Pillar 3 Disclosures

2023

Bank of Cyprus Holdings

Forward-Looking Statements

This document contains certain forward-looking statements which can usually be identified by terms used such as 'expect', 'should be', 'will be' and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Bank of Cyprus Holdings Group's (the Group) near term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group’s future results of operations, financial condition, the level of the Group’s assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange rate fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, and geopolitical developments as well as uncertainty over the scope of actions that may be required by us, governments and other to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and governmental standards and regulations. This creates significantly greater uncertainty about forward-looking statements. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward-looking statements.

Further, forward-looking statements may be affected by changes in reporting frameworks and accounting standards, including practices with regards to the interpretation and application thereof and emerging and developing ESG reporting standards. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any statement is based.

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1. Executive Summary

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

The Group is a leading, financial and technology hub in Cyprus. The Group generated €487 million profit after tax for the year, corresponding to a ROTE of 24.8%, surpassing its 2023 targets, supported by strong net interest income growth, whilst non-interest income remained a significant contributor to the Group's profitability and diversified model, covering 88% of total operating expenses. The Group's efficiency ratio was significantly improved on prior year reflecting continued revenue growth and disciplined cost management amidst inflationary pressures.

The Group remains focused on growing revenues in a more capital efficient way through growth of high-quality new lending and the growth in niche areas, such as insurance and digital products that provide further market penetration and diversify through non-banking operations. The Group has continued to provide high quality new lending in the year ended 31 December 2023 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with BOC PCL's target risk profile.

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

Strategy and Outlook

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

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

1. Executive Summary (continued)

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

	2023	2022
Key Balance sheet ratios		
NPE ratio	3.60%	4.00%
NPE coverage ratio	73%	69%
Leverage ratio[1]	7.65%	7.00%
Cost of risk (bps)	62	44
Liquidity Coverage Ratio (LCR)	359%	291%
Net Stable Funding Ratio (NSFR)[3]	158%	168%
Capital ratios and Risk Weighted Assets	**2023 (Regulatory)[2]**	**2022[1]**
Common Equity Tier 1 (CET1) ratio (transitional)	17.39%	15.23%
CET1 (fully loaded)	17.33%	14.46%
Total Capital ratio (transitional)	22.42%	20.37%
Risk weighted assets (€ million)	10,341	10,114
RWAs intensity	38.83%	39.99%

1 **The leverage and capital ratios have been restated to take into consideration the dividend in respect of the earnings of the year ended 31 December 2022. More information is provided in Section 5.1 EU CC1 - Composition of regulatory own funds.**

2 **Includes profits for the year ended 31 December 2023 net of distribution at 30% payout ratio, following ECB approval in March 2024. More information is provided in Section 5.1 EU CC1 - Composition of regulatory own funds.**

3 **NSFR is reported as per CRR III.**

Throughout this Report, all relevant figures are based on 31 December 2023 financial results, unless otherwise stated.

- Credit Risk is managed in accordance with the Risk Appetite which sets targets for several key **asset quality metrics** described below.
  - NPEs were decreased to €365 million at 31 December 2023, compared to €411 million at 31 December 2022. As a result, the NPEs account for 3.6% of gross loans as at 31 December 2023, compared to 4.0% at 31 December 2022.
  - The Group has continued to make steady progress across all asset quality metrics. As the balance sheet de-risking was largely completed in 2022, the Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration. Loan credit losses for the year ended 31 December 2023 were €63 million, compared to €47 million for the year ended 31 December 2022 and include €19 million higher loan credit losses on specific customers with idiosyncratic characteristics assessed as 'Unlikely to pay' ('UTPs') exposures, even though they adhere to their repayment schedule and present no arrears. The annualised loan credit losses charge (cost of risk) for the year ended 31 December 2023 is 62 bps, compared to a cost of risk of 44 bps for the year ended 31 December 2022.
  - The NPE coverage ratio stands at 73% at 31 December 2023, compared to 69% at 31 December 2022. When taking into account tangible collateral at fair value, NPEs are fully covered.

