	42,675	167,286	574,205
Of which SMEs	***3,409,527***	*3,408,336*	*1,191*	***387,568***	*108,808*	*1,390*	*11,430*	*30,205*	*46,785*	*37,094*	*151,856*	*387,568*
Households	**4,104,635**	4,102,141	2,494	**1,055,706**	168,879	8,441	32,786	95,399	246,567	153,371	350,263	1,055,706
	14,956,896	**14,953,167**	**3,729**	**1,640,406**	**447,103**	**9,944**	**44,221**	**130,942**	**293,490**	**196,486**	**518,220**	**1,640,406**
Loans and advances classified as held for sale[1]	**97,514**	**97,514**	**-**	**1,312,166**	**100,647**	**7,877**	**36,540**	**231,155**	**280,152**	**173,070**	**482,725**	**1,312,166**
Debt securities												
Central banks	**-**	-	-	**-**	-	-	-	-	-	-	-	-
General governments	**992,868**	992,868	-	**-**	-	-	-	-	-	-	-	-
Credit institutions	**476,254**	476,254	-	**-**	-	-	-	-	-	-	-	-
Other financial corporations	**228,677**	228,677	-	**-**	-	-	-	-	-	-	-	-
Non-financial corporations	**-**	-	-	**-**	-	-	-	-	-	-	-	-
	1,697,799	**1,697,799**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet exposures												
Central Bank	**-**			**-**								-
General governments	**12,533**			**-**								-
Credit institutions	**40,522**			**-**								-
Other financial corporations	**13,610**			**57**								57
Non-financial corporations	**1,755,429**			**123,542**								123,542
Households	**677,365**			**8,188**								8,188
	2,499,459			**131,787**								**131,787**
Total	**19,251,668**	**16,748,480**	**3,729**	**3,084,359**	**547,750**	**17,821**	**80,761**	**362,097**	**573,642**	**369,556**	**1,000,945**	**3,084,359**

1 Amounts presented include loans and advances to central banks.

6.2.5. Non-performing exposures (continued)

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

31 December 2019 (Restated)	Gross carrying amount/Nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
Loans and advances	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Central banks	4,908,487	4,908,487	-	-	-	-	-	-	-	-	-	-
General governments	55,813	55,813	-	1	-	-	-	-	1	-	-	1
Credit institutions	311,236	311,236	-	-	-	-	-	-	-	-	-	-
Other financial corporations	95,906	95,844	62	27,378	1,433	1	16,971	103	245	7,928	697	27,378
Non-financial corporations	4,839,405	4,828,056	11,349	1,288,813	423,235	35,099	85,914	83,650	145,915	229,906	285,094	1,288,642
Of which SMEs	*3,543,773*	*3,532,424*	*11,349*	*1,040,253*	*200,240*	*35,076*	*85,910*	*82,443*	*142,448*	*226,007*	*268,129*	*1,288,642*
Households	3,860,470	3,843,709	16,761	2,210,382	357,361	81,612	154,365	180,220	504,488	419,333	513,003	2,210,379
	14,071,317	**14,043,145**	**28,172**	**3,526,574**	**782,029**	**116,712**	**257,250**	**263,973**	**650,649**	**657,167**	**798,794**	**3,526,400**
Loans and advances classified as held for sale	**1,003**	**1,003**	**-**	**172,878**	**5,230**	**1,242**	**4,095**	**-**	**52,828**	**109,483**	**-**	**172,878**
Debt securities												
Central banks	13,416	13,416	-	-	-	-	-	-	-	-	-	-
General governments	929,365	929,365	-	-	-	-	-	-	-	-	-	-
Credit institutions	521,596	521,596	-	-	-	-	-	-	-	-	-	-
Other financial corporations	264,347	264,347	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
	1,728,724	**1,728,724**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet exposures												
Central Bank	-			-								-
General governments	13,282			-								-
Credit institutions	51,569			-								-
Other financial corporations	18,351			1,091								1,091
Non-financial corporations	1,607,596			218,466								218,466
Households	705,355			11,981								11,981
	2,396,153			**231,538**								**231,538**
Total	**18,197,197**	**15,772,872**	**28,172**	**3,930,990**	**787,259**	**117,954**	**261,345**	**263,973**	**703,477**	**766,650**	**798,794**	**3,930,816**

The NPEs at 31 December 2020 amounted to €2,953 million, compared to €3,699 million at 31 December 2019, reflecting a reduction of 20%, comprising organic NPE reductions of c€0.6 billion and NPE sales of c€0.14 billion (completion of project Velocity 2). New loans originated or purchased and drawdowns of existing facilities during 2020 amounted to c€1.2 billion. The movement of loans and advances to customers is disclosed in Note 45.6 of the Consolidated Financial Statements of the Company for 2020.

6.2.5. Non-performing exposures (continued)

Performing and non-performing exposures and related provisions

31 December 2020	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures- accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances															
Central banks	5,513,799	5,513,799	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	50,770	5,601	45,169	1	-	1	1,949	9	1,940	-	-	-	437	47,245	-
Credit institutions	392,007	392,007	-	-	-	-	78	78	-	-	-	-	-	-	-
Other financial corporations	105,174	82,376	22,798	10,494	-	10,494	1,687	776	911	5,545	-	5,545	14,998	78,843	4,948
Non-financial corporations	4,790,511	3,468,815	1,110,015	574,205	-	494,993	26,684	8,492	18,192	245,647	-	244,615	393,860	4,293,952	250,529
Of which SMEs	*3,409,527*	*2,589,700*	*819,827*	*387,568*	-	*387,568*	*20,084*	*5,322*	*14,762*	*210,511*	-	*210,511*	*365,922*	*3,130,828*	*163,760*
Households	4,104,635	3,052,098	1,052,537	1,055,706	-	1,055,706	28,153	10,082	18,071	495,784	-	495,784	825,711	3,717,437	545,054
	14,956,896	**12,514,696**	**2,230,519**	**1,640,406**	**-**	**1,561,194**	**58,551**	**19,437**	**39,114**	**746,976**	**-**	**745,944**	**1,235,006**	**8,137,477**	**800,531**
Loans and advances classified as held for sale[1]	**97,514**	**74,561**	**22,953**	**1,312,166**	**-**	**1,312,166**	**15,799**	**3,260**	**12,539**	**832,419**	**-**	**832,419**	**798,853**	**13,044**	**466,231**
Debt securities															
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	992,868	943,887	48,981	-	-	-	1,475	1,170	305	-	-	-	-	-	-
Credit institutions	476,254	475,754	-	-	-	-	33	33	-	-	-	-	-	-	-
Other financial corporations	228,677	210,059	-	-	-	-	107	107	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,697,799	**1,629,700**	**48,981**	**-**	**-**	**-**	**1,615**	**1,310**	**305**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance-sheet exposures															
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	12,533	-	12,533	-	-	-	-	-	-	-	-	-	-	6,998	-
Credit institutions	40,522	40,522	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	13,610	1,917	11,693	57	-	57	9	-	9	-	-	-	-	7,804	3
Non-financial corporations	1,755,429	936,202	819,227	123,542	-	123,542	1,267	164	1,103	18,370	-	18,370	-	899,390	9,213
Households	677,365	382,635	294,730	8,188	-	8,188	12	4	8	-	-	-	-	201,090	1,348
	2,499,459	**1,361,276**	**1,138,183**	**131,787**	**-**	**131,787**	**1,288**	**168**	**1,120**	**18,370**	**-**	**18,370**	**-**	**1,115,282**	**10,564**
Total	**19,251,668**	**15,580,233**	**3,440,636**	**3,084,359**	**-**	**3,005,147**	**77,253**	**24,175**	**53,078**	**1,597,765**	**-**	**1,596,733**	**2,033,859**	**9,265,803**	**1,277,326**

1. Amounts presented inlcude loans and advances to central banks

6.2.5. Non-performing exposures (continued)

Performing and non-performing exposures and related provisions

31 December 2019 (Restated)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures- accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances															
Central banks	4,908,487	4,908,487	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	55,813	6,111	49,702	1	-	1	2,282	11	2,271	-	-	-	485	52,045	1
Credit institutions	311,236	311,236	-	-	-	-	73	73	-	-	-	-	-	-	-
Other financial corporations	95,906	52,951	42,955	27,378	-	27,378	1,722	192	1,530	14,761	-	14,761	103,754	68,444	12,571
Non-financial corporations	4,839,405	3,773,903	775,589	1,288,813	-	1,214,540	18,053	7,836	10,217	592,856	-	592,127	705,421	4,244,908	570,407
Of which SMEs	*3,543,773*	*2,926,452*	*617,321*	*1,040,253*	-	*1,040,253*	*14,639*	*6,196*	*8,443*	*543,136*	-	*543,136*	*671,723*	*3,202,913*	*471,900*
Households	3,860,470	3,111,906	748,564	2,210,382	-	2,204,548	21,666	8,619	13,047	1,004,987	-	1,004,987	1,062,108	3,478,462	1,176,920
	14,071,317	**12,164,594**	**1,616,810**	**3,526,574**	**-**	**3,446,467**	**43,796**	**16,731**	**27,065**	**1,612,604**	**-**	**1,611,875**	**1,871,768**	**7,843,859**	**1,759,899**
Loans and advances classified as held for sale	**1,003**	**176**	**827**	**172,878**	**-**	**172,878**	**50**	**7**	**43**	**147,902**	**-**	**147,902**	**310,294**	**592**	**14,062**
Debt securities															
Central banks	13,416	13,416	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	929,365	880,235	49,130	-	-	-	1,312	836	476	-	-	-	-	-	-
Credit institutions	521,596	521,096	-	-	-	-	36	36	-	-	-	-	-	-	-
Other financial corporations	264,347	240,754	-	-	-	-	140	140	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,728,724	**1,655,501**	**49,130**	**-**	**-**	**-**	**1,488**	**1,012**	**476**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance-sheet exposures															
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	13,282	2	13,280	-	-	-	-	-	-	-	-	-	-	6,940	-
Credit institutions	51,569	51,569	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	18,351	7,106	11,245	1,091	-	1,091	1	-	1	-	-	-	-	12,377	1,035
Non-financial corporations	1,607,596	1,195,188	412,408	218,466	-	218,466	197	49	148	21,904	-	21,904	-	821,552	6,258
Households	705,355	473,503	231,852	11,981	-	11,981	10	1	9	-	-	-	-	208,733	2,322
	2,396,153	**1,727,368**	**668,785**	**231,538**	**-**	**231,538**	**208**	**50**	**158**	**21,904**	**-**	**21,904**	**-**	**1,049,602**	**9,615**
Total	**18,197,197**	**15,547,639**	**2,335,552**	**3,930,990**	**-**	**3,850,883**	**45,542**	**17,800**	**27,742**	**1,782,410**	**-**	**1,781,681**	**2,182,062**	**8,894,053**	**1,783,576**

The NPEs at 31 December 2020 amounted to €2,953 million, compared to €3,699 million at 31 December 2019, reflecting a reduction of 20%, comprising organic NPE reductions of c€0.6 billion and NPE sales of c€0.14 billion (completion of project Velocity 2). New loans originated or purchased and drawdowns of existing facilities during 2020 amounted to c€1.2 billion. The movement of loans and advances to customers and the movement in ECL of loans and advances, including the loans and advances to customers held for sale, are disclosed in Notes 45.6 and 45.9 of the Consolidated Financial Statements of the Company for 2020.

6.2.5. Non-performing exposures (continued)

Quality of non-performing exposures by geography

31 December 2020	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
On-balance sheet [1]							
Cyprus	17,513,888	2,681,868	2,681,868	17,225,713	1,503,034		1,032
Greece	190,149	2,804	2,804	186,932	1,588		-
United Kingdom	332,921	103,692	103,692	332,921	53,252		-
Russia	108,480	66,905	66,905	108,480	40,935		-
Other countries	1,559,343	97,303	97,303	1,540,724	55,519		-
	19,704,781	**2,952,572**	**2,952,572**	**19,394,770**	**1,654,328**		**1,032**
Off-balance sheet							
Cyprus	2,521,155	111,605	111,605			2,822	
Greece	65,884	19,075	19,075			16,831	
United Kingdom	5,339	187	187			-	
Russia	1,577	30	30			-	
Other countries	37,291	890	890			5	
	2,631,246	**131,787**	**131,787**			**19,658**	
Total	**22,336,027**	**3,084,359**	**3,084,359**	**19,394,770**	**1,654,328**	**19,658**	**1,032**

1. Amounts presented include loans and advances classified as held for sale

6.2.5. Non-performing exposures (continued)

Quality of non-performing exposures by geography

31 December 2019 (Restated)	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
On-balance sheet [1]							
Cyprus	16,930,883	3,330,828	3,330,828	16,563,792	1,601,989		729
Greece	191,662	5,470	5,470	188,319	3,675		-
United Kingdom	385,533	142,508	142,508	385,533	69,736		-
Russia	130,133	85,166	85,166	130,133	51,397		-
Other countries	1,862,285	135,480	135,480	1,838,604	78,314		-
	19,500,496	**3,699,452**	**3,699,452**	**19,106,381**	**1,805,111**		**729**
Off-balance sheet							
Cyprus	2,495,925	205,352	205,352			3,239	
Greece	73,564	25,534	25,534			18,868	
United Kingdom	7,437	146	146			-	
Russia	2,022	55	55			-	
Other countries	48,743	451	451			5	
	2,627,691	**231,538**	**231,538**			**22,112**	
Total	**22,128,187**	**3,930,990**	**3,930,990**	**19,106,381**	**1,805,111**	**22,112**	**729**

1. Amounts presented include loans and advances classified as held for sale

For the above analysis a materiality threshold of 1% on total gross exposures was used to evaluate the material countries. In row "other countries", all immaterial countries were included that are disclosed in Appendix II – List of immaterial countries. As per the above table, 89% (2019: 87%) of the gross on balance sheet exposures of the Group are in Cyprus showing the commitment of the Group to support the local economy.

6.2.5. Non-performing exposures (continued)

Credit quality of loans and advances by industry

31 December 2020[1]	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Agriculture, forestry and fishing	52,806	7,708	7,708	52,806	4,216	-
Mining and quarrying	14,564	1,721	1,721	14,564	1,385	-
Manufacturing	376,551	45,142	45,142	376,551	28,185	-
Electricity, gas, steam and air conditioning supply	14,401	895	895	14,401	417	-
Water supply	8,145	1,307	1,307	8,145	731	-
Construction	614,135	75,550	75,550	614,135	42,791	-
Wholesale and retail trade	997,904	134,135	134,135	997,904	80,885	-
Transport and storage	326,010	5,622	5,622	326,010	5,473	-
Accommodation and food service activities	1,123,381	19,836	19,836	978,391	12,766	-
Information and communication	56,979	6,897	6,897	56,979	5,143	-
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	1,129,065	140,532	140,532	1,049,854	30,355	1,032
Professional, scientific and technical activities	337,365	85,107	85,107	273,397	27,561	-
Administrative and support service activities	74,205	20,395	20,395	71,481	5,808	-
Public administration and defence, compulsory social	-	-	-	-	-	-
Education	87,327	1,904	1,904	87,327	3,856	-
Human health services and social work activities	77,958	963	963	77,958	728	-
Arts, entertainment and recreation	23,547	3,298	3,298	23,547	1,979	-
Other services	50,373	23,193	23,193	50,373	19,020	-
	5,364,716	**574,205**	**574,205**	**5,073,823**	**271,299**	**1,032**

1. Amounts presented exclude loans and advances to customers classified as held for sale

6.2.5. Non-performing exposures (continued)

Credit quality of loans and advances by industry

31 December 2019[1] (Restated)	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Agriculture, forestry and fishing	75,440	21,501	21,501	75,440	8,985	-
Mining and quarrying	44,720	31,579	31,579	44,720	15,344	-
Manufacturing	440,827	105,283	105,283	440,827	60,973	-
Electricity, gas, steam and air conditioning supply	55,916	3,523	3,523	55,916	1,487	-
Water supply	8,127	2,376	2,376	8,127	1,312	-
Construction	812,724	259,780	259,780	812,724	133,783	-
Wholesale and retail trade	1,279,166	362,349	362,349	1,279,166	170,071	-
Transport and storage	347,133	15,468	15,468	347,133	10,162	-
Accommodation and food service activities	1,038,305	47,273	47,273	895,792	27,680	-
Information and communication	83,394	15,088	15,088	83,394	7,863	-
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	1,192,489	230,936	230,936	1,118,215	78,787	729
Professional, scientific and technical activities	415,056	89,367	89,367	270,303	43,838	-
Administrative and support service activities	79,329	31,742	31,742	76,683	12,350	-
Public administration and defence, compulsory social	-	-	-	-	-	-
Education	89,768	23,244	23,244	89,768	3,105	-
Human health services and social work activities	73,386	4,271	4,271	73,386	2,353	-
Arts, entertainment and recreation	26,272	8,300	8,300	26,272	5,066	-
Other services	66,166	36,733	36,733	66,166	27,021	-
	6,128,218	**1,288,813**	**1,288,813**	**5,764,032**	**610,180**	**729**

1. Amounts presented exclude loans and advances to customers classified as held for sale

6.2.5. Non-performing exposures (continued)

Collateral obtained by taking possession and execution processes

31 December 2020	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
	€ 000	€ 000
Property, plant and equipment (PP&E)	-	-
Other than PP&E		
Residential immovable property	539,745	22,184
Commercial immovable property	646,356	106,008
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	66,714	28,256
Other	385,765	11,357
Total	**1,638,580**	**167,805**

31 December 2019 (Restated)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
	€ 000	€ 000
Property, plant and equipment (PP&E)	-	-
Other than PP&E		
Residential immovable property	507,388	10,560
Commercial immovable property	651,556	87,466
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	66,714	15,273
Other	374,087	5,235
Total	**1,599,745**	**118,534**

6.2.5. Non-performing exposures (continued)

Changes in the stock of non-performing loans and advances

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

	31 December 2020		31 December 2019 (Restated)	
	Gross carrying amount	Related net accumulated recoveries	Gross carrying amount	Related net accumulated recoveries
	€ 000	€ 000	€ 000	€ 000
Initial stock of non-performing loans and advances to customers	**3,526,574**		4,537,020	
Inflows to non-performing portfolios (including accrued interest)	**285,973**		517,694	
Outflows from non-performing portfolios				
Outflow to performing portfolio	**(167,271)**		(350,191)	
Outflow due to loan repayment, partial or total	**(291,712)**		(440,615)	
Outflow due to collateral liquidations	**(616)**	-	(842)	-
Outflow due to taking possession of collateral	**(54,904)**	-	(167,994)	-
Outflow due to sale of instruments	**-**	-	-	-
Outflow due to risk transfer	**-**	-	-	-
Outflow due to reclassification as held for sale	**(1,280,184)**	-	(172,878)	-
Outflow due to write-off	**(372,437)**		(395,528)	
Outflow due to other situations	**(5,017)**		(92)	
Final stock of non-performing loans and advances to customers (excluding loans and advances to customers classified as held for sale)	**1,640,406**	**-**	3,526,574	**-**

The Group continues to be actively exploring alternative avenues to accelerate this reduction and move with its risk appetite target. NPEs as defined by EBA were reduced by €1,886 million during 2020, accounting for 15% gross loans, compared to 26% 31 December 2019.

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

The significant change in "outflow due to other situations" is mainly due to foreign exchange adjustments.

6.2.5. Non-performing exposures (continued)

Collateral obtained by taking possession and execution processes – vintage breakdown

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

31 December 2020	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤2 years		Foreclosed >2 years ≤5 years		Foreclosed >5 years		Of which: non current assets held for sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than classified as PP&E												
Residential immovable property	573,828	211,925	539,745	22,184	137,580	174	381,102	15,763	21,063	6,247	33,845	-
Commercial immovable property	1,282,975	474,517	646,356	106,008	103,912	467	357,187	35,207	185,257	70,334	14,976	-
Movable property	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	53,389	10,959	66,714	28,256	-	-	66,714	28,256	-	-	-	-
Other	315,271	168,321	385,765	11,357	52,275	13	323,941	7,411	9,549	3,933	9,952	-
Total	**2,225,463**	**865,722**	**1,638,580**	**167,805**	**293,767**	**654**	**1,128,944**	**86,637**	**215,869**	**80,514**	**58,773**	**-**

6.2.5. Non-performing exposures (continued)

Collateral obtained by taking possession and execution processes – vintage breakdown

31 December 2019 (Restated)	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤2 years		Foreclosed >2 years ≤5 years		Foreclosed >5 years		Of which: non current assets held for sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than classified as PP&E												
Residential immovable property	587,597	216,621	507,388	10,560	185,065	1,518	306,567	4,544	15,756	4,498	-	-
Commercial immovable property	1,265,241	462,370	651,556	87,466	119,227	3,153	420,615	64,038	111,714	20,275	-	-
Movable property	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	53,389	10,959	66,714	15,273	-	-	66,714	15,273	-	-	-	-
Other	271,258	143,406	374,087	5,235	106,461	212	260,462	2,288	7,164	2,735	-	-
Total	**2,177,485**	**833,356**	**1,599,745**	**118,534**	**410,753**	**4,883**	**1,054,358**	**86,143**	**134,634**	**27,508**	**-**	**-**

6.2.5. Non-performing exposures (continued)

Collateral valuation – loans and advances

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

	Loans and advances to customers											
31 December 2020		Performing		Non performing								
					Unlikely to pay that are not past due or past due ≤90 days	Past due > 90 days						
			Of which past due > 30 days ≤90 days				Of which past due > 90 days ≤180 days	Of which past due > 180 days ≤1 year	Of which past due > 1 year ≤2 years	Of which past due > 2 years ≤5 years	Of which past due > 5 years ≤7 years	Of which past due > 7 years
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Gross carrying amount[1]	**10,691,496**	**9,051,090**	**3,729**	**1,640,406**	**447,103**	**1,193,303**	**9,944**	**44,221**	**130,942**	**293,490**	**196,486**	**518,220**
Of which: Secured	8,938,008	8,137,477	2,722	800,531	277,705	522,826	5,311	22,964	71,267	148,425	86,904	187,955
Of which: Secured with immovable Property	7,358,472	6,622,762	2,263	735,710	229,151	506,559	5,121	22,567	67,962	143,855	83,416	183,638
Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,673,511	1,480,891		192,620	63,459	129,161						
Of which: Instruments with LTV higher than 80% and lower or equal to 100%	841,458	571,159		270,299	41,981	228,318						
Of which: Instruments with LTV higher than 100%	1,151,907	568,723		583,184	89,815	493,369						
Accumulated impairment for secured assets	**751,276**	**58,304**	**158**	**692,972**	**47,390**	**645,582**	**2,828**	**18,344**	**56,686**	**140,732**	**108,681**	**318,311**
Collateral												
Of which value capped at the value of exposure	8,866,383	8,073,401	2,689	792,982	277,455	515,527	5,253	22,827	70,621	144,687	85,703	186,436
Of which: Immovable Property	7,358,472	6,622,762	2,263	735,710	229,151	506,559	5,121	22,567	67,962	143,855	83,416	183,638
Of which value above the cap	8,106,311	7,197,415	2,866	908,896	274,318	634,578	8,479	28,047	73,236	157,417	92,739	274,660
Of which: Immovable Property	6,990,741	6,177,976	2,825	812,765	218,172	594,593	8,381	27,753	69,641	155,187	90,605	243,026
Financial guarantees received	**71,625**	**64,076**	**33**	**7,549**	**250**	**7,299**	**58**	**137**	**646**	**3,738**	**1,201**	**1,519**
Accumulated partial write off	**1,235,006**	**101,319**	**61**	**1,133,687**	**90,950**	**1,042,737**	**4,510**	**4,128**	**27,799**	**83,916**	**124,829**	**797,556**

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

6.2.5. Non-performing exposures (continued)

Collateral valuation – loans and advances

	Loans and advances to customers											
		Performing		Non performing								
						Past due > 90 days						
31 December 2019 (Restated)			Of which past due > 30 days ≤90 days		Unlikely to pay that are not past due or past due ≤90 days		Of which past due > 90 days ≤180 days	Of which past due > 180 days ≤1 year	Of which past due > 1 year ≤2 years	Of which past due > 2 years ≤5 years	Of which past due > 5 years ≤7 years	Of which past due > 7 years
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Gross carrying amount[1]	**17,673,697**	**14,106,061**	**28,176**	**3,567,636**	**780,893**	**2,786,743**	**117,993**	**258,788**	**267,405**	**657,195**	**675,566**	**809,796**
Of which: Secured	9,659,728	7,854,865	22,338	1,804,863	519,253	1,285,610	76,817	144,765	158,452	328,157	273,961	303,458
Of which: Secured with immovable Property	8,130,775	6,408,721	21,186	1,722,054	460,367	1,261,687	76,137	140,063	156,924	322,002	264,594	301,967
Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,737,582	1,228,263		509,319	186,498	322,821						
Of which: Instruments with LTV higher than 80% and lower or equal to 100%	1,061,707	641,483		420,224	77,641	342,583						
Of which: Instruments with LTV higher than 100%	3,624,944	1,718,040		1,906,904	269,857	1,637,047						
Accumulated impairment for secured assets	**1,634,354**	**33,312**	**714**	**1,601,042**	**138,160**	**1,462,882**	**35,879**	**103,743**	**104,038**	**322,973**	**397,400**	**498,849**
Collateral												
Of which value capped at the value of exposure	9,579,663	7,788,450	22,310	1,791,213	517,874	1,273,339	76,701	144,349	156,924	322,002	271,396	301,967
Of which: Immovable Property	8,130,775	6,408,721	21,186	1,722,054	460,367	1,261,687	76,137	140,063	156,924	322,002	264,594	301,967
Of which value above the cap	7,462,536	6,684,991	21,657	777,545	373,258	404,287	39,403	67,019	75,980	108,443	60,877	52,565
Of which: Immovable Property	6,321,165	5,603,723	21,197	717,442	339,683	377,759	38,981	66,135	73,772	102,297	55,998	40,576
Financial guarantees received	**80,065**	**66,415**	**28**	**13,650**	**1,379**	**12,271**	**116**	**416**	**1,528**	**6,155**	**2,565**	**1,491**
Accumulated partial write off	**1,871,768**	**99,828**	**515**	**1,771,940**	**112,485**	**1,659,455**	**18,845**	**13,165**	**13,294**	**195,536**	**339,343**	**1,079,272**

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

6.2.6. Changes in the stock of defaulted and impaired loans and debt securities

Defaulted exposures are exposures that satisfy the NPE definition.

EU CR2-B Changes in stock of defaulted and impaired loans and debt securities

31 December 2020	**Contractual value defaulted exposures**
	€ 000
Opening balance	6,333,023
Loans and debt securities that have defaulted or impaired during the year	50,460
Returned to non-defaulted status	(177,099)
Amounts written off	(398,430)
Other changes	(332,090)
Closing balance	**5,475,864**

31 December 2019	**Contractual value defaulted exposures**
	€ 000
Opening balance	12,945,931
Loans and debt securities that have defaulted or impaired during the year	188,795
Returned to non-defaulted status	(349,157)
Amounts written off	(440,942)
Other changes	(6,011,604)
Closing balance	**6,333,023**

Defaulted loans above also include loans and advances classified as held for sale.

The decrease in the gross contractual value of defaulted exposures during 2020 is driven at its majority by the sale of the Velocity 2 portfolio included in line “Other changes”. “Other changes” include to a lesser extent to normal movements in the balances such as accrued interest, repayments and withdrawals. Further improvement in the defaulted balances arises from amounts written off and increased cured positions compared to new defaults.

6.2.7. Credit Risk Adjustments

6.2.7.1. ECL of Loans and Advances to Customers

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

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

6.2.7.1. ECL of Loans and Advances to Customers (continued)

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

Further information on the impairment of financial assets can be found in Note 2.19 and Note 5.2 of the Consolidated Financial Statements of the Company for 2020.

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

The movement of ECL of loans and advances to customers including the loans and advances to customers held for sale by staging and geographical area are disclosed in Note 46.9 of the Consolidated Financial Statements of the Company for 2020.

The ECL of loans and advances to customers including the loans and advances to customers held for sale by business line is also disclosed in Note 45.9 of the Consolidated Financial Statements of the Company for 2020.

6.2.7.2. Credit Risk Adjustments recorded to Income Statement

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

The table is presented using figures per the Consolidated Financial Statements of the Company for 2020.

	2020	2019
	€ 000	€ 000
Net gains on derecognition of loans and advances to customers measured at amortised cost	**2,949**	8,187
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers	**284,969**	260,114
Recoveries of loans and advances to customers previously written off	**(20,621)**	(25,627)
Changes in expected cash flows	**12,866**	3,537
Financial guarantees and commitments	**(2,134)**	(5,573)
	275,080	232,451
Credit losses of other financial instruments		
Amortised cost debt securities	**54**	(36)
FVOCI debt securities	**78**	101
Loans and advances to banks	**6**	(659)
Other financial assets	**4,447**	5,384
	4,585	4,790

6.2.7.3. Changes in the accumulated specific and general credit risk adjustment

The changes in the accumulated specific and general adjustment are as follows:

EU CR2-A Changes in stock of general and specific credit risks adjustment

	2020		2019	
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
	€ 000	€ 000	€ 000	€ 000
1 January	**1,803,550**	**-**	**3,462,005**	-
Increases due to amounts set aside for estimated loan losses during the year	**470,280**	**-**	624,351	-
Decreases due to amounts reversed for estimated loan losses during the year	**(185,311)**	**-**	(364,237)	-
Decreases due to amounts taken against accumulated credit risk adjustments	**(398,430)**	**-**	(440,942)	-
Impact of foreign exchange rate differences and other adjustments	**(4,214)**	**-**	10,481	-
Contractual interest (provided) not recognised in the income statement	**78,858**	-	114,717	-
Disposal of Velocity 2 portfolio/ Helix and Velocity 1 portfolios	**(112,098)**	**-**	(1,602,825)	-
31 December	**1,652,635**	**-**	**1,803,550**	-
Recoveries on credit risk adjustments recorded directly to the income statement	**20,621**	**-**	25,627	-
Specific credit risk adjustments directly recorded to the income statement	**(12,866)**	**-**	(3,537)	-

All recoveries on credit risk adjustments and specific credit risk adjustments are made via the accumulated allowance account.

The above table includes credit losses relating to loans and advances to customers classified as held for sale but does not include provisions for impairment on financial guarantees and commitments amounting to €19,658 thousand (31 December 2019: €22,112 thousand).

6.2.8. Forbearance

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

6.2.8. **Forbearance** (continued)

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 under probation 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 (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) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

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

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. The second contribution of the forbearance flag is in the construction of the through the cycle PD curve, where when feasible a specific curve for the forborne products is calculated and assigned accordingly.

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

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

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

Short-term restructuring solutions can include the following:
- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- 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: the capitalisation of arrears and/or of accrued interest arrears; that is forbearance of the arrears and capitalisation of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.

6.2.8. Forbearance (continued)

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.

Forborne exposures are referred to as rescheduled loans and advances to customers in the Consolidated Financial Statements of the Company for 2020 and their definition is aligned with the EBA definition of forborne exposures.

Further information on the definition, movement and credit quality of forborne exposures can be found in Note 45.11 of the Consolidated Financial Statements of the Company for 2020.

6.2.8. Forbearance (continued)

Credit quality of forborne exposures

31 December 2020	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
			Of which: defaulted	Of which: impaired				Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances								
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	12,735	4,568	4,568	4,568	697	1,907	3,568	2,693
Non-financial corporations	195,542	304,406	304,406	225,194	4,249	101,989	305,065	133,296
Households	277,206	544,408	544,408	544,408	9,590	221,722	563,950	315,827
	485,483	**853,382**	**853,382**	**774,170**	**14,536**	**325,618**	**872,583**	**451,816**
Loans and advances to customers classified held for sale	**23,171**	**731,624**	**731,624**	**731,624**	**13,074**	**434,657**	**299,833**	**289,736**
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans commitments given	**9,431**	**2,639**	**2,639**	**2,639**	**-**	**-**	**5,017**	**141**
Total	**518,085**	**1,587,645**	**1,587,645**	**1,508,433**	**27,610**	**760,275**	**1,177,433**	**741,693**

6.2.8. **Forbearance** (continued)

31 December 2019 (Restated)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Loans and advances								
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	16,123	2,311	2,311	2,311	1,004	407	5,269	1,885
Non-financial corporations	473,706	661,060	661,060	586,784	5,703	260,845	728,430	323,550
Households	326,580	1,209,883	1,209,883	1,204,051	7,906	477,625	1,016,919	716,559
	816,409	**1,873,254**	**1,873,254**	**1,793,146**	**14,613**	**738,877**	**1,750,618**	**1,041,994**
Loans and advances to customers classified held for sale	**156**	**42,647**	**42,647**	**42,647**	**9**	**35,056**	**3,381**	**3,376**
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans commitments given	**5,698**	**9,233**	**9,233**	**9,233**	**-**	**-**	**5,265**	**-**
Total	**822,263**	**1,925,134**	**1,925,134**	**1,845,026**	**14,622**	**773,933**	**1,759,264**	**1,045,370**

The decrease in the gross carrying amount of exposures with forbearance measures including those classified as held for sale is attributed mainly to facilities that had cured.