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, European Central Bank (ECB) Directives and the Capital Requirements Regulation (CRR). According to these restrictions, a credit institution shall not incur an exposure after taking into account the effect of the credit risk mitigation and exempt exposures to a client or group of connected clients, the value of which exceeds 25% of Tier 1 Capital. The Group's Risk Appetite Statement (RAS) imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of the internal limits over time.

- As at 31 December 2023, the **leverage ratio** of the Group was 7.65% (2022: 7.00%, as restated) on a transitional basis and 7.62% (2022: 6.66% as restated) using a fully phased in definition of Tier 1 (T1). This ratio is well above the 3% regulatory limit.

- At 31 December 2023, the **Liquidity Coverage ratio (LCR)** stood at 359% compared to 291% at 31 December 2022 and was in compliance with the minimum regulatory requirement of 100%.

- As at 31 December 2023, the **Net Stable Funding ratio (NSFR)** stood at 158% compared to 168% as at 31 December 2022 and was in compliance with the minimum regulatory requirement of 100%.

- The **CET1 ratio on a transitional basis** stood at 17.39% as at 31 December 2023, compared to 15.23% as at 31 December 2022, as restated. During the year ended 31 December 2023, CET1 ratio was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary following the adoption of IFRS 17 'Insurance Contracts' ('IFRS 17') resulting in a benefit in the equity of the life insurance subsidiary enabling the distribution to BOC PCL and enhancing Group CET1 ratio by approximately 50 basis points and negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, the payment of AT1 coupon, AT1 refinancing costs, the capital deduction of 0.33% in relation to the ECB prudential expectations for NPEs, other movements and the increase in risk-weighted assets. The CET1 ratio is also impacted by the deductions for distribution in respect of 2023 earnings and charges in line with the applicable framework.

- The **CET1 fully loaded ratio** amounted to 17.33% as at 31 December 2023, compared to 14.46% as at 31 December 2022, as restated.

- The **Total Capital ratio** stood at 22.42% as at 31 December 2023, compared to 20.37% as at 31 December 2022, as restated.

- The Standardised Approach has been applied to calculate the Risk Weighted Assets (RWAs) across all risks. The total RWA in 2023 (€10,341 million) increased in comparison to 2022 (€10,114 million) with the main drivers being the increase in operational risk RWAs, the increase in the portfolio of investments, mainly assigned to lower risk weight classes (Central government, Covered bonds, Regional governments, MDB, PSEs, International Organizations) and the increase in placements with banks partly offset by decreases in other assets (such as the stock of property) and the IFRS 9 phasing in on 1 January 2023. Credit Risk RWAs continue to be the main component of minimum capital requirements.

1. **Executive Summary** (continued)

Risk Profile

The Group is exposed to several key risks that include credit risk, market risk, liquidity and funding risk, concentration risk, and operational risk which includes but not limited to, compliance risk, legal risk, information security and cyber risks, technology risk and third-party risk. Further details on these risks are provided in Section 3 of the current disclosures.

The Board, through the Risk Committee, 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 3 of the current disclosures, provides the infrastructure, processes and analytics needed to support effective risk management. It also ensures that material risks are identified, including, but not limited to, risks that might threaten the Group's business model, future performance, liquidity, and solvency. Such risks are taken into consideration in defining the Group's overall business strategy ensuring alignment with its risk appetite. In setting its risk appetite, the Group ensures that its risk bearing capacity is considered so that the appropriate capital levels are always maintained. Furthermore, the risk appetite framework sets specific limits on credit risk including the level of NPEs, the cost of risk as well as concentration limits which are considered when defining the level of new lending in the business strategy.

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

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

2. Introduction

2.1 Corporate Information

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

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

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

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

2.2 Pillar III Regulatory Framework

Regulatory framework overview

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

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

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

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

2.2 Pillar III Regulatory Framework (continued)

The current regulatory framework comprises three pillars:

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

The Group's 2023 year end disclosures comply with all relevant CRD, CRR and associated EBA and ECB guidelines and technical standards in force at 31 December 2023.