6.2.8. Forbearance (continued)

Quality of forbearance

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

	Gross carrying amount of forborne exposures	
	2020	**2019**
	€ 000	**€ 000**
Loans and advances that have been forborne more than twice	**305,634**	665,862
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	**145,381**	334,170

6.3. External Credit Assessment Institutions (ECAIs) used for calculating Risk-Weighted Assets under the Standardised Approach

Moody's external credit ratings are applied to all exposure classes in line with the standard association published by the EBA and articles 135 to 141 of the CRR.

6.3.1. Breakdown of exposures by asset class and risk weight under the Standardised Approach

The exposures are disclosed post CCF and post CRM techniques.

All rows and columns that are not relevant to the Group's activities are not included in the table below.

EU CR5 Standardised Approach

December 2020	**Risk weight**													
Exposure classes	**0%**	**2%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Other**	**Deducted**	**Total**	**Of which unrated**[1]
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Central governments or central banks	6,565,361	-	-	38,668	-	-	-	341,182	-	-	-	998	**6,946,209**	341,182
Regional government or local authorities	53,608	-	-	2,220	-	-	-	-	-	-	-	-	**55,828**	-
Public sector entities	62,702	-	-	15	-	-	-	-	-	-	-	-	**62,717**	-
Multilateral development banks	113,757	-	-	-	-	-	-	-	-	-	-	-	**113,757**	70,457
International organisations	106,609	-	-	-	-	-	-	-	-	-	-	-	**106,609**	106,609
Institutions	516	2,469	-	595,466	-	61,341	-	4,273	250	-	-	-	**664,315**	-
Corporates	-	-	-	-	-	-	-	3,304,234	45,791	-	-	-	**3,350,025**	3,284,168
Retail	-	-	-	-	-	-	1,294,280	-	-	-	-	-	**1,294,280**	1,294,279
Secured by mortgages on immovable property	-	-	-	-	2,698,969	813,652	-	-	-	-	-	-	**3,512,621**	3,512,621
Exposures in default	-	-	-	-	-	-	-	1,088,798	85,033	-	-	-	**1,173,831**	1,173,830
Higher-risk categories	-	-	-	-	-	-	-	-	788,615	-	-	-	**788,615**	788,615
Covered bonds	-	-	149,698	-	-	-	-	-	-	-	-	-	**149,698**	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	384	-	-	-	-	-	-	**384**	-
Collective investment undertakings (CIUs)	-	-	-	501	-	1,787	-	1,463	-	-	-	-	**3,751**	3,680
Equity	-	-	-	-	-	-	-	20,798	-	31,699	-	-	**52,497**	52,497
Other items	139,671	-	-	33,747	-	-	-	1,962,669	-	-	87,279	27,625	**2,250,991**	2,250,991
Total	**7,042,224**	**2,469**	**149,698**	**670,617**	**2,698,969**	**877,164**	**1,294,280**	**6,723,417**	**919,689**	**31,699**	**87,279**	**28,623**	**20,526,128**	**12,878,929**

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

6.3.1. Breakdown of exposures by asset class and risk weight under the Standardised Approach (continued)

EU CR5 Standardised Approach

December 2019	Risk weight													
Exposure classes	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%	Other	Deducted	Total	Of which unrated[1]
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Central governments or central banks	5,780,040	-	11,308	11,417	-	-	-	379,091	-	-	343	-	**6,182,199**	379,091
Regional government or local authorities	62,999	-	-	2,709	-	-	-	-	-	-	-	-	**65,708**	-
Public sector entities	81,694	-	-	45	-	-	-	-	-	-	-	-	**81,739**	-
Multilateral development banks	158,415	-	-	-	-	-	-	-	-	-	-	-	**158,415**	112,144
International organisations	107,307	-	-	-	-	-	-	-	-	-	-	-	**107,307**	107,307
Institutions	1,273	-	-	500,765	-	91,349	-	6,167	24,357	-	-	-	**623,911**	-
Corporates	-	-	-	-	-	-	-	3,331,306	41,183	-	-	-	**3,372,489**	3,315,705
Retail	-	-	-	-	-	-	1,349,638	-	-	-	-	-	**1,349,638**	1,349,635
Secured by mortgages on immovable property	-	-	-	-	2,400,232	743,944	-	-	-	-	-	-	**3,144,176**	3,144,175
Exposures in default	-	-	-	-	-	-	-	1,633,250	280,246	-	-	-	**1,913,496**	1,913,495
Higher-risk categories	-	-	-	-	-	-	-	-	936,566	-	-	-	**936,566**	936,565
Covered bonds	-	-	163,331	-	-	-	-	-	-	-	-	-	**163,331**	-
Collective investment undertakings (CIUs)	-	-	-	-	-	-	-	205	-	-	-	-	**205**	205
Equity	-	-	-	-	-	-	-	2,725	-	31,020	-	-	**33,745**	33,745
Other items	151,551	-	-	50,471	-	-	-	1,756,256	-	-	36,844	51,204	**2,046,326**	2,046,326
Total	**6,343,279**	**-**	**174,639**	**565,407**	**2,400,232**	**835,293**	**1,349,638**	**7,109,000**	**1,282,352**	**31,020**	**37,187**	**51,204**	**20,179,251**	**13,338,393**

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

The main drivers behind the overall changes in net values are analysed in Section 5.5.1.

In terms of exposure values there has been an increase mainly driven by an increase in the exposure class "Central governments or central banks" as a result of increase in balances with central banks for which a 0% risk weight is assigned. "Other items" exposure class with 100% Risk weight has increased as a result of the allocation of the IFRS 9 transitional adjustment to this class following the amendments in CRR in June 2020 as explain in Section 5.5.1 above. "Other" risk weights in exposure class "Other items" includes the book value of properties held for sale that have been on-boarded after a failed auction and risk weight exceeds the normal 100% risk weight following SREP recommendation as well as long-term property held over 10 years.

6.4. Exposures in Equities in the Banking Book

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

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

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

Further information on fair value measurement of equities securities is disclosed in Note 22 of the Consolidated Financial Statements of the Company for 2020.

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Equity investments at FVOCI comprise mainly investments in private Cyprus registered companies, acquired through loan restructuring activity and specifically through debt for equity swaps. Further information on equity investments at Group level, per the accounting scope consolidation, is disclosed in Note 20 of the Consolidated Financial Statements of the Company for 2020.

The carrying value of the Group’s equity securities, per the accounting scope consolidation, at 31 December 2020 at FVOCI was €14,835 thousand (2019: €15,202 thousand) and at FVPL €3,277 thousand (2019: €2,484 thousand) and it was equal to their fair value, analysed as follows:

	2020	2019
	€ 000	€ 000
Listed on the CSE	**3,638**	3,058
Listed on other stock exchanges	**707**	914
Other unlisted	**13,767**	13,714
Total	**18,112**	17,686

During 2020 and 2019 no equity investments measured at FVOCI have been disposed of. There were no transfers from Other Comprehensive Income (OCI) to retained earnings during the year.

6.5. Exposure to Interest Rate Risk on Positions in the Banking Book

6.5.1. Nature of the Interest Rate Risk and Key Assumptions

Interest Rate Risk in the Banking Book refers to the current or prospective risk to the Bank’s capital and earnings arising from adverse movements in interest rates that affect the Bank’s banking book positions. Moreover, optionalities embedded in the Bank’s products may give rise to interest rate risk.

6.5.1. Nature of the Interest Rate Risk and Key Assumptions (continued)

In order to control/quantify/monitor the risk from changes in interest rates, the outcomes of two types of analysis are taken into account:

a. Impact on the NII – earnings measure
b. Impact on the EV – EV measure

In addition to the above two types of measures, interest rate risk for EUR (which consists of the bulk of the Group's balance sheet) is also measured using interest rate gap analysis where the assets, liabilities and off balance sheet items are classified according to their remaining reprising period. Items that are not sensitive to rate changes are recognised as Non-Rate Sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated.

Impact on NII is measured assuming either that the composition of the Banking Book remains the same (static balance sheet) or dynamic balances in line with the Group's Financial Plan, depending on the scenario undertaken. As per the analysis undertaken for the preparation of the market risk policy no prepayment models are used due to:

1. the immaterial amount of loans subject to prepayment risk and the macroeconomic conditions in Cyprus (high unemployment rate, reduction in salaries etc.). As per the new Mortgage Credit Directive (voted in April 2017) the Bank is allowed to charge the interest rate cost, in cases the customer repays early (instead of only admin charge) for all new mortgage loans irrespective of the loan amount and with no retrospective effect. Furthermore, the analysis performed by the Bank for the portfolio before the new 2017 aforementioned legislation, indicates that loans subject to prepayment risk on which no interest rate cost can be charged are decreasing. As per the latest analysis performed, the amount of fixed rate loans that are subject to prepayment risk was around €5.4 million as at the end of December 2020 (€9.8 million as at the end of December 2019). The analysis indicates that no prepayment modelling is required. Prepayment of loans will be assessed for modelling only if the ratio of loans for which no penalty can be charged over the total loans is greater than 1%.

2. the low level of fixed deposits that allow withdrawals without a penalty charge and low usage of the option to withdraw early. Early withdrawal of deposits will be assessed for modelling when the ratio of the deposits allowing withdrawals without penalty over the total fixed deposits is greater than 1%.

It is noted that the Bank may at its discretion allow its customers to prepay their loans. However, in the case of loan prepayments, penalty charges can apply for fixed rate loans, to cover any associated cost.

The prepayment related risk is measured and reviewed at least on an annual basis.

Treatment of Non-Maturing Deposits

Non-Maturing Deposits (NMDs) are liabilities which are free to be withdrawn at any time since they have no contractually agreed maturity date. Historically, NMDs proved to be stable, even when market rates change. Any interest rate paid on these deposits is usually lower than that paid on other sources of funding. The core[1] deposit assumptions and the maturity profile of these accounts are modelled. It is noted that the assumed maturity profile for all categories is constrained to the tenor limit in line with the BASEL guidelines. Maturity profile assumptions vary according to depositor characteristics (e.g. retail or wholesale) and accounts characteristics (e.g. transactional or non-transactional).

[1] Core deposits are those balances of NMDs that would remain in a place with high probability, based on historical evidence. Statistical analysis indicates that these accounts are unlikely to reprice even under significant changes in interest rates.

6.5.1. Nature of the Interest Rate Risk and Key Assumptions (continued)

Floor on Deposits

All deposit categories are assumed to have a 0% floor, given that it would be unlikely for the Bank to offer negative deposit rates. However, the Bank is already charging a liquidity fee to certain legal entities. Even though all deposit categories are assumed to have a 0% floor, there is NII benefit in case of decrease in rates arising from accounts in which the liquidity fee is applicable.

Notice Accounts

In the case of decrease in rates, Notice accounts, are assumed to have a time lag of 2 months. This means that any decrease in interest rates will impact the interest rate of these accounts only two months after the rate change. This is required given that the Bank is required by the PSD, to give notice (75 days) to its clients for any upcoming interest rate change not in the customers' favour.

Beta of Bank Base Rate Loans, Fixed Deposits and Notice accounts

It is noted that the EUR Bank base rate loans (referenced to the CBC deposit index) have high correlation to the changes of the fixed deposits and notice account rates. It is noted that Bank base rate loans are revised quarterly and are directly linked to the CBC benchmark rate which is lagged by 2 months compared to the current month. Based on statistical evidence, the sensitivity of CBC index to the Bank's EUR Fixed Deposits and Notice accounts is 78% in case of increasing rates and 100% in case of decreasing rates. The relationship of the fixed and notice deposit rates to market rate changes has been defined, after taking feedback from the Business Lines.

Floor on Loans

For existing loans, a floor of 0% on the reference rate is applied only where there is a contractual agreement in place. All new volumes of loans are assumed to have a floor of 0% on the reference rate, given that such a condition is included in all new loan contracts.

Treatment of Equity

Equity does not impact the EV or NII calculations of the Bank.

Interest Rate scenarios

The interest rate risk scenarios selected by the Bank consider:

1. Up and down parallel shifts in the yield curve of varying magnitude based on statistical analysis of past behaviour of interest rates
2. Changes in the yield curve shape (flattening, steepening, short up and down etc.) and
3. Basis risk i.e. changes in the relationships between different key market rates.

It is noted that different interest rate scenarios apply to exposures in different currencies that account more than 5% of either banking book assets or liabilities. Currencies with less than 5% will be included until the sum of assets or liabilities included in the calculation is at least 90%. No change in NII and EV is calculated for the rest of the currencies.

The Interest Rate Effects under the BASEL scenarios (in line with the scenarios presented in the BCBS April 2016 paper) are produced on a quarterly basis and are presented for information purposes. No compliance with limits is required.

Stress Testing and Reverse Stress Testing is performed on an annual basis as part of the ICAAP process, including the standard regulatory shock which involves sudden +/-200 basis points change of the yield curve applying a floor of 0% to all loans with a contractual floor agreement and to all deposits (regulatory shock is done on a quarterly basis). If +/-200 basis points is lower than the actual level of change in interest rates, calculated using the 1^{st} and 99^{th} percentile of observed one-day interest rate changes over a five year period scaled up to a 240-day year, the higher level of shock arising from the latter calculation should be applied as the standard shock.

6.5.1. Nature of the Interest Rate Risk and Key Assumptions (continued)

The market rate shocks for EUR and USD, which are the currencies corresponding to the bulk of the Bank's balance sheet items are indicated below:

EUR: Parallel UP / DN: +/- 50 bps, Steepening: 1 day:-50 bps & 360 mons: 50 bps, Flattening: 1 day: +50 bps & 360 mons: -50 bps, Short UP / DN: 1 day: +/- 50 bps & 360 mons: 0 bps.
USD: Parallel UP / DN: +/- 60 bps, Steepening: 1 day:-60 bps & 360 mons: 60 bps, Flattening: 1 day: +60 bps & 360 mons: -60 bps, Short UP / DN: 1 day: +/- 60 bps & 360 mons: 0 bps.

The above shocks were calculated using statistical analysis of historical interest rates.

6.5.2. Impact of Downward and Upward Rate Shocks

The ALCO recommends the policy and limits on the maximum allowable interest rate risk in the banking book, for each currency, which are then approved by the BoD through its RC. The exposure is described below.

6.5.2.1. On Earnings

The maximum loss limit applies for the Year 1 impact on NII. The limit is set as a percentage of the Group capital and as a percentage of Group NII.

The table below indicates how the NII of the Group, over a one-year period, will be affected assuming parallel and non-parallel interest rate changes in the market interest rates of the main currencies:

2020	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in interest rates	***(50 bps)***	***(60 bps)***	
Parallel up	26,093	1,499	27,592
Parallel down	(21,042)	(2,585)	(23,627)
Steepening	(12,898)	(2,286)	(15,184)
Flattening	21,424	1,070	22,494
Short up	24,886	1,424	26,310
Short down	(20,267)	(2,523)	(22,790)

2019	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in interest rates	*(50 bps)*	*(60 bps)*	
Parallel up	27,577	869	28,446
Parallel down	(30,735)	(2,382)	(33,117)
Steepening	(23,857)	(1,018)	(24,875)
Flattening	21,225	(202)	21,023
Short up	26,401	609	27,010
Short down	(29,958)	(2,118)	(32,076)

6.5.2.2. On Economic Value of Equity

The impact on the Economic Value of Equity (EVE) is measured for the Group's positions, given a 200 bps change in market interest rates. ALCO has set a maximum internal limit of 15% for this change, compared to the 20% regulatory maximum ratio. The change in the EV of the Group's equity as at the end of December 2020 amounted to minus €80.9 million as a result of a 200 bps increase in market interest rates and to €3.7 million as a result of a 200 bps decrease in market interest rates (-4.7% and +0.2% of Group T1 capital, calculated in accordance with CBC rules). As at the end of December 2019, the change of the EV amounted to minus €83.8 million (-4.2% of Group T1 capital) as a result of 200 bps increase in market interest rates. The impact on the EV of equity is also measured under various parallel and non-parallel interest rate changes of lower magnitude. The increase in the impact since last year is not due to materially different exposures but due to the shift of Customer Deposits from fixed rate deposits to current accounts and saving accounts.