Future Regulatory Developments

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

- *The 2021 Banking Package (CRR III and CRD VI and BRRD)*
  In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD VI and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In addition, in the case of the proposed amendments to CRD VI and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022. During February 2023, the European Parliament's ECON Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the Capital Requirements Regulation and the Capital Requirements Directive. In December 2023, the preparatory bodies of the Council and European Parliament have endorsed the amendments to the Capital Requirements Regulation and the Capital Requirements Directive. With the decisions taken by the Council and European Parliament preparatory bodies, the legal texts have now been published on the Council and the Parliament websites. Although still subject to legal revision and to the final vote in the Plenary, no changes in substance are expected until their adoption by the European Parliament by the second quarter of 2024. It is expected that they will enter into force on 1 January 2025; and certain measures are expected to be subject to transitional arrangements or to be phased in over time.

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

2.2 Pillar III Regulatory Framework (continued)

Capital requirements

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

Minimum Capital Requirements

	01 January 2024	2023	2022
	%	%	%
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	1.55	1.73	1.83
AT1	0.52	0.58	0.61
Tier 2	0.69	0.77	0.82
Total Capital requirement - Pillar 2 - Note 2	**2.75**	**3.08**	**3.26**
Buffers			
Capital Conservation Buffer (CCB) - Note 3	2.50	2.50	2.50
Countercyclical Capital Buffer (CcyB) - Note 4	0.48	0.48	0.02
Other Systematically Important Institutions (O-SII) - Note 5	1.88	1.50	1.25
Total minimum requirements CET1 - Note 6	**10.91**	**10.72**	**10.10**
Overall Capital requirement - Note 6	**15.61**	**15.56**	**15.03**

Notes:

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

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

   As of 30 September 2023, the amount corresponding to the abovementioned Pillar II add-on of 0.33% relating to ECB's prudential provisioning expectations is being deducted from CET1 capital and therefore the P2R is decreased to 2.75% as of 1 January 2024.

2.2 Pillar III Regulatory Framework (continued)

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. The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law. The CcyB is effective as of 1 January 2016 and is determined for all the countries in the European Economic Area by their local competent authorities ahead of the beginning of each quarter. The CBC has set the CcyB rate for risk weighted exposures in Cyprus at 0.00% for year 2022. The CcyB for the Group as at 31 December 2022 was calculated at approximately 0.02%.

   On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus effective from 30 November 2023. The CcyB for the Group as at 31 December 2023 has been calculated at approximately 0.48%. Moreover, in June 2023, the CBC announced its decision to raise the CcyB rate to 1.00% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus. The said increase of the CcyB is effective as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase further.

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

6. In the context of the annual SREP conducted by the ECB in 2022 and based on the final 2022 SREP, the Group’s minimum phased in CET1 capital ratio requirement as at 31 December 2023 was set at 10.72%, comprising a 4.50% Pillar I requirement, a P2R of 1.73%, the CCB of 2.50%, the O-SII Buffer of 1.50% the CcyB of c.0.48%. The Group’s minimum phased in Total Capital requirement was set at 15.56%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a P2R of 3.08%, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%.

   Following the annual SREP performed by the ECB in 2023, and based on the final SREP decision received in November 2023, effective from 1 January 2024, the Group’s minimum phased in CET1 capital ratio and Total Capital ratio requirements decreased, when disregarding the phasing in of the O-SII buffer and CcyB, mentioned above, reflecting the elimination of the Pillar II add-on relating to ECB’s prudential provisioning expectations, following the Group’s decision to directly deduct from own funds such amount. On January 2024, the Group’s minimum phased in CET1 capital ratio was set at c.10.91%, comprising a 4.50% Pillar I requirement, a 1.55% P2R, the CCB of 2.50%, the O-SII Buffer of 1.875% and CcyB of approximately 0.48%. On 1 January 2024, the Group’s minimum phased in Total Capital ratio requirement was set at approximately 15.61%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 2.75% P2R, the CCB of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.48%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to previous year. From 2 June 2024 both CET1 capital and Total minimum capital requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB.

2.2 Pillar III Regulatory Framework (continued)

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 requirement, P2R or the combined buffer requirement), and therefore cannot be used twice.

The capital position of the BOC PCL and the Group at 31 December 2023 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

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 (Genikes Insurance) and
- EuroLife Ltd (EuroLife)

The insurance subsidiaries of the Group complied with the requirements of the Superintendent of Insurance including the minimum solvency ratio throughout 2023. Therefore, there is no capital shortfall to report with respect to the insurance subsidiaries of the Group in accordance with CRR Article 436(g). The Solvency and Financial Condition Report of the General Insurance of Cyprus Ltd and EuroLife Ltd is made public on a yearly basis beginning of April and is published on their websites, www.genikesinsurance.com.cy and www.eurolife.com.cy (Solvency and Financial Condition Reports).

The regulated Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complied with the minimum capital adequacy ratio requirements throughout 2023. In December 2019, the European Parliament approved the new prudential regime for Investment Firms ("IFs") in the Investment Firm Regulation (EU) 2019/2033 ("IFR") on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ("IFD") on the prudential supervision of IFs. IFR on the prudential requirements of IFs became directly applicable in all EU Member States on 26th June 2021 whereas IFD on the prudential supervision of IFs was transposed into national legislation by CySEC by issuing Law L.97(I)/2021 on the capital adequacy of IFs applicable as from 26th June 2021, Amending Law L.164(I)/2021 on the capital adequacy of IFs applicable as from the 5th November 2021 and Law L.165(I)/2021 on the prudential supervision of IFs applicable as from 5th November 2021. The new prudential framework introduced a new classification for IFs, the Systemic and Non-Systemic. Systemic firms are largest firms with assets over €30 billion, that carry out risky activities (e.g. bank activities) and will remain under CRR/CRD and subject to banking supervision ("Class 1A" and "Class 1B"). Non-Systemic, are firms of either "Class 2" or "Class 3", based on certain criteria, which are subject to the new IFR/IFD Regime in full or with certain exceptions. The new classification of the IFs determines their new capital requirements and reporting obligations. CISCO has been classified as a Non-Systematic "Class 2" company. CISCO complies with the capital requirements under the IFD/IFR as at 31 December 2023. In February 2023, the activities of the regulated asset management company of the Group, BOC Asset Management Ltd, were absorbed by CISCO and BOC Asset Management Ltd was dissolved without liquidation. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with the regulatory capital requirements throughout 2023.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)
In January 2024, BOC PCL received notification from the Single Resolution Board (SRB) regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets and must be met by 31 December 2024, one year earlier than the previous decision, in light of the Group's progress over the years of becoming a strong, well-capitalised with sustainable profitability organisation. Furthermore, the binding interim requirement of 1 January 2022 set at 14.94% of risk weighted assets and 5.91% of LRE must continue to be met. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) are not eligible to meet its MREL requirements expressed in terms of risk-weighted assets. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

2.2 Pillar III Regulatory Framework (continued)

Comparative information

Comparative information was restated in:

i. Section 4 Scope of Application - templates EU CC2 and EU LI1(column a): On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17.
ii. Section 17 Environmental, Social and Governance Risks ESG Template 1 - Climate change transition risk: The estimation of Financed Scope 3 GHG emissions associated with loan portfolio has been restated compared to those reported in 2022 following revision of PCAF's database and methodology.
iii. Section 18 Remuneration Policy and Practices templates EU REM1 - Remuneration awarded for the financial year and EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff): Amounts were revised so as to exclude employer's contributions to social security and related funds, previously included, as they are considered to be a cost to the Group and do not form part of the Directors' remuneration. Also, categories of business areas were revised to be in line with changes on organisational structure.