The regulatory EV change of a 200 bps, change in market interest rates as well as the parallel and non-parallel interest rate changes in the market interest rates of the main currencies are indicated in the tables below:

Group regulatory Economic Value change

2020	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in economic value (€000): +200 bps	(87,119)	12,424	(80,907)
Change in economic value (€000): -200 bps	13,740	(3,160)	3,710
Change on CET1 (%)	-5.0%/+0.8%	0.7%/-0.2%	-4.7%/+0.2%

2019	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in economic value (€000): +200 bps	(87,013)	6,512	(83,757)
Change in economic value (€000):-200 bps	115,147	(6,684)	50,889
Change on CET1 (%)	-4.4%/+5.8%	0.3%/-0.3%	-4.2%/2.6%

2020	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in interest rates	**(50 bps)**	**(60 bps)**	
Parallel up	(1,760)	3,867	174
Parallel down	90,207	(2,367)	42,736
Steepening	101,292	(564)	50,082
Flattening	101,893	293	51,093
Short up	8,897	3,191	6,044
Short down	99,812	(2,514)	47,392

2019	**Euro**	**US Dollar**	**Total**
	€ 000	**€ 000**	**€ 000**
Change in interest rates	*(50 bps)*	*(60 bps)*	
Parallel up	(56,259)	1,977	(55,270)
Parallel down	91,255	(2,769)	42,858
Steepening	(21,581)	(1,017)	(22,598)
Flattening	14,034	523	7,278
Short up	(29,632)	1,687	(28,788)
Short down	51,308	(2,588)	23,067

The aggregation of exposures for all currencies is done by adding together any negative and 50% of any positive EVE changes as per EBA guidelines.

6.6. Information on Credit Risk Mitigation Techniques

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

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

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

The Group sets the following criteria for accepting collaterals:

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

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

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

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

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

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

Detailed analyses on both Netting and Set-off are presented in Section 6.2.4 above.

6.6.1. Main Types of Collateral Accepted

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

Collaterals cover facilities as per agreement with the customer and Bank approval.

6.6.1.1. Legal Pledge of Cash Deposit (Cash Collateral)

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

6.6.1.2. Government Guarantees

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

6.6.1.3. Bank Guarantees

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

6.6.1.4. Mortgages (Legal Charge on Property)

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

6.6.1.5. Assignment of Sale of Contract

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

6.6.1.6. Personal/Corporate Guarantees

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

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

6.6.1.6. Personal/Corporate Guarantees (continued)

For example, guarantors are required to complete a personal financial statement (individuals) or provide audited financial statements (legal entities) as well as provide various documents depending on the case e.g. proof of income tax clearance, VAT statements, business plans, building permits. Although the guarantor's income is not taken into account in calculating the repayment ability of the borrower (except for spouses), they are assessed for creditworthiness and may be rejected for any negative financial or other reason. In addition, all guarantors must be evaluated through the credit scoring (individuals) or other evaluation processes (Borrower rating/Financial Index for legal entities) that are issued from time to time, using relevant assets and liabilities statements which must be at least in time with the revision of the customer's facilities. In order for the Group to accept the guarantees, the guarantors should be solvent.

The Group does not have credit derivatives.

6.6.1.7. Fixed Charges

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

6.6.1.8. Floating Charges on Bank Assets

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

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

6.6.1.9. Assignment of Life Insurance Policies

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

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

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

6.6.1.10. Assignment of General Insurance Policies

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

6.6.1.11. Assignment of Receivables

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

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

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

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

6.6.2. Collateral Valuation Policy

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

6.6.2.1. Mortgages (Legal Charge on Property)

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

Valuation Values

The valuation report presents the following values:

a. Market Value (MV) of the property is based on the assumption that there is a willing buyer / seller within a logical time period and that an arm's length transaction after a logical marketing period can take place, according to the type of property and market conditions.
b. Forced Sale Value (FSV) of a property is calculated at a percentage lower than the market value to estimate the sale price that would be expected on a quick disposal (if required), i.e. the value expected to be reached through a forced sale.
c. Insurance values, the report includes both the insurance replacement value ("new for old") and insurance current value of the property to be used as guidelines for insurance purposes by the Bank (properties should be adequately and properly insured as per the Bank's guidelines).

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

Valuation amount in case of two or more valuations/discrepancies

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

External Valuers/Monitoring & Control of Valuations

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

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

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

Valuation Frequency/Monitoring

New Lending

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

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

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

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

Revision of Facilities

Properties mortgaged to the Group and held as security are to be monitored at regular intervals, according to the table below, to ensure that the value of the property is still adequate to cover the facilities given by the Group.

For the purpose of monitoring and indexing property values the relevant P.P.I's issued by the Central Bank are used. Residential properties (including land) are monitored against the residential P.P.I. while commercial properties (including land) against the commercial P.P.I. according to the above table. The following four values are given which are used according to the objective of the exercise (lending, capital calculation, provisioning etc.):
If there is reason to believe that the value of a specific property has *declined* materially relative to the general property prices provided by the Index, then an official valuation must be requested through the Valuations and Unit. These properties are recognised in two ways: A questionnaire of possible trigger events has been prepared and provided to front line credit officers who, through their continuous communication with their customers, will identify any significant changes in the property prices. In addition, major trigger events that may negatively affect property prices, such as fires, earthquakes, or changes in planning zones are monitored by Valuations Unit, which will inform the relevant credit officers and the CRMD in order to proceed with valuations where necessary.

Amount of Customer Facilities	Official Valuation Period
	Commercial and Residential Properties
Below €3 million	No valuation unless there is a material decline in property value
Above €3 million	3 years
	Index Monitoring
Irrespective of amount	Quarterly

Restructuring Facilities
During restructuring applications, the age of the valuation is as follows, unless the LTV of the customer is below 50% based on the most recent valuation:

Facility Amount	Date of last Valuation	
	Commercial	Residential
Irrespective of amount	1 year	3 years

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

Terminated Facilities

For customers whose accounts have been terminated the frequency of valuations is as follows:

Facility Amount	Frequency/Age of Valuation
At the time of termination (irrespective of amount)	1 year
Properties securing already terminated accounts	Monitored using appropriate indices, as per paragraph "Revision of Facilities" above.

Properties mortgaged for NPEs should be monitored / revalued according to the table below:

Amount of Customer Group Facilities	Official Valuation Period
	Commercial and Residential properties
Irrespective of amount	Immediately when exposure is classified as non-performing
Above €300K	1 year
Below €300K	Index Monitoring - no valuation unless there is a material decline

Cases where a more frequent/immediate valuation is required, at the Bank's discretion

- When market conditions are volatile, i.e. the market exhibits extraordinary variations in prices (the CBC property indexes may be used as a reference).
- A settlement proposal by the property's owner or by the principal debtor to pay an amount against the debt, in exchange for the cancellation of the whole or part of a mortgage.
- Cancellation or removal of a mortgage from one or more mortgaged properties of a customer, while there are still unsettled obligations. In this case, a revaluation of all properties of the customer which are to remain mortgaged is performed, to verify that the unsettled obligations are adequately secured. Exceptions to this may apply, for example, where recent valuations of the remaining properties are available or where a unit that is part of a project mortgaged in favour of the Bank is sold and the appropriate amount is received against the seller's loan (as previously approved by the appropriate sanctioning authority).
- A decision to sell the mortgaged property through an auction, where a minimum starting auction price must be specified (based on laws relating to foreclosures for which there is a separate procedure).
- A decision by the Bank to purchase the property against settlement of debt (DFAS).
- A decision to sell a problematic mortgaged property to a third party, before it is transferred to the Bank.
- Whenever deemed necessary by the Bank.
- In cases where a property is leased, the property should be checked every year to confirm that it is still used by the leaseholder for their own purposes and that the lease payments are being made normally.
- A significant increase in the LTV ratio of the customer, for example when the LTV exceeds the level specified in the Bank's Lending Policy.

Recoverable Amounts for mortgages

For mortgages registered before 1/1/2001, the recoverable amount is the lowest of the following values:

(i) Mortgage amount + 9% interest from the registration date
(ii) Mortgage amount * 2
(iii) Forced Sale Value
(iv) The maximum amount of the facility secured, where the collateral is specific.

For mortgages registered after 1/1/2001, the recoverable amount is the lowest of the following values:

(i) Mortgage amount + interest (Bank Base Rate + applicable margin) from the registration date
(ii) Forced Sale Value
(iii) The maximum amount of the facility secured, where the collateral is specific.

In all cases, prior mortgages plus interest are taken into consideration.

6.6.2.2. Cash collateral (Lien on credit balances)

The recoverable amount is equal to 100% of the blocked amount and is recognised by the system automatically at origination. Foreign currency blocked amounts are converted automatically to Euro on a daily basis. In case there is a mismatch of the currency of the facility and the currency of the collateral, the additional margin required to cover the exchange rate risk is supplied by Market Risk. Close monitoring of these loans is necessary in order to request additional collateral when the collateral cover falls below certain levels.

6.6.2.3. Assignment of Sale of Contract

Sales contracts do not have a recoverable amount but indirectly acquire value in the following cases:

a. When there is a developer guarantee for the buyer's loan and the project is financed and mortgaged within the same bank.
b. When accompanied by a bank guarantee or letter of allocation (within the Group).

6.6.2.4. Fixed and Floating Charges

In order to calculate the value of the fixed or floating charge, the last audited asset certificate/financial statements respectively must not be older than 18 months.

For the calculation of the value for the assets included in the fixed and/or floating charge, the percentages for different asset classes are as per the regulatory directives.

6.6.2.5. Personal/Corporate Guarantees

For the purpose of facility approval no monetary value is assigned to personal or corporate guarantees.

6.6.2.6. Government Guarantees

The recoverable amount is up to 100% of the guarantee amount. In addition government guarantees must be within the approved country limits.

6.6.2.7. Bank Guarantees

100% of the guarantee value at origination plus interest, where applicable from the date of issue.

6.6.2.8. Pledge on Marketable Securities (Shares, Bonds, Debentures, etc.)

When listed shares are taken as collateral, the Bank should also ensure:

- Such shares are listed on recognised exchanges where access via its own brokers is feasible.
- That these shares are adequately liquid and the Bank will be able to have an exit route without undue risks on its position.
- That no undue concentration exists on any listed share that the Bank holds as collateral.
- BOC shares listed on recognised stock exchanges are generally not accepted as collateral, unless approved by the appropriate sanctioning authority.

6.6.2.8. Pledge on Marketable Securities (Shares, Bonds, Debentures, etc.) (continued)

Recoverable Amounts	Listed	Non Listed
Shares (Cyprus and abroad)	75% of the market value where the % of shares pledged per customers group does not exceed 3% of the total shares of the company, 50% apply in cases the % of pledged shares exceed the 3%	50% of company net worth
Bonds & Debentures issued by banks (Cyprus and abroad)	90%	90% of NPV
Bonds & Debentures issued by other public companies (Cyprus and abroad)	70%	50% of nominal value provided issuer has positive net asset value
Government Bonds (Cyprus)	100%	100%
Government Bonds & Debentures	Subject to CBC approval	Subject to CBC approval
BOC Money Market Funds	90%	n/a
BOC Enhanced Cash Bond Funds	70%	n/a
BOC UCITS	SRRI	n/a
Other BOC Funds (non-UCITS)	50%	n/a

The recoverable amount is based on the current market value of the securities. For shares listed on the Cyprus Stock Exchange (CSE), the market value is updated on a daily basis automatically based on the latest closing price. For shares traded in other recognised stock exchanges, the market value should be updated manually on a daily basis by the responsible unit/branch.

For non-listed shares, the recoverable amount is calculated manually based on 50% of the net worth of the company based on recent audited accounts (not older than 18 months).

For monitoring purposes, the appropriate action should be taken by the responsible officer as follows:

Increase in facility amount in relation to security value	Action taken
+15%	Inform appropriate business line Director – Request additional collateral, deposits, decrease lending, evaluate the possibility of liquidation.
+25%	Inform appropriate business line Director and obtain approval from the related approving authority for immediate liquidation, assessing the impact of such action on the company and its related group.

6.6.2.9. Assignment of Life Insurance Policies

Term life insurance policies have no recoverable amount.

For endowment (investment) life insurance policies, the recoverable amount is 100% of the latest surrender value. This should take into account any possible expenses associated with redeeming the policy.

6.6.2.10. Other Collateral Types

- Pledge on goods (0%).
- Assignment of receivables (0%).
- Positive/Negative pledge (0%).
- Vehicles under stock finance facilities (0%-75%) depending on the age of the vehicle (recorded manually at origination and then depreciated automatically by the system).
- Items under hire-purchase, 50% of net book value at origination and subsequently depreciated automatically according to the type of item.

6.6.2.11. Shipping Mortgages

Shipping collateral is considered a specialised collateral. Valuations need to be based on acceptable valuation sources such as recognised shipbroking firms. Since there is no international recognised body for shipping valuations (equivalent to RICS), it is important to receive estimates from recognised firms with long-standing experience and acceptance by the market. Revaluations are conducted at least on annual basis.

Age of vessel	Recoverable Amount
Up to 20 years	70% of market value
Over 20 years	100% of scrap value

6.6.3. Concentrations within Credit Risk Mitigation

The Group has a material concentration of property collateral. Further analysis on fair value of collateral and credit enhancements held by the Group is presented in Note 45 of the Consolidated Financial Statements of the Company for 2020.

The table below illustrates the effect of all CRM techniques applied in accordance with the CRR, including the financial collateral comprehensive method. The exposure amount displayed in table below are after the application of specific credit risk adjustments, as explained in Section 6.2 above.

RWAs density is a synthetic metric on the riskiness of each portfolio.

All rows and columns that are not relevant to the Group’s activities are not included in the table below.

6.6.3. Concentrations within Credit Risk Mitigation (continued)

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

31 December 2020	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	€ 000	€ 000	€ 000	€ 000	€ 000	%
Central governments or central banks	6,902,738	55	6,945,211	-	348,916	5.0
Regional government or local authorities	102,415	11,950	55,806	21	444	0.8
Public sector entities	62,717	660	62,717	-	3	-
Multilateral development banks	70,457	-	113,757	-	-	-
International organisations	106,609	-	106,609	-	-	-
Institutions	638,928	40,967	627,234	26,273	152,387	23.3
Corporates	3,267,089	1,236,824	3,099,097	249,821	3,010,070	89.9
Retail	1,491,766	1,011,193	1,213,542	80,691	921,101	71.2
Secured by mortgages on immovable property	3,589,323	60,125	3,480,546	32,075	1,277,838	36.4
Exposures in default	1,167,979	97,332	1,161,039	12,792	1,216,347	103.6
Higher-risk categories	805,346	170,574	749,429	39,186	1,182,923	150.0
Covered bonds	149,698	-	149,698	-	14,970	10.0
Collective investment undertakings (CIUs)	3,751	-	3,751	-	2,457	65.5
Equity	52,497	-	52,497	-	100,046	190.6
Other items	2,223,366	-	2,223,366	-	2,234,521	100.5
Total	**20,634,679**	**2,629,680**	**20,044,299**	**440,859**	**10,462,023**	**51.1**

6.6.3 Concentrations within Credit Risk Mitigation (continued)

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

31 December 2019	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**RWAs and RWA density**	
Exposure classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWAs**	**RWA density**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**%**
Central governments or central banks	6,147,322	39	6,182,199	-	382,591	6.2
Regional government or local authorities	116,832	12,619	65,688	20	542	0.8
Public sector entities	81,720	719	81,698	41	9	-
Multilateral development banks	112,144	-	158,415	-	-	-
International organisations	107,307	-	107,307	-	-	-
Institutions	579,003	52,231	579,047	27,127	179,648	29.6
Corporates	3,323,220	1,122,883	3,157,118	214,653	3,353,301	99.5
Retail	1,532,259	1,001,720	1,263,734	85,889	960,387	71.2
Secured by mortgages on immovable property	3,221,557	57,013	3,115,178	28,998	1,180,406	37.5
Exposures in default	1,899,021	175,999	1,879,130	34,366	2,053,619	107.3
Higher-risk categories	980,729	211,599	895,399	41,167	1,404,849	150.0
Covered bonds	163,331	-	163,331	-	16,333	10.0
Collective investment undertakings (CIUs)	205	-	205	-	205	100.0
Equity	33,745	-	33,745	-	80,275	237.9
Other items	1,995,122	-	1,995,122	-	1,876,882	94.1
Total	**20,293,517**	**2,634,822**	**19,677,316**	**432,261**	**11,489,047**	**57.1**

The main drivers behind the overall decrease in exposures, RWAs and the RWAs density are analysed in Section 5.5.1.

6.6.3. Concentrations within Credit Risk Mitigation (continued)

The table below presents the exposure value excluding loans and advances classified as held for sale covered by financial collateral, other collateral, guarantees and credit derivatives.

EU CR3 Credit risk mitigation techniques overview

2020	Exposures unsecured – carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	€ 000	€ 000	€ 000	€ 000	€ 000
Total loans and advances to customers	584,876	9,301,171	8,853,688	80,032	-
Total debt securities	1,546,485	149,699	149,699	-	-
Total exposures	**2,131,361**	**9,450,870**	**9,003,387**	**80,032**	**-**
Of which defaulted	82,205	811,225	781,602	14,334	-

2019	Exposures unsecured – carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	€ 000	€ 000	€ 000	€ 000	€ 000
Total loans and advances to customers	700,675	10,021,166	9,600,262	56,646	-
Total debt securities	1,563,904	163,332	163,332	-	-
Total exposures	**2,264,579**	**10,184,498**	**9,763,594**	**56,646**	**-**
Of which defaulted	109,054	1,804,916	1,760,232	13,953	-

Secured and unsecured debt securities remained around the same levels during 2020. This was the net result of various securities which matured in 2020 and sales as well as purchases. Purchases during the year related mainly to Cyprus Treasury Bills and Government bonds whereas sales and maturities consist of both sovereign and bank bonds.

Unsecured and secured loan exposures have decreased during the year mainly due to the classification of Helix 2 Portfolios A and B into held for sale.

7. Remuneration Policy and Practices

The Group Remuneration Policy captures provisions from the CSE Code, the UK Code in line with the Bank's decision to comply with the UK Code 2018 as of 26 November 2018 and relevant Directives of the CBC. The Group Remuneration Policy aims to align the remuneration of directors, Executive Management, officers and staff with the business strategy, objectives and long-term interests of the Group. It is consistent with the effective management of risks and does not encourage excessive risk-taking.

7.1. Board Human Resources and Remuneration Committee (HRRC)

7.1.1. The Role of the HRRC

The HRRC is responsible for the development and periodic review of the Group Remuneration Policy which is presented to the BoD for ratification. In addition, the BoD, through the HRRC, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The role of the HRRC is:

- To oversee that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals, whose reward will be based on personal performance and Group results.
- To oversee that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour which would lead to the desired outcome.
- To oversee that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market and sustainability for the future.
- To review, agree and recommend to the Board the overarching principles and parameters of compensation and benefits policies across the Group and exercise oversight for such issues.
- To review the remuneration arrangements of the executive Directors of the Group, senior management and the Group Remuneration Policy bearing in mind the EBA Guidelines on remuneration policies and practices, the CBC Governance Directive, the UK Code, the CSE Code and any other applicable or regulatory requirements.

The HRRC, through a formal and transparent process, considers, agrees, recommends to the Board and keeps under review an overall remuneration policy for the Group (the "Group Remuneration Policy") on an annual basis which:

- applies to all executive directors, senior management and other staff across the Group;
- aligns remuneration with job value, individual performance and potential;
- takes into account market conditions;
- is aligned with the Group's long-term business strategy and objectives, its values and its long-term interests;
- is in line with the regulatory framework;
- is aligned with the Group's capital and liquidity availability, the interests of its shareholders, does not encourage excessive risk taking and ensures an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
- reviews and approves the remuneration packages of executive members of Group BoD vis-à-vis their performance;
- reviews remuneration packages of senior management and other key personnel whose total annual fixed remuneration exceeds €120 thousand as follows:
  - **All Divisional Directors that report directly to the CEO or Deputy CEO, General Managers of major subsidiaries (EuroLife, GIC) and other employees whose total annual remuneration exceeds €120 thousand:** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the HRRC reviews and approves their remuneration packages, (including salary, pension policy or any additional provident fund, contributions, option plans and other types of compensation), recommended by the CEO.

7.1.1. The Role of HRRC (continued)

- **Divisional Directors and other staff that report to Board Committees (RMD, Internal Audit, Compliance):** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the HRRC reviews and approves their remuneration packages, recommended by the Chairmen of RC and AC respectively (in consultation with CEO and Human Resources).
- proposes to the Board for approval, the fees payable to the Chairperson and Vice Chairperson of the Board.

7.1.2. Composition and Meetings of the HRRC

The HRRC has a minimum of 3 members who are appointed by the BoD on an annual basis. In 2020, the Committee comprised of 4 members, the majority of whom independent. Up to 31 May 2020, Dr Michael Heger was chairperson of the Committee. Following the rotation of Committee memberships, Mrs Maria Philippou, a member of the Committee since 23 July 2018, was appointed chairperson on 1 June 2020.

The HRRC holds regular meetings and, additionally, ad hoc meetings whenever called by the chairperson, or any two other members of the Committee. The quorum for a meeting is assumed to be when 2 members or 50% rounded up whichever is the highest. The HRRC keeps detailed minutes of its meetings. The HRRC has authority to obtain independent advice and information from external parties whenever this is considered necessary.

The HRRC held 12 meetings at Group level during 2020. The HRRC reviewed and approved the Group's Remuneration Policy. Additionally, the Committee reviewed the Bank's annual performance appraisal results and main findings and has been kept informed of - and provided feedback on – various HR practices and initiatives.

The HRRC reviewed its terms of reference in order to ensure continuing appropriateness and full alignment with regulatory framework.

7.1.3. Relevant Stakeholders

The HRRC ensures that internal control functions (i.e. Internal Audit, RMD and Compliance) and the HR Division are involved in the design, review and implementation of the Group Remuneration Policy.

In developing its Group Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the UK Code as well as the CBC Directive on Governance and Management Arrangements of Credit Institutions which came into effect in August 2014 and incorporated the requirements for Remuneration Policies included in CRD IV, as well as the regulatory restrictions currently pertinent to the banking sector.

7.2. Performance Related Pay

This section aims to describe the remuneration schemes that will be applied to BOC PCL taking into consideration stakeholder consultation and agreement (Trade Union, Regulator etc.).

Remuneration consists of fixed plus variable pay.

7.2.1. Fixed Remuneration

Fixed Remuneration refers to the staff's main form of remuneration. It comprises of salary and any applicable (including non-discretionary) position allowances and is determined by employment contracts, collective agreements (where applicable) and employment legislation.

- **Fixed Remuneration will be based on the following criteria:**
  - **Value of job:** The focus is on the content of the job and the job requirements rather than the job holder's seniority or education. Additionally, the emphasis is on rewarding for the contribution of the job to the Bank's business results, differentiating consistently between various levels.

7.2.1. Fixed Remuneration (continued)

- **Individual contribution and potential (results, attitude and behaviour):** This requires the following:
    - Job clarity – what the Group expects from each job in terms of accountabilities/KPIs and skills/competencies.
    - Effective implementation of a performance management process in building a performance culture.
- **Market Value (compared with external employee markets of comparable nature):** Reward will be linked in a clear and justifiable way to relevant and appropriate external market practices and conditions.
- Employment legislation and regulations

- **Changes in fixed remuneration:**

Fixed remuneration and annual increases are currently negotiated with the Trade Union through the collective agreement. Once the collective agreement is renegotiated, fixed remuneration may change as follows:

- **Performance Related Increases (Pay Movement within same Grade's Pay Range)**

  Under normal circumstances, performance related increases - within the approved budget - should be granted to employees once per year, as a percentage increase to monthly gross salary, following the announcement of Group annual results and available budget amount.

  The exact salary increases cannot be defined in a static manner and will depend on budget availability. The amount of the increase will also be associated with the three elements that influence salary increase decisions, i.e. Annual Base Salary (ABS) comparative ratio, performance appraisal score and potential.

- **Pay Movement across different pay ranges**

  Under normal circumstances, in cases where an employee moves to a higher grade during the course of the year, the move to a higher grade may be accompanied by a pay increase, especially in cases where the upgraded employee's current salary (before the upgrade) is below the limits of the pay range of his/her new grade.

  The exact level of base salary increase will be determined by the employee's base pay positioning versus the pay ranges of the current as well as the new position. These pay increases will be implemented as needed subject to certain conditions and budget availability (e.g. minimum time at new position etc.).

7.2.2. Variable Remuneration

Variable remuneration refers to the additional discretionary remuneration paid to an individual as an incentive for increased productivity and competitiveness. It is based on the performance of the specific individual, the overall performance of the business unit the individual belongs to, the Group's consolidated financial results the prevailing economic market conditions. Variable remuneration might include financial instruments such as cash bonus schemes, stock option schemes and stock schemes, at the discretion of the Bank.

Variable remuneration should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description. The assessment of the performance is set in a multi-year framework in order to ensure that the process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes into account the underlying business cycle of the Group and its business risks.

7.2.2. Variable Remuneration (continued)

Variable remuneration aims to:

a) Elicit the appropriate behaviors that will produce the desired outcome, both in the short and long term;
b) Increase employee's commitment towards the achievement of the Group's long-term objectives within a given set of values;
c) Enhance employee's performance over a long-term basis, within the Bank's risk-taking framework;
d) Align employee's long-term interests with those of the Bank's shareholders;
e) Ensure a fair allocation of value produced, between employees and shareholders, and
f) Retain high performers and attract talent.

Up to 100% of variable remuneration is subject to vesting, claw back and malus in accordance with criteria which include the following:

- Evidence of misbehavior or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risks and compliance);
- When the Bank and/or the business unit in which the staff member works subsequently suffers a significant downturn in its financial performance;
- When the employee leaves the Group;
- When there are significant changes in the Bank's economic or regulatory capital base;
- Manipulation of financial performance or window dressing practices, and
- Hedging against a downward adjustment in compensation.

No amount of variable remuneration has been paid during 2020 and 2019. In line with the final 2019 SREP decisions, the variable pay is capped at 10% of consolidated net revenues. In case the Group benefits from government intervention, then all restrictions that derive from the relevant legislation will apply.

7.2.3. Long-Term Incentive Plans (e.g. Performance Shares or Share Option Plans)

The BoD, following recommendation of the Group HRRC, may approve the implementation of a Long-Term Incentive Plan (such as Performance Share Plans or Share Option Plans) for employees. The implementation of share based or share linked Long-Term Incentive Plans is subject to approval by shareholders at a General Meeting by special resolution.

There was no outstanding deferred remuneration as at 31 December 2020 and 2019.

7.2.4. Non-Monetary Incentives

The Bank has in place a Team Incentive scheme which is incentivising employees of the front line (Consumer and SME, Corporate Banking, International Business, Insurance Business) based on predefined KPIs. The awards given are all non-monetary and take the form of Hotel Accommodations or Weekend Trips for the whole team, so as to promote also the team bonding and team collaboration.

7.2.5. Control Functions Pay

Remuneration of staff engaged in control functions (Internal Audit, Risk Management, Compliance and Information Security) must be weighed in favour of fixed remuneration so as to reflect the nature of their responsibilities. Staff engaged in control functions is compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

7.2.6. Pension Fund obligation risk

Pension obligation risk is the risk caused by the Bank's contractual or other liabilities to or with respect to a pension scheme. It also covers payments the Bank may make because of a moral or other obligation. The Bank has immaterial exposure to pension schemes and therefore there is no additional capital requirement for pension risk.

7.3. Design and Structure of Remuneration

7.3.1. Non-Executive Directors

The remuneration of non-executive directors is not linked to the profitability of the Group. The remuneration of non-executive directors is related to the responsibilities and time devoted for BoD meetings and decision-making for the governance of the Group, and for their participation in the committees of the BoD and the boards of Group subsidiary companies. The shareholders' Annual General Meeting (AGM) held on 26 May 2020 approved the same levels of remuneration as those approved at the AGM on 14 May 2019 and also approved the same level of remuneration for the members of the Ethics, Conduct & Culture Committee as for the members of the Technology Committee.

Non-Executive Directors are not eligible for variable remuneration or participation to a share option scheme.

7.3.2. Executive Directors

Remuneration Policy
The HRRC sets the remuneration of executive directors, and reviews their employment contracts (unless they are members of the senior management team and their terms of employment are based on the provisions of the collective agreement, excluding the CEO).

Contracts of Employment
The remuneration (salary and bonus) of executive directors is set out in their employment contracts which can have a maximum duration of five years, unless any of the executive directors is an appointed member of the senior management team, in which case the terms of employment are based on the provisions of the collective agreement in place, excl. CEO.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

Service Termination Agreements
The service contract of the Executive Directors in office as at 31 December 2020 includes a clause for termination, by service of six months' notice to that effect by either the Executive Director or BOC PCL, without cause and the BOC PCL also maintains the right to pay to the Executive Director six months' salary in lieu of notice for immediate termination. There is an initial locked-in period of three years i.e. until 31 August 2022, during which no such notice may be served either by BOC PCL or the Executive Director, unless there is a change of control of BOC PCL as this is defined in the service agreement whereupon the Executive Director may serve the notice and is further entitled to compensation as this is determined in the service agreement.

Bonus
No bonuses were recommended by the BoD for executive directors for the year 2020.

Retirement Benefit Schemes
The CEO participates in a defined contribution plan largely on the same basis as other employees. The other Executive Director participates in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 14 of the Consolidated Financial Statements of the Company for 2020.

Share Options
No share options were granted to executive directors during 2020.

Other Benefits
Other benefits provided to the executive directors include other benefits provided to staff, medical fund contributions and life insurance. The relevant costs for Executive Management are disclosed in Note 50 of the Consolidated Financial Statements of the Company for 2020.

7.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel

2020	**Executive Directors** **€ 000**	**Other key management personnel** **€ 000**	**Other Material Risk Takers (MRTs)*** **€ 000**
Salaries and other short term benefits	**708**	**3,799**	**7,143**
Termination benefits	**450**	**-**	**400**
Employer's contributions	**49**	**296**	**1,079**
Retirement benefit plan costs	**55**	**192**	**565**
Total	**1,262**	**4,287**	**9,187**
Number of beneficiaries during the year	**2**	**22**	**103**
2019	**Executive Directors** **€ 000**	**Other key management personnel** **€ 000**	**Other Material Risk Takers (MRTs)*** **€ 000**
Salaries and other short term benefits	1,910	3,013	10,963
Termination benefits	-	186	4,099
Employer's contributions	100	170	1,472
Retirement benefit plan costs	152	131	959
Total	**2,162**	**3,500**	**17,493**
Number of beneficiaries during the year	**3**	**20**	**123**

*MRTs positions were approved by the Board in December 2020.

The ''Other key management personnel'' emoluments include the remuneration of the members of the senior management namely:

- All Divisional Directors that report to the CEO, Deputy CEO or an Executive Director
- General Managers of major subsidiaries (Eurolife, GIC) and
- Divisional Directors that report to Board Committees.

No MRTs had total emoluments for the year, including employer's contributions and other benefits, above €1.0 million.

MRTs do not form part of other key management personnel.

7.4. Fees and Emoluments of Members of the Board of Directors and of Other Key Management Personnel (continued)

Remuneration for year 2020 and 2019 of Members of the Board of Directors and of Other Key Management Personnel (excluding termination benefits) by business line

	Remuneration**	Number of employees**[1]
2020	**€ 000**	
Corporate	**724**	**8**
Retail	**1,420**	**13**
SME	**390**	**4**
Global Corporate	**1,158**	**12**
IBUs and Private Banking	**940**	**10**
RRD	**742**	**8**
Insurance operations	**1,221**	**13**
Head office	**7,291**	**59**
Total	**13,886**	**127**

	Remuneration**	Number of employees**
2019	**€ 000**	
Corporate	2,593	24
Retail	2,421	20
IBUs and Private Banking	2,122	17
RRD	2,509	13
Insurance operations	1,452	12
Head office	7,773	60
Total	18,870	146

**Includes MRTs
1. The number of employees is as at 31 December 2020

No executive director or key management personnel had total emoluments for the year, including employer's contributions and other benefits, above €1.0 million. One executive director who resigned on 30 August 2019 had total emoluments up to 30 August 2019, including employer's contributions and other benefits in the range of €1.5 million to €2.0 million. Also, one key management personnel in 2019 had total emoluments for the year, including employer's contributions and other benefits in the range of €1.0 million to €1.5 million.

7.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel (continued)

Termination benefits

2020	Executive Directors € 000	Other Key Management Personnel € 000	Other Material Risk Takers € 000
Total amount of severance payments made during the year	**450**	**-**	**400**
Total number of beneficiaries	**1**	**-**	**2**
Total amount of severance payments awarded during the year	**450**	**-**	**400**
Total number of beneficiaries	**1**	**-**	**2**
Single highest amount of severance payment awarded to an individual during the year	**450**	**-**	**200**
Total amount of new sign-on payments made during the year	**-**	**-**	**-**
Total number of beneficiaries	**-**	**-**	**-**

2019	Executive Directors € 000	Other Key Management Personnel € 000	Other Material Risk Takers € 000
Total amount of severance payments made during the year	-	186	4,099
Total number of beneficiaries	-	1	23
Total amount of severance payments awarded during the year	-	186	4,099
Total number of beneficiaries	-	1	23
Single highest amount of severance payment awarded to an individual during the year	-	186	200
Total amount of new sign-on payments made during the year	-	-	-
Total number of beneficiaries	-	-	-

The fees of the non-executive directors include fees as members of the BoD of the Bank and its subsidiaries, as well as of committees of the BoD. They include the fees and benefits for the period that they serve as members of the BoD. There is no other remuneration other than what is disclosed in this note.