Additionally, throughout this Report, the leverage and capital ratios as at 31 December 2022 have been restated in order to take into consideration the 2022 dividend declaration. This refers to the recommendation by the Board of Directors to the shareholders for approval of a final dividend in respect of the earnings of the year ended 31 December 2022 following the approval by ECB. The proposed final dividend was declared at the AGM which was held on 26 May 2023. As a result, the 31 December 2022 leverage and capital ratios are presented as restated for the 2022 dividend unless otherwise stated.

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. Regarding the risk profile disclosure and their overall appropriateness please refer to Section 3.

Basis and preparation

The 2023 Pillar 3 Disclosures report (the 'Report') of the Group sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the CRR specify the Pillar 3 framework requirements (refer to Appendix V Specific References to CRR Articles at the end of the Report). The regulation is supplemented by the EBA implementing technical standards EBA/ITS/2020/04 of 24 June 2020 and the corresponding Commission implementing regulation (EU) 2021/637 of 15 March 2021, respectively, which specify the tables integrated in this Report (refer to Appendix VI List of EBA templates 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 V 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 4) and the definition of credit risk exposure.

2.2 Pillar III Regulatory Framework (continued)

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

Frequency, media and location

The Report is published annually and in conjunction with the Group's Annual Financial on the Group's website www.bankofcyprus.com/en-gb/group/investor-relations. The Group publishes semi-annually and quarterly disclosures based on the Requirements of Art. 433a (1) CRR. Similar to the annual Report, the semi-annual and quarterly disclosures are also published on the Group's website www.bankofcyprus.com/en-gb/group/investor-relations and approved by the Board and published in conjunction with the Mid-Year Financial Report and Quarterly Group Results.

CRR clarifies that Pillar 3 disclosures shall be published on the same date on which the institution publishes its financial report or as soon as possible. To comply with the requirement, it is defined in the Pillar 3 Disclosure Policy that the Group's Pillar 3 disclosures are to be published the latest within one month from the publication of the financial statements.

Copies of the Group's Annual Report 31 December 2023 along with the Group's Pillar III Disclosures can be obtained from Group's website www.bankofcyprus.com/en-gb/group/investor-relations.

Verification

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

Group Compliance Division had an oversight of the framework and assurance procedures and Group Internal Audit performed a review of the process followed by the Group for the preparation of Pillar 3 Disclosures for 2023.

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

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

Attestation

'We, the Chief Risk Officer and the Executive Director Finance, confirm that, to the best of our knowledge, Bank of Cyprus Holdings Public Limited Group's 2023 Pillar 3 disclosures comply with Part Eight of the CRR and the EBA ITS related disclosure requirements have been prepared in accordance with the internal control processes agreed upon at the Board level, as well as that we provide assurance that the Risk Management Framework and the system of internal controls put in place are adequate taking into account the institution's risk profile and its strategy.'

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

3. Risk Management Objectives and Policies

3.1 Strategies and Processes to Manage Risks

3.1.1 Principal Risks

As part of its business activities, the Group faces a variety of risks, the most significant of which are described further in Section 3.2. 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.

3.1.1 Principal Risks (continued)

Principal Risks	
Risk	***Mitigating considerations***
Business Model and Strategic Risk	
- Business and strategic risk arises from changes in the external environment including economic trends and competition, and their underlying factors or enablers such as geopolitical influences and regulatory changes. - The Group faces competition from domestic banks, international banks and financial technology companies operating in Cyprus and in other parts of Europe and insurance companies offering savings, insurance and investment products. - A possible deterioration of the macroeconomic environment stemming from the impact of high inflation and the resultant high interest rates or other factors could lead to adverse financial performance which could deplete capital resources. - The Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated. - The Group is also dependent on the economic conditions and prospects in the countries of the main counterparties it conducts business with.	- The Group has a clear strategy with key objectives to enable delivery and operates within defined risk appetite limits which are calibrated to be within the Group's Risk bearing capacity. - The strategy is monitored closely on a regular basis. - The Group remains ready to explore opportunities that complement its strategy, including the diversification of income. - As the Group's business model is pivotal to strategic risk, it has to be viable and sustainable and produce results that are consistent with its annual targets. - The Group manages business model risk within its Risk Appetite Framework, by setting limits in respect of measures such as financial performance, portfolio performance and concentration and capital levels. At a more operational level, the risk is mitigated through periodic monitoring of variances to the Financial Plan. During the year, periodic forecast updates for the full year's financial outcome are produced. The frequency of forecast updates during each year will be determined based on prevailing business and economic conditions. Performance against plan is monitored at a Group and business line level on a monthly basis and reported to the EXCO and the Board. - The Group closely monitors the risks and impact of changing macroeconomic conditions on its lending portfolio, strategy and objectives and takes mitigating actions were necessary. - An internal stress testing framework as part of the Group's ICAAP is in place to provide insights and to assess capital resilience to shocks. -