7.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel (continued)

Information regarding the remuneration of Members of the Board of Directors

2020	Remuneration for services*	Remuneration for participation in the Board of Directors and its Committees	Total remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual contribution to retirement benefits
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors								
Panicos Nicolaou	537	-	537	-	-	-	537	40
Dr. Christodoulos Patsalides (resigned on 31 October 2020)	220	-	220	-	-	450	670	15
Non-Executive Directors								
Efstratios-Georgios Arapoglou	-	154	154	-	-	-	154	-
Maksim Goldman	-	117	117	-	-	-	117	-
Arne Berggren	-	112	112	-	-	-	112	-
Anat Bar-Gera (resigned on 26 May 2020)	-	35	35	-	-	-	35	-
Lyn Grobler	-	135	135	-	-	-	135	-
Dr. Michael Heger	-	117	117	-	-	-	117	-
Ioannis Zographakis	-	207	207	-	-	-	207	-
Paula Hadjisotiriou	-	110	110	-	-	-	110	-
Maria Philippou	-	102	102	-	-	-	102	-
Michael Spanos	-	-	-	-	-	-	-	-
	757	**1,089**	**1,846**	**-**	**-**	**450**	**2,296**	**55**

7.4. Fees and Emoluments of Members of the Board of Directors and Other Key Management Personnel (continued)

2019	Remuneration for services*	Remuneration for participation in the Board of Directors and its Committees	Total remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual contribution to retirement benefits
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors								
John P. Hourican	1,579	-	1,579	-	-	-	1,579	117
Panicos Nicolaou	179	-	179	-	-	-	179	15
Dr. Christodoulos Patsalides	252	-	252	-	-	-	252	20
Non-Executive Directors								
Josef Ackermann	-	57	57	-	-	-	57	-
Efstratios-Georgios Arapoglou	-	84	84	-	-	-	84	-
Maksim Goldman	-	122	122	-	-	-	122	-
Arne Berggren	-	117	117	-	-	-	117	-
Anat Bar-Gera	-	86	86	-	-	-	86	-
Lyn Grobler	-	92	92	-	-	-	92	-
Dr. Michael Heger	-	122	122	-	-	-	122	-
Michael Spanos	-	6	6	-	-	-	6	-
Ioannis Zographakis	-	159	159	-	-	-	159	-
Paula Hadjisotiriou	-	97	97	-	-	-	97	-
Maria Philippou	-	66	66	-	-	-	66	-
	2,010	**1,008**	**3,018**	**-**	**-**	**-**	**3,018**	**152**

* Includes employers' contributions excluding contributions to retirement benefits.

7.5. Material Risk Takers (MRTs) of the Group

MRTs are the members of the senior management and employees of the Group whose professional activities could have a material impact on the Group's risk profile. A total of 127 individuals were classified as MRTs in 2020 (24 key management personnel and 103 other employees).

MRTs do not form part of other key management personnel.

7.6. Additional Information

Every year, the HRRC proposes to the BoD, the Annual Remuneration Policy Report which forms part of the Annual Corporate Governance Report of the Group. The Remuneration Policy Report is submitted to the shareholders' AGM for approval.

8. Asset Encumbrance

Asset encumbrance means pledging an asset or entering into any form of transaction to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

8.1. Encumbered and Unencumbered Assets by Asset Type

The values presented below, including totals, are based on a four-point median average across the four quarters in each of 2020 and 2019.

EU AE1 Encumbered and unencumbered

2020	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets of the reporting institution	**2,993,629**	**-**			**17,565,529**	**-**		
Equity instruments	**-**	**-**	**-**	**-**	**20,096**	**-**	**20,096**	**-**
Debt securities	**177,157**	**177,157**	**177,674**	**177,674**	**1,624,686**	**1,373,093**	**1,640,417**	**1,388,925**
of which: covered bonds	*3,984*	*3,984*	*3,984*	*3,984*	*165,927*	*165,927*	*166,332*	*166,332*
of which: asset- backed securities	-	-	-	-	-	-	-	-
of which: issued by general goverments	*149,604*	*149,604*	*149,836*	*149,836*	*928,349*	*928,349*	*939,044*	*939,044*
of which: issued by financial corporations	*27,553*	*27,553*	*27,826*	*27,826*	*696,337*	*444,744*	*701,373*	*449,882*
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	**2,840,216**	**-**			**15,920,748**	**-**		
of which: loans and advances to customers on demand	*50,401*	-			*5,525,436*	-		
of which: loans and advances to customers other than on demand	*2,788,782*	-			*7,548,431*	-		

8.1. Encumbered and Unencumbered Assets by Asset Type (continued)

2019 (Restated)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		Of which notionally eligible EHQLA and HQLA		Of which notionally eligible EHQLA and HQLA		Of which EHQLA and HQLA		Of which EHQLA and HQLA
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Assets of the reporting institution	**2,977,489**	**-**			**17,702,727**	**-**		
Equity instruments	**-**	**-**	**-**	**-**	**17,464**	**-**	**17,464**	**-**
Debt securities	**292,021**	**292,021**	**292,303**	**292,303**	**1,458,616**	**1,242,154**	**1,476,963**	**1,260,590**
of which: covered bonds	*3,981*	*3,981*	*3,981*	*3,981*	*164,631*	*164,631*	*164,765*	*164,765*
of which: asset- backed securities	-	-	-	-	-	-	-	-
of which: issued by general goverments	*277,034*	*277,034*	*277,315*	*277,315*	*711,777*	*711,777*	*725,568*	*725,568*
of which: issued by financial corporations	*15,063*	*15,063*	*15,063*	*15,063*	*730,703*	*541,830*	*736,662*	*547,663*
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	**2,684,361**	**-**			**16,270,889**	**-**		
of which: loans and advances to customers on demand	*60,598*	-			*4,635,466*	-		
of which: loans and advances to customers other than on demand	*2,620,304*	-			*8,567,360*	-		

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and as a result is no longer available to the Group for further collateral or liquidity requirements. An asset is categorised as unencumbered if it has not been pledged against secured funding and other collateralised obligations.

The decrease in investments pledged as collateral during 2020 related mainly to the maturity of investments pledged as collateral by the Group as well as to the maturity of repurchase agreements for which investments were pledged as collateral.

The vast majority of encumbered assets are within the Bank. Of the unencumbered assets around 13% (2019: 15%) are not deemed available for encumbrance.

Further information on asset encumbrance at Group level, per the accounting scope consolidation, is disclosed in the 2020 Additional Risk and Capital Management Disclosures included in the 2020 Annual Financial Report of the Company.

8.2. Collateral Received by Product Type

There were no collateral received or own debt securities issued throughout 2020 and 2019.

8.3. Encumbered Assets/Collateral Received and Associated Liabilities

The values presented below, including totals, are based on a four-point median average across the four quarters in each of 2020 and 2019.

EU AE3 Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and Asset Backed Securities (ABSs) encumbered
2020	**€ 000**	**€ 000**
Carrying amount of selected financial liabilities	**1,105,197**	2,993,629
2019		
Carrying amount of selected financial liabilities	**723,893**	2,977,489

The on balance sheet encumbered assets primarily consist of cash and other liquid assets, loans and advances to customers and investments in debt securities.

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

Investments are mainly used as collateral for supplementary assets for the covered bond and repurchase transactions with commercial banks. As at 31 December 2019, investments were mainly used as collateral for repurchase transactions with commercial banks. As at 31 December 2020, no investments were used as collateral for repurchase transactions with commercial banks as these matured within 2020.

Loans and advances indicated as encumbered as at 31 December 2020 and 2019 are mainly used as collateral for available funding from the ECB and 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 CBC. Under the Covered Bond Programme, BOC PCL has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 6 June 2018, the terms of the covered bonds have been amended to extend the maturity date to 12 December 2021 and set the interest rate to 3 months Euribor plus 2.50% on a quarterly basis. The covered bonds are traded 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.

Loans and advances to customers include mortgage loans of a nominal amount of €1,017 million as at 31 December 2020 (2019: €1,000 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2020 housing loans of a nominal amount of €1,827 million (2019: €1,498 million) in Cyprus, are pledged as collateral for funding from the ECB.

8.3. Encumbered Assets/Collateral Received and Associated Liabilities (continued)

Sovereign ratings
The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system.

S&P Global Ratings maintains an investment grade rating of BBB- with a stable outlook since September 2018. The rating and the outlook were affirmed in March and September 2020 and March 2021. In March 2021, S&P Global Ratings affirmed its rating (BBB-) and its outlook to stable, balancing the risks from the pandemic's protracted adverse impact on growth, fiscal, and banking sector performance against benefits of the EU's Recovery and Resilience Facility (RRF) transfers, as well as further improvement in the government's debt profile.

Fitch Ratings maintains a Long-Term Issuer Default rating of investment grade at BBB- since November 2018, affirmed in April and October 2020 and March 2021. Its outlook was upgraded to positive in October 2019 and revised to stable in April 2020 and affirmed in March 2021, reflecting the significant impact the global COVID-19 pandemic might have on the Cyprus economy and fiscal position.

Moody's Investors Service maintains a long-term credit rating of Ba2 since July 2018 and a positive outlook since September 2019. More recently in January 2021, Moody's issued a revised credit opinion on the Cyprus Sovereign, maintaining the positive rating outlook. This was driven by the substantial reduction of non-performing exposures and a favourable outlook on public debt reduction expected to resume after the COVID-19 crisis. The large increase in debt related to the COVID-19 pandemic is expected to be transitory in part because of Cyprus' large fiscal surplus going into the pandemic.

In November 2020, DBRS Ratings affirmed the Republic of Cyprus's Long Term Foreign and Local Currency – Issuer Ratings at BBB (low) with a stable trend.

9. Securitisation positions

Securitisation results from a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is tranched having both of the following characteristics: payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

"Tranche" means a contractually established segment of the credit risk associated with an exposure or a number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

During 2019, the Group disposed a portfolio of loans and advances to customers with a gross book value of €2.8 billion (of which €2.7 billion related to non-performing loans) (the Portfolio) and stock of property with carrying value amounting to €109 million (the Portfolio) and stock of property (known as 'Project Helix' or the 'Transaction') through the transfer of the Portfolio by BOC PCL to a licensed Cypriot Credit Acquiring Company (the 'CyCAC'). The shares of the CyCAC were subsequently acquired by certain funds affiliated with Apollo Global Management LLC (together with its consolidated subsidiaries 'Apollo', the purchaser of the Portfolio). Funds managed by Apollo provided equity capital in relation to the financing of the purchase of the Portfolio.

BOC PCL received consideration of c€1,186 million on completion, reflecting adjustments resulting from, inter alia, loan repayments received on the Portfolio since the reference date of 31 March 2018, of which €45 million concern the BOC PCL participation in the senior debt issued to finance the transaction, representing c4% of the total acquisition funding. Other than the above, BOC PCL has no other securitisation positions. This transaction has been classified as a Traditional Securitisation. In June 2019 the Group has derecognised the disposed portfolio relating to Project Helix.

The senior debt is classified as an investment in debt securities at amortised cost. A cash-flow based ECL approach is used for the calculation of the ECL of this senior term facility. For the calculation of the IFRS 9 Provision and the setting of the IFRS 9 staging, three cash flows streams are needed: The cash flows as per original expectation as at end of June 2019 (optimistic scenario), the baseline cash flows (i.e. the contractual cash flows adjusted to take into account the actual payments of the facility up to date – or expected cash flows) and the adverse scenario cash flows (i.e. the contractual cash flows adjusted to take into account specific haircuts). The ECL is calculated as the weighted loss arising by comparing its IFRS gross carrying amount (calculated in the previous period) to the sum of discounted expected cash flows of the three scenarios. In case no loss arises by comparing the above cash flows, the ECL will be the product of i) the balance sheet amount of the bond, ii) a 12-month PD of 3.31% which is based on the rating of the Bank which is single B and iii) a loss given default (LGD) of 10% which is the floor of the Basel 3 revised IRB framework based on residential and commercial real estate.

In addition to credit and liquidity risks, other inherent risks may stem from potential breaches in warranties and disclaimers in the agreement. BOC PCL does not have any material retained positions and there is no need for further hedging. No re-securitisations are applied.

BOC PCL being the originator (directly involved in the original agreement which created the obligations or potential obligations giving rise to the securitised exposures) in the Project Helix traditional securitisation transaction invested in the senior tranche of the debt securities issued whereby traditional securitisation means the economic transfer of the exposures being securitised (transfer of ownership).

BOC PCL has applied the Standardised Approach for securitisation positions (SEC-SA) whereby a look-through approach is used in calculating the RWA and capital requirements for the position held in the securitisation under article 261 of the EU Regulation 2017/2401 amending the CRR.

9. Securitisation positions (continued)

	Traditional		
31 December 2020	**Exposure Value**	**RWAs**	**Capital Requirements**
Bank acts as originator	**€ 000**	**€ 000**	**€ 000**
Loans to corporates or SMEs (treated as corporates)	32,886	37,128	2,970
Total	**32,886**	**37,128**	**2,970**

	Traditional		
31 December 2019	**Exposure Value**	**RWAs**	**Capital Requirements**
Bank acts as originator	**€ 000**	**€ 000**	**€ 000**
Loans to corporates or SMEs (treated as corporates)	39,946	45,638	3,651
Total	**39,946**	**45,638**	**3,651**

The decrease in exposure value is mainly due to repayments.

BOC PCL does not hold any re-securitisation positions.

APPENDIX I – Basis of Consolidation of Group entities for regulatory purposes

The subsidiary companies and branches, their activities and their consolidation method as at 31 December 2020 are presented in the table below:

EU LI3 – Outline of the differences in the scope of consolidation – entity by entity

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Bank of Cyprus Public Company Ltd	Full consolidation	x	-	-	-	Commercial bank
Auction Yard Ltd	Full consolidation	x	-	-	-	Auction company
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	Full consolidation	x	-	-	-	Administration of guarantees and holding of real estate properties
BOC Asset Management Romania S.A.	Full consolidation	x	-	-	-	Collection of the existing portfolio of receivables, including third party collections
JCC Payment Systems Ltd	Full consolidation	x	-	-	-	Card processing transaction services
LCP Holdings and Investments Public Ltd	Full consolidation	x	-	-	-	Holding company
MC Investment Assets Management LLC	Full consolidation	x	-	-	-	Problem asset management company
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Full consolidation	x	-	-	-	Investment banking, asset management and brokerage
S.Z. Eliades Leisure Ltd	Full consolidation	x	-	-	-	Land development and operation of a golf resort
Fortuna Astrum Ltd	Full consolidation	x	-	-	-	Problem asset management company
Bank of Cyprus Holdings Public Limited Company	Full consolidation	x	-	-	-	Holding company
Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd)	Full consolidation	-	-	x	-	UCITS Fund
EuroLife Ltd	Full consolidation	-	-	x	-	Life insurance
General Insurance Of Cyprus Ltd	Full consolidation	-	-	x	-	General insurance
Kermia Ltd	Full consolidation	-	-	x	-	Property trading and development