3.1.1 Principal Risks (continued)

Geopolitical Risk	
- The Group, operating in a small, open, services-based economy with a large external sector and high reliance on tourism and international business services, is susceptible to adverse changes in economic conditions caused by geopolitical uncertainties.	- The Group is continuously monitoring the current affairs and the impact of the forecasted macroeconomic conditions on the Group's strategy to proactively manage emerging risks. Where necessary, bespoke solutions are offered to the affected exposures and close monitoring on those is maintained. - The Group includes related events in its stress testing scenarios in order to gain a better understanding of the potential impact. - The Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required and has assessed the impact the crisis has on the Group's operations and financial performance.
Credit risk	
- Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Group (actual, contingent or potential claims both on and off-balance sheet) or failure to perform as agreed. - Within the general definition of credit risk, the Group identifies and manages the following types of risk; counterparty credit risk, settlement risk, issuer risk, concentration risk, country risk environmental, social, governance risk (ESG).	- The Group sets and monitors risk appetite limits relating to credit risk. - A lending policy, related circulars and a limits framework, 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. - The management remains committed to carefully and swiftly manage NPEs leveraging on the experience and expertise gained through the de-risking of its balance sheet, including organic actions. -
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, currency/ foreign exchange movements, equity and property prices (refer to property price risk below).	- The Group sets a one-year limit on the maximum reduction of the net interest income based on internal scenarios. Limits are set as a percentage of Group Tier 1 capital and as a percentage of Group annual net interest income (when positive). - The Group does not maintain a trading book while equity holdings are not material. - A proper limit framework is in place for all market risk areas.

3.1.1 Principal Risks (continued)

Property Price 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. - The Group's business and financial condition is affected by: o Changes in the demand for, and prices of, Cypriot real estate; or o Regulatory requests which may increase the capital requirement for stock of property. - The Group is exposed to the risk of negative changes in the fair value of property which is held either as stock of property or as investment property. Stock of property has been predominately acquired in exchange of debt with a clear plan and intention to be disposed of in line with the Group's strategy.	- The Group has an established Real Estate Management Unit (REMU), a specialised division to manage, promote and monetise the repossessed portfolio, including other non-core assets, through appropriate real estate disposal initiatives. - The Group has placed great emphasis on the efficient and quick disposal of on-boarded properties and in their close monitoring and regular reporting. RAS indicators and other KPIs are in place monitoring REMU properties in terms of value, aging and sales levels. - The Group assesses and quantifies property risk as one of the material risks for ICAAP purposes under both the normative and economic perspective. - The Group monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement. - As part of the valuation process, assumptions are made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. - For the valuation of properties owned by the Group judgement is exercised which takes into account all available reference points, such as comparable market data, expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.