Name of the entity	**Method of accounting consolidation**	**Method of regulatory consolidation**				**Description of the entity**
		Full consolidation	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
Kermia Properties & Investments Ltd	Full consolidation	-	-	x	-	Property trading and development
CLR Investment Fund Public Ltd	Full consolidation	-	-	x	-	Investment company
BOC Secretarial Company Ltd	Full consolidation	-	-	x	-	Secretarial services
BOC ASSET MANAGEMENT LTD	Full consolidation	x	-	-	-	Managements administration and safekeeping of UCITS Units
Canosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Edoric Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jobelis Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Kernland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Melsolia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Thryan Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Koralmon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Kedonian Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lasteno Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Spacous Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Calinora Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Marcozaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Soluto Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Solomaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Linaland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Andaz Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Unital Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Astromeria Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Neraland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Orzo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Wingstreet Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nolory Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lynoco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fitrus Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lisbo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Mantinec Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Colar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Irisa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Venicous Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Regetona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Provezaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hillbay Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Senadaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Arcandello Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Mostero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Camela Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Ofraco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Forenaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hovita Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Helal Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Subworld Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lorman Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Yossi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jongeling Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fareland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Barosca Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Fogland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tebasco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Homirova Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Blodar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cobhan Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cranmer Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Domita Estates Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Emovera Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Estaga Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Innerwick Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Joberco Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Labancor Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Laiki Lefkothea Center Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Memdes Estates Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nalmosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ramendi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Skellom Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Steparco Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tebane Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zecomex Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Valecross Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Altco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Olivero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jaselo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Elosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Flona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Pendalo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Toreva Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Frontyard Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Resoma Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Venetolio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bonsova Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Garmozy Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Palmco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Intelamon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Weinar Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Balasec Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Eracor Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Thermano Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nouralia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Mazima Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Diafor Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Rulemon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Thelemic Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Maledico Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dentorio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Valioco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bascone Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Resocot Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Soblano Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Talamon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Paradexia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Rosalica Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zandexo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Paramina Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tasabo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Coeval Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Bendolio Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Kartama Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zemialand Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Secretsky Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Riveland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Asianco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nigora Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Comenal Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cimonia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Finevo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nesia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dominion Industries Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Eurolife Properties Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Ledra Estate Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Les Coraux Estates Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Natakon Company Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Oceania Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Vieman Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Belvesi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hamura Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Meriaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Flymoon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Noleta Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Prodino Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Odolo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Tolmeco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Arlona Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Dilero Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ensolo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Folimo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Pelika Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Calandomo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Jalimo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Sendilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Molemo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nivamo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Baleland Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Icazo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Edilia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Limoro Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Rofeno Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Samilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Green Hills Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Otherland Properties Dorobanti SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Romaland Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Imoreth Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Inroda Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zunimar Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Allioma Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nikaba Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Vemoto Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zenoplus Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
BOC Terra AIF V.C.I.C. PCL	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	**Method of accounting consolidation**	**Method of regulatory consolidation**				**Description of the entity**
		Full consolidation	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
Gosman Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Obafemi Holdings Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Stamoland Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Unoplan Properties Ltd	Full consolidation	x	-	-	-	Holding of shares and other investments and provision of services
Petrassimo Properties Ltd	Full consolidation	x	-	-	-	Holding of equipment located in the properties repossessed under DFAS
Tavoni Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Amary Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Holstone Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Alepar Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Cramonco Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Monata Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Stormino Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Aktilo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Alezia Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Aparno Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Enelo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Mikosa Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Stevolo Properties Ltd	Full	x	-	-	-	Reserved to accept property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
	consolidation					
Lomenia Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Vertilia Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Ameleto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Avaleto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Carilo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Gelimo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Larizemo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Midelox Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Montira Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Olisto Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Orilema Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Rifelo Properties Limited	Full consolidation	x	-	-	-	Reserved to accept property
Nikaba Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Selilar Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Battersee Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Bocaland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Bonayia Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Hydrobius Ltd	Full consolidation	x	-	-	-	Intermediate holding
Imoreth Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Inroda Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Janoland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Otherland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Romaland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Tantora Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Trecoda Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Zunimar Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Allioma Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Landanafield Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding
Iperi Properties Ltd	Full consolidation	x	-	-	-	Inactive
Paneuropean Ltd	Full consolidation	x	-	-	-	Inactive
Philiki Ltd	Full consolidation	x	-	-	-	Inactive
Philiki Management Services Ltd	Full consolidation	x	-	-	-	Inactive
Thames Properties Ltd	Full consolidation	x	-	-	-	Inactive
Finerose Properties Ltd	Full consolidation	x	-	-	-	Inactive
Weinco Properties Ltd	Full consolidation	x	-	-	-	Inactive
Cyprialife Ltd	Full consolidation	x	-	-	-	Inactive
Imperial Life Assurance Ltd	Full consolidation	-	-	x	-	Inactive
Laiki Bank (Nominees) Ltd	Full consolidation	-	-	x	-	Inactive
Nelcon Transport Co. Ltd	Full consolidation	-	-	x	-	Inactive

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
CYCMC II Ltd	Full consolidation	x	-	-	-	Inactive
CYCMC III Ltd	Full consolidation	x	-	-	-	Inactive
CYCMC IV Ltd	Full consolidation	x	-	-	-	Inactive
Kyprou Commercial SA	Full consolidation	x	-	-	-	Inactive
Kyprou Properties SA	Full consolidation	-	-	x	-	Inactive
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Full consolidation	-	-	x	-	Inactive
Kyprou Zois (branch of EuroLife Ltd)	Full consolidation	-	-	x	-	Inactive
Birkdale Properties Ltd	Full consolidation	x	-	-	-	Inactive
Axxel Ventures Limited	Full consolidation	-	-	x	-	Holding of shares and other investments
CLR Private Equity Limited	Full consolidation	-	-	x	-	Holding of shares and other investments
Europrofit Capital Investors Public Limited	Full consolidation	-	-	x	-	Inactive
Commonland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Fledgego Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Frozenport Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Loneland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Melgred Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Mirodi Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Sylvesta Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
BC Romanoland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Blindingqueen Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Buchuland Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Unknownplan Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Nallora Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Fairford Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Corner LLC	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Diners Club (Cyprus) Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Leasing Finance LLC	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Omiks Finance LLC	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Salecom Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Otoba Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Dolapo Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Bramwell Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Nivoco Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Prosilia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Elosis Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Renalandia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Crolandia Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Fantasio Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Pariza Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Demoro Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Polkima Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Battersee Real Estate SRL	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Trecoda Real Estate SRL	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off

APPENDIX II – List of immaterial countries

Other countries included in significant area "EU countries"

Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France (2020 only), Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg , Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia (2020 only), Spain, Sweden.

Other geographical areas included in significant area "Non EU Countries"

Algeria, Antigua and Barbuda, Armenia, Australia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Cambodia, Cameroon, Canada, Cayman Islands, China, Colombia, Egypt, Gambia, Georgia, Guernsey, Hong Kong, Iceland, India, Indonesia, Islamic Republic of Iran, Iraq, Israel, Japan, Jersey, Jordan, Kazakhstan, Kenya, Republic of Korea, Kuwait, Lebanon, Liberia, Libya, The Former Yugoslav Republic of Macedonia, Malawi, Malaysia, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montenegro, Morocco, Mozambique, Nepal, New Zealand, Nigeria, Norway, Oman, Pakistan, Occupied Palestinian Territory, Panama, Philippines, Qatar, Russian Federation, Saudi Arabia, Serbia, Seychelles, Singapore, South Africa, Switzerland, Syrian Arab Republic, Province of China Taiwan, Thailand, Turkey, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United States, Uzbekistan, Vietnam, British Virgin islands, Zambia, Zimbabwe.

2019 only: Greenland, Ghana, Niue.

2020 only: Albania, Anguilla, Argentina, Bermuda, Chile, Dominica, Dominican Republic Gabon, Gibraltar, Isle of Man, Liechtenstein, Macao, Namibia, Saint Kitts And Nevis, Sao Tome and Principe, Senegal, Tanzania United Republic of, Turkmenistan, Venezuela, Yemen.

"Supranationals" included in Other geographical areas

The European Financial Stability Facility, the Council of Europe Development Bank (2019 only), the European Investment Bank, the Asian Development Bank, the European Bank for Reconstruction and Development (2019 only), the European Stability Mechanism, the European Union, the Nordic Investment Bank, the Inter-American Development Bank (2019 only), the International Finance Corporation (2019 only).

"Other countries" included in NPEs by geography

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

APPENDIX III – List of other countries and their % countercyclical buffer rate

The countries listed below are the countries which in either year had exposures subject to countercyclical buffer rate.

Other countries with 0% countercyclical buffer rate with exposures only in 2020

France (31.12.2019: 0.25%), Denmark (31.12.2019: 1%), Iceland (31.12.2019: 1.75%), Ireland (31.12.2019: 1%), Lithuania (31.12.2019: 1%), Sweden (31.12.2019: 2.50%).

Other countries with 0% countercyclical buffer rate for 2019 & 2020

Albania, Algeria, Antiqua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Belarus, Belgium, Belize, Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands, Cambodia, Cameroon, Canada, Cayman Islands, Chile, China, Colombia, Croatia, Dominican Republic, Egypt, Estonia, Finland, Gabon, Gambia, Georgia, Germany, Gibraltar, Guernsey, Hungary, India, Indonesia, Islamic Republic of Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lebanon, Liberia, Libya, Liechtenstein, Macao, Malawi, Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Morocco, Mozambique, Montenegro, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Palestinian Occupied Territory, Panama, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Tanzania, Romania, Russian Federation, Saint Kitts and Nevis, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovenia, South Africa, Spain, Switzerland, Syrian Arab Republic, Taiwan Province of China, Thailand, The Former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United States, Uzbekistan, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

Other countries with 0.25% countercyclical buffer rate

Luxembourg
(at 0% as at 31.12.2019)

Other countries with 0.50% countercyclical buffer rate

Bulgaria, Czech Republic
(31.12.2019: Czech Republic at 1.50%)

Other countries 1% countercyclical buffer rate

Hong Kong, Norway, Slovakia
(31.12.2019: Hong Kong at 0%, Slovakia at 1.50% and Norway at 2.50%)

APPENDIX IV – Main features of Capital Resources

Main features of the ordinary shares of the Group

		2020/2019
		Group
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	IE00BD5B1Y92
3	Governing law(s) of the instrument	Irish Law
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital	€ 44,619,993
9	Nominal amount of instrument	€ 44,619,993
9(a)	Issue price	Various
9(b)	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	Yes[1]
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A

[1] The Company and BOC PCL are currently under a regulatory dividend distribution prohibition and therefore no dividends were declared or paid during years 2020 and 2019.

Main features of the AT1 Capital Securities

		2020	2019
		Group	**Group**
1	Issuer	Bank of Cyprus Holdings Public Limited Company	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS1865594870	XS1865594870
3	Governing law(s) of the instrument	English law, except for the subordination and set off provisions which will be governed by the laws of Ireland	English law, except for the subordination and set off provisions which will be governed by the laws of Ireland
	Regulatory treatment		
4	Transitional CRR rules	Additional Tier 1 Capital Securities	Additional Tier 1 Capital Securities
5	Post-transitional CRR rules	Additional Tier 1 Capital Securities	Additional Tier 1 Capital Securities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated Level	Consolidated Level
7	Instrument type	Additional Tier 1 Capital Securities	Additional Tier 1 Capital Securities
8	Amount recognised in regulatory capital	€ 220,000,000	€ 220,000,000
9	Nominal amount of instrument	€ 220,000,000	€ 220,000,000
9(a)	Issue price	100	100
9(b)	Redemption price	100	100
10	Accounting classification	Shareholders’ Equity	Shareholders’ Equity
11	Original date of issuance	19 December 2018	19 December 2018
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	19 December 2023	19 December 2023
16	Subsequent call dates, if applicable	Each day which falls on every fifth anniversary of the first call date of 19 December 2023	Each day which falls on every fifth anniversary of the first call date of 19 December 2023
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	(i) 12.50% semi-annually up to call date of 19 December 2023 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 12.603%	(i) 12.50% semi-annually up to call date of 19 December 2023 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 12.603%
19	Existence of a dividend stopper	N/A	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible

		2020	2019
		Group	**Group**
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, instrument type convertible into	N/A	N/A
29	If convertible, issuer of instrument it converts into	N/A	N/A
30	Write-down features	Yes	Yes
31	If write-down, write-down trigger(s)	Group CET1 Ratio less than 5.125%	Group CET1 Ratio less than 5.125%
32	If write-down, full or partial	Partial	Partial
33	If write-down, permanent or temporary	Temporary	Temporary
34	If temporary write-down, write-up mechanism	Yes	Yes
35	Position in subordination hierarchy in liquidation	Unsecured and subordinated and at all times rank (1) junior to Tier 2, any other subordinated obligations and unsubordinated obligations (not ranking pari passu with the Capital Securities) and (2) only senior to share capital (CET1).	Unsecured and subordinated and at all times rank (1) junior to Tier 2, any other subordinated obligations and unsubordinated obligations (not ranking pari passu with the Capital Securities) and (2) only senior to share capital (CET1).
36	Non-compliant transitioned features	N/A	N/A
37	If yes, non-compliant features	N/A	N/A

Main features of the Note

		2020	**2019**
		Group	**Group**
1	Issuer	Bank of Cyprus Public Company Ltd	Bank of Cyprus Public Company Ltd
2	Unique identifier	XS1551761569	XS1551761569
3	Governing law(s) of the instrument	English law, save for Subordination and Set-off provisions which will be governed by the laws of the Republic of Cyprus.	English law, save for Subordination and Set-off provisions which will be governed by the laws of the Republic of Cyprus.
	Regulatory treatment		
4	Transitional CRR rules	Tier 2 Capital Notes	Tier 2 Capital Notes
5	Post-transitional CRR rules	Tier 2 Capital Notes	Tier 2 Capital Notes
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated & Sub-consolidated & Solo	Consolidated & Sub-consolidated & Solo
7	Instrument type	Tier 2 Capital Notes	Tier 2 Capital Notes
8	Amount recognised in regulatory capital	€ 192,248,000	€ 189,955,000
9	Nominal amount of instrument	€ 250,000,000	€ 250,000,000
9(a)	Issue price	100	100
9(b)	Redemption price	100	100
10	Accounting classification	Subordinated loan stock	Subordinated loan stock
11	Original date of issuance	19 January 2017	19 January 2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	19 January 2027	19 January 2027
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	19 January 2022	19 January 2022
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	(i) 9.25% per annum up to call date of 19 January 2022 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 9.176%	(i) 9.25% per annum up to call date of 19 January 2022 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 9.176%
19	Existence of a dividend stopper	N/A	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory

		2020	2019
		Group	**Group**
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, instrument type convertible into	N/A	N/A
29	If convertible, issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation	Subordinated to any unsubordinated obligations and any subordinated obligations that rank senior to this Note. Senior to Additional Tier 1 instruments and share capital.	Subordinated to any unsubordinated obligations and any subordinated obligations that rank senior to this Note. Senior to Additional Tier 1 instruments and share capital.
36	Non-compliant transitioned features	N/A	N/A
37	If yes, non-compliant features	N/A	N/A

Appendix V- Result of the materiality analysis of the legal entities as at 31 December 2020

Legal entity	Qualitative criterion	% RWAs	% Total income	% Total Assets	Materiality
Bank of Cyprus Public Company Ltd (Cyprus)	Core Business Line and Critical Function	91.64	85.02	94.15	YES
CISCO	Not a critical function, significant business activity or a service/support function	0.08	0.19	0.00	NO
GIC	Not a critical function, significant business activity or a service/support function	0.00	3.3	0.01	NO
EuroLife Ltd	Not a critical function, significant business activity or a service/support function	0.00	5.19	5.78	NO
Kermia and Kermia Properties and Investments	Not a critical function, significant business activity or a service/support function	0.00	0.08	0.00	NO
JCC	Critical Function	0.76	3.46	0.02	YES
Global Balances Fund of Funds Salamis VCIC PCL (formerly Cytrustees Investment Public Company Ltd)	Not a critical function, significant business activity or a service/support function	0.00	0.02	0.00	NO
S.Z. Eliades Leisure Ltd	Not a critical function, significant business activity or a service/support function	0.39	-2.14	0.00	NO
Bank of Cyprus Public Company Ltd (Greek branch)	Not a critical function, significant business activity or a service/support function	0.75	0.01	0.00	NO
MC Investments and Asset Management LLC	Not a critical function, significant business activity or a service/support function	-0.03	-1.48	0.03	NO
Other various small subsidiaries (mainly Special Purpose Vehicles (SPVs))	Not a critical function, significant business activity or a service/support function	6.41	6.35	0.00	NO

Appendix VI - Specific References to CRR Articles

CRR ref.	High-level summary	Compliance reference
General Provisions		
6	General Principles	Section 3
13	Application of disclosure requirements on a consolidated basis	Section 3
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar III disclosures.	Section 2.2
431 (2)	Disclosure of operational risk information.	Section 4.3
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	The Bank has a dedicated Pillar III policy
431 (4)	Explanation of ratings decisions to SMEs upon request.	Not applicable to the Bank
Non-material, proprietary or confidential information		
432	Non-material, proprietary or confidential information – EBA Guidelines on materiality, proprietary, confidentiality and on disclosure frequency	The Group discloses all minimum requirements set by CRR and no information has been omitted on the basis of materiality, proprietary or confidential
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements and more frequently if necessary.	Section 2.2
Means of disclosures		
434 (1)	To include disclosures in one appropriate medium, or provide clear cross-references to other media.	All applicable disclosures are contained within the Report
434 (2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	Cross-references to accounting and other disclosures are indicated in the Report
Risk management objectives and policies		
435 (1) (a)	Disclosure of information as regards strategies and processes, organisational structure of the relevant risk management function, reporting and measurement systems and risk mitigation / hedging policies.	Sections 2.4 and 4.1, 4.2.1 to 4.2.5, 4.3.2 and 4.3.3
435 (1) (b)		Sections 2.4.1.1 to 2.4.7
435 (1) (c)		Sections 2.3.8 and 2.4.7
435 (1) (d)		Sections 4.1.4, 4.1.6, 4.2.1 to 4.2.5, 4.3.2 and 4.3.3
435 (1) (e)	Declaration approved by the BoD on adequacy of risk management arrangements.	Section 2.4.2
435 (1) (f)	Concise risk statement approved by the BoD.	Section 1 and 2.4.5
435 (2)	Information, once a year at a minimum, on governance arrangements.	Section 2.3.2 and Annual Corporate Governance Report 2020
435 (2) (a)	Number of directorships held by members of the BoD.	Section 2.3.2 and Annual Corporate Governance Report 2020
435 (2) (b)	Recruitment policy of BoD members, their experience and expertise.	Section 2.3.1 and Annual Corporate Governance Report 2020
435 (2) (c)	Policy on diversity of BoD members, its objectives and results against targets.	Section 2.3.3
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	Section 2.3.5 to 2.3.7
435 (2) (e)	Description of information flow on risk to BoD.	Section 2.3.8
Scope of application		
436 (a)	Name of institution.	Section 2.1
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	Section 3.1.2, 3.1.3 and Appendix I
436 (b) (i)	Fully consolidated;	Section 3.1.2, 3.1.3 and Appendix I

CRR ref.	High-level summary	Compliance reference
436 (b) (ii)	Proportionally consolidated;	Section 3.1.2, 3.1.3 and Appendix I
436 (b) (iii)	Deducted from own funds;	Section 3.1.2, 3.1.3 and Appendix I
436 (b) (iv)	Neither consolidated nor deducted.	Section 3.1.2, 3.1.3 and Appendix I
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	Section 4.2.3
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any).	Section 2.2
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	Not applicable to the Group
Own funds		
437 (1)	Requirements regarding capital resources table.	Section 5.1 to 5.3
437 (1) (a)		Section 5.1 to 5.3
437 (1) (b)		Section 5.1 to 5.3
437 (1) (c)		Section 5.1 to 5.3
437 (1) (d) (i)		Section 5.1 to 5.3
437 (1) (d) (ii)		Section 5.1 to 5.3
437 (1) (d) (iii)		Section 5.1 to 5.3
437 (1) (e)		Section 5.2 and 5.3
437 (1) (f)		Not applicable to the Group
437 (2)	EBA shall develop implementation standards for points (a), (b), (d) and (e) above.	The Group follows the implementation standards. (Section 5)
Capital requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 5.5
438 (b)	Result of ICAAP on demand from competent authority.	Not such a request received, not applicable for the Group
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class (8% of risk-weighted exposure).	Section 5.5, 5.5.1, 5.5.2 and 5.5.4
438 (d)	Capital requirements amounts for credit risk for each Internal Ratings Based approach exposure class.	Not applicable to the Group
438 (d) (i)		Not applicable to the Group
438 (d) (ii)		Not applicable to the Group
438 (d) (iii)		Not applicable to the Group
438 (d) (iv)		Not applicable to the Group
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	Section 5.5 and 5.5.2
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised Approach, and the advanced measurement approaches as applicable.	Section 5.5.3
Exposure to Counterparty Credit Risk (CCR)		
439 (a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	Section 6.1.1
439 (b)	Discussion of policies for securing collateral and establishing credit reserves.	Section 6.1.2
439 (c)	Discussion of policies as regards wrong-way risk exposures.	Section 6.1.3
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Section 6.1.4
439 (e)	Derivation of net derivative credit exposure.	Section 6.1.6 and 6.1.8
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods as applicable.	Section 6.1.6
439 (g)	Notional value of credit derivative hedges and current credit exposure by types of credit exposure.	Not applicable to the Group
439 (h)	Notional amounts of credit derivative transactions for own credit,	Not applicable to the Group

CRR ref.	High-level summary	Compliance reference
	intermediation, bought and sold, by product type.	
439 (i)	Estimation of alpha, if applicable.	Not applicable to the Group
440 (1) (a)	Geographical distributions of credit exposures	Section 5.4
440 (1) (b)	Amount of the institution specific countercyclical buffer	Section 2.2 and 5.4
440 (2)	EBA issue the Regulatory Technical Standards on Countercyclical Capital Buffer	Section 2.2 and 5.4
Indicators of global systemic importance		
441	Indicators of global systemic importance	Not applicable to the Group
Credit risk adjustments		
442 (a)	Definitions for accounting purposes of 'past due' and 'impaired'.	Section 6.2.1
442 (b)	Approaches for calculating credit risk adjustments.	Section 6.2.1
442 (c)	Exposures post-value adjustments by different types of exposure classes.	Section 6.2.2, 6.2.4 and 6.2.5
442 (d)	Exposures post value adjustments by significant geographic areas and material exposure classes and by industry and exposure class.	Section 6.2.2.1
442 (e)	Distribution of exposures by industry	Section 6.2.2.2
442 (f)	Exposures post value adjustments by residual maturity and by material exposure class.	Section 6.2.3
442 (g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	Section 6.2.7.3, 6.2.4.1 and 6.2.4.2
442 (g) (i)		Section 6.2.4.1, 6.2.4.2, 6.2.5 and 6.2.7.1
442 (g) (ii)		Section 6.2.4.1, 6.2.4.2, 6.2.5 and 6.2.7.1
442 (g) (iii)		Section 6.2.4.1, 6.2.4.2, 6.2.5 and 6.2.7.1
442 (h)	Impaired, past due exposures, by geographic area, and amounts of specific and general impairment for each geography.	Section 6.2.4.3 and 6.2.5
442 (i)	Reconciliation of changes in specific and general credit risk adjustments.	Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 (i) (i)		Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 (i) (ii)		Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 (i) (iii)		Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 (i) (iv)		Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 (i) (v)		Section 6.2.4.1, 6.2.4.3 and 6.2.6
442 endnote	Specific credit risk adjustments recorded to income statement.	Section 6.2.4.2
Unencumbered assets		
443	Disclosures on unencumbered assets.	Section 8
Use of ECAIs		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	Section 6.3.1
444 (b)	Exposure classes associated with each ECAI.	Section 6.3.1
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items in the Banking book.	Section 6.3.2
444 (d)	Mapping of external rating to credit quality steps.	Section 6.3.1
444 (e)	Exposure values pre-credit risk mitigation and post-credit risk mitigation, by credit quality step.	Section 6.1.7
Market risk		
445	Exposure to Market Risk.	Section 5.5.2
Operational risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 5.5.3

CRR ref.	High-level summary	Compliance reference
Exposure in equities in the Banking book		
447 (a)	Differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used.	Section 6.4
447 (b)	Recorded at fair value, and actual prices of exchange traded equity where it is materially different from fair value.	Section 6.4
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	Section 6.4
447 (d)	Cumulative realised gains and losses on sales in the period.	Section 6.4
447 (e)	Total unrealised gains or losses, latent revaluation gains or losses and amounts included in Tier 1 capital.	Section 6.4
Exposure to interest rate risk on positions in the Banking book		
448 (a)	Nature of interest rate risk and key assumptions in measurement models.	Section 6.5.1
448 (b)	Variation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, by currency.	Section 6.5.2
Exposure to securitisation positions		
449	Exposure to securitisation positions	Section 9
Remuneration disclosures		
450	Remuneration policy.	Section 7
Leverage		
451 (1) (a)	Leverage ratio and how the institution applies Article 499(2) and (3)	Sections 5.6
451 (1) (b)	Analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	Sections 5.6.1, 5.6.2 and 5.6.3
451 (1) (c)	Where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	Not applicable to the Group
451 (1) (d)	Description of the risk management process to mitigate excessive leverage and factors that had an impact on the leverage ratio during the year.	Section 5.6
451 (1) (e)		Section 5.6
451 (2)	EBA shall develop implementation standards for points above.	The Group follows the implementation standards.
Use of the IRB Approach to credit risk		
452	Use of the IRB Approach to credit risk	Not applicable to the Group
Use of credit risk mitigation techniques		
453 (a)	Policies and processes, and an indication of the extent to which the Bank makes use of on-balance sheet and off-balance sheet netting.	Section 6.6
453 (b)	Policies and processes for collateral valuation and management.	Section 6.6 and 6.6.2
453 (c)	Description of types of collateral used by the Bank.	Section 6.6.1
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	Section 6.6.1
453 (e)	Information about market or credit risk concentrations within the credit mitigation taken.	Section 6.6.3
453 (f)	For exposures under either the Standardised or the Foundation IRB approach, disclosure of the exposure covered by eligible financial collateral and other eligible collateral	Section 6.6.3
453 (g)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure covered by guarantees or credit derivatives.	Section 6.2.4
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	Not applicable to the Group
Use of Internal Market Risk Models		
455	Use of Internal Market Risk Models	Not applicable to the Group

Appendix VII- List of EBA templates disclosed and mapping to Pillar 3 report

	Compliance Reference	Section
EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 3.1.2
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements	Section 3.1.3
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Appendix I
EU OV1	Overview of RWAs	Section 5.5
EU INS1	Non-deducted participations in insurance undertakings	Section 5.5.5
EU CRB-B	Total and average net amount of exposures	Section 6.2.2
EU CRB-C	Geographical breakdown of exposures	Section 6.2.2.1
EU CRB-D	Concentration of exposures by industry or counterparty types	Section 6.2.2.2
EU CRB-E	Maturity of exposures	Section 6.2.3
EU CR1-A	Credit quality of exposures by exposure class and instrument	Section 6.2.4.1
EU CR1-B	Credit quality of exposures by industry of counterparty types	Section 6.2.4.2
EU CR1-C	Credit quality of exposures by geography	Section 6.2.4.3
EU CR2-A	Changes in the stock of general and specific risk adjustments	Section 6.2.7.3
EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Section 6.2.6
EU CR3	CRM techniques – Overview	Section 6.6.3
EU CR4	Standardised Approach – Credit risk exposure and CRM effects	Section 6.6.3
EU CR5	Standardised Approach	Section 6.3.1
EU CCR1	Analysis of CCR exposure by approach	Section 6.1.6
EU CCR2	CVA capital charge	Section 6.1.8
EU CCR3	Standardised Approach – CCR exposures by regulatory portfolio and risk	Section 6.1.7
EU CCR5-A	Impact of netting and collateral held on exposure values	Section 6.1.5
EU CCR5-B	Composition of collateral for exposures to CCR	Section 6.1.2
EU CCR8	Exposures to central counterparties	Section 6.1.6
EU MR1	Market risk under the Standardised Approach	Not applicable
IFRS 9-EL	Comparison of institutions' own funds and capital and leverage ratios with the application of transitional arrangements for IFRS 9 or analogous ECLs and with and without the application of the temporary treatment in accordance with Article 468 CRR.	Section 5.7
Guidelines on the disclosure of non performing and forborne exposures issued on 17 December 2018		
Template 1	Credit quality of forborne exposures	Section 6.2.8
Template 2	Quality of forbearance	Section 6.2.8
Template 3	Credit quality of performing and non-performing exposures by past due days	Section 6.2.5
Template 4	Performing and non-performing exposures and related provisions	Section 6.2.5
Template 5	Quality of non-performing exposures by geography	Section 6.2.5
Template 6	Credit quality of loans and advances by industry	Section 6.2.5
Template 7	Collateral valuation – loans and advances	Section 6.2.5
Template 8	Changes in the stock of non-performing loans and advances	Section 6.2.5
Template 9	Collateral obtained by taking possession and execution processes	Section 6.2.5
Template 10	Collateral obtained by taking possession and execution processes – vintage breakdown	Section 6.2.5
Guidelines on LCR disclosure to complement the disclosure of liquidity risk management (disclosure of key ratios and figures) under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01)		
Template A	Encumbered and unencumbered assets	Section 8.1

Template B	Collateral received	Section 8.2
Template C	Encumbered assets/collateral received and associated liabilities	Section 8.3
Guidelines on disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) (EBA/ITS/2014/04)		
LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	Section 5.6.1
LRCom	Leverage ratio common disclosure	Section 5.6.2
LRSpl	Split-up of on balance sheet exposures (excluding derivatives and SFTs)	Section 5.6.3
Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07)		
Template 1	Information on loans and advances subject to legislative and non-legislative moratoria	Section 2.4.11
Template 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Section 2.4.11

GLOSSARY

A	
ADC	Asset Acquisition and Disposal Committee
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
AC	Board Audit Committee
ACCs	Additional Credit Claims
ABS	Annual Base Salary
AVA	Additional Valuation Adjustments
AGM	Annual General Meeting
B	
Bank, BOC PCL	Bank of Cyprus Public Company Limited
BoD, Board	Board of Directors
BRRD	Bank Recovery and Resolution Directive
C	
CEO	Chief Executive Officer
Company	Bank of Cyprus Holdings Public Limited Company
CSE	Cyprus Stock Exchange
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CBC	Central Bank of Cyprus
CRP	Credit Risk Policy
CRC&M	Credit Risk Control & Monitoring
CSCR	Corporate & SME Credit Risk
CET1	Common Equity Tier 1
CVA	Credit Valuation Adjustment
CSA	Credit Support Annex
Code	Corporate Governance Code
CISCO	The Cyprus Investment and Securities Corporation Ltd
CySEC	Cyprus Securities and Exchange Commission
CRR	Capital Requirements Regulation
CCyB	Countercyclical Capital Buffer
CCB	Capital Conservation Buffer
CRM	Credit Risk Mitigation
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CRMD	Credit Risk Management Department
COVID-19	Coronavirus Disease 2019
CNP	CNP Cyprus Insurance Holdings Ltd
CC1,CC2,CC3	Credit Committees
CDEA	Cleared Derivatives Execution Agreement
D	
DR	Disaster Recovery
DTA	Deferred Tax Asset
DTC	Deferred Tax Credits
E	
ExCo	Executive Committee
ECB	European Central Bank
EBA	European Banking Authority
ECL	Expected Credit Losses
EEA	European Economic Area
EMTN	Euro Medium Term Note
ECAIs	External Credit Assessment Institutions
ELA	Emergency Liquidity Assistance

EAD	Exposure at default
EV	Economic Value
EMIR	European Markets Infrastructure Regulation
F	
FX	Foreign Exchange
FVPL	Fair Value through Profit or Loss
FSE	Financial Sector Entity
FIRP	Fraud Incident Response Plan
G	
GIC	General Insurance of Cyprus
Group	Bank of Cyprus Holdings Public Limited Company
GDP	Gross Domestic Product
GMRAs	Global Master Repurchase Agreements
H	
HRRC	Human Resources & Remuneration Committee
HQLA	High Quality Liquid Assets
I	
IFRS	International Financial Reporting Standards
IT	Information Technology
ICAAP	Internal Capital Adequacy Assessment Process
IRS	Interest Rate Swaps
IWM	Institutional Wealth Management
ILAAP	Internal Liquidity Adequacy Assessment Process
ICMA	International Capital Market Association
ISDA	International Swaps and Derivatives Association, Inc.
IRE	Interest Rate Exposure
K	
KRIs	Key Risk Indicators
KPIs	Key Performance Indicators
L	
LCR	Liquidity Coverage Ratio
LTV	Loan to Value
LSE	London Stock Exchange
LCH	London Clearing House
LCP	Liquidity Contingency Plan
LSD	Legal Services Department
M	
MR	Market Risk Department
MM	Money Market
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
MRTs	Material Risk Takers
N	
NCGC	Nominations and Corporate Governance Committee
NPEs	Non-Performing Exposures
NPLs	Non-Performing Loans
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
NII	Net Interest Income
NRS	Non-Rate Sensitive Items
NMDs	Non-Maturing Deposits
O	
OCI	Other Comprehensive Income
ORM	Operational Risk Management

O-SIIs	Other Systemically Important Institutions
P	
PD	Probability of Default
P2R	Pillar II Requirement
P2G	Pillar II Guidance
Plan	Three year plan
Q	
QIS	Quantitative Impact Study
R	
RMD	Risk Management Division
RRD	Restructuring and Recoveries Division
RCSA	Risk Control Self-Assessment
RB	Retail Banking
RC	Board Risk Committee
RAS	Risk Appetite Statement
RAF	Risk Appetite Framework
RCMS	Risk Compliance Management System
RWAs	Risk Weighted Assets
S	
SREP	Supervisory Review and Evaluation Process
SMEs	Small Medium Enterprises
SFTs	Securities Financing Transactions
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism
T	
T2	Tier 2
TC	Total Capital
T1	Tier 1
V	
VEP	Voluntary Exit Plan
VaR	Value at Risk