3.1.1 Principal Risks (continued)

Funding & Liquidity Risk	
- Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory ones (e.g. MREL). - Liquidity risk is the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.	- Sizeable surpluses in all regulatory (e.g. LCR & NSFR) and internal liquidity indicators. - Close monitoring of customer deposits. - Weekly internal stress testing. - An updated and tested Liquidity Contingency Plan and an internal stress testing framework are in place. - The Bank prepared and submitted to relevant authority (SRB) an MREL Compliance Plan approved by the Board. The plan is updated annually. The Bank achieved its interim MREL requirement for 1 January 2022 and is in compliance with the non-binding interim MREL requirement for 1 Jan 2024. Close monitoring of the market for issuance opportunities is in place.
Concentration Risk	
- Concentration risk is the risk of loss due to exposures to any single entity or group of related entities with the potential to produce losses large enough (relative to capital, total assets, or overall risk level), to threaten the Group's health, reputation, or ability to maintain its core operations. - Concentration risk arises also through the Bank's exposure to the Cyprus sovereign bonds. - Other sources of concentration risk arise from exposures to a specific sector (i.e. construction), property exposures held as collateral or have been repossessed (property risk) or undue concentration in a specific geographical area.	- The Group's risk appetite statement imposes strict concentration limits and the Group is taking actions to run down problematic exposures which are in excess of these internal limits over time. Internal limits are stricter than the ones provided by the Banking Law. - Concentration Risk Policy and related guidelines aligned with the Risk Appetite Statement are in place. - Exposures are monitored and reported on a monthly basis. - Thresholds are set for potential losses from changes in market prices

Operational Risk	
- 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 External Fraud risk, Internal Fraud Risk, Financial Crime risk, Physical Security and Safety risk, Transaction Processing and Execution risk, Compliance risk, Business Continuity risk, Data accuracy risk, as well as Reputational risk. It also includes Information Security and Cyber risk, Legal risk, Regulatory risk, Technology risk and Third-Party risk. - Operational risks can arise from all business lines and from all activities carried out by the Bank and its third-party suppliers and are thus diverse in nature.	- 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.
Information Security & Cyber Risk	
- Information security and cyber-risk is a significant inherent risk, which could cause a material disruption to the operations of the Group. - The Group's information systems have been and will continue to be exposed to an increasing threat of continually evolving cybercrime and data security attacks. - Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar threats. - Current geopolitical tensions have also led to increased risk of cyber-attack from foreign state actors.	- The Group has an internal specialised Information Security team which constantly monitors current and future cyber security threats (either internal or external, malicious or accidental) and invests in enhanced cyber security measures and controls to protect, prevent and appropriately respond against such threats to its systems and information. - The Group collaborates with industry bodies, the National Computer Security Incident Response Team (CSIRT) and intelligence-sharing working groups to be better equipped with the growing threat from cyber criminals. - The Group maintains insurance coverage which covers certain aspects of cyber risks, and it is subject to exclusion of certain terms and conditions.
Digital Transformation Risk	
- Digital transformation risk arises as banking models are rapidly evolving both locally and globally and available technologies have resulted in the customers' accelerated shift towards digital channels. Money transmission, data driven integrated services and Digital Product Sales are also rapidly evolving. - How the Group adapts to these developments could impact the realisation of its market strategies and financial plans.	- The Group assesses and develops its Digital Strategy and maintains a clear roadmap that provides for migration of transactions to the Digital Channels, full Digital and Digital Assisted Product Sales, and Self-service banking support services. - The Group's emphasis on the Digital Strategy is reflected in the Operating Model with a designated Chief Digital Officer supported by staff with the appropriate skills that work closely with Technology and Control functions to execute the strategy. - The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's strategy for digital transformation and effective management of the associated risk.

3.1.1 Principal Risks (continued)

Legal Risk	
- The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. - Litigation risk arises from pending or potential legal proceedings and regulatory investigations against the Group. In the event that legal issues are not properly dealt with by the Group, this may result in financial and/or reputational loss to the Group.	- The Group has procedures in place to ensure effective and prompt management of Legal risk including, among others, regulatory developments, new products and internal policies. - 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 Legal Services Department reports pending litigation and latest developments to the Board of Directors.

Regulatory Compliance 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. - Regulatory compliance risk is the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal standards and policies, and expectations of key stakeholders such as shareholders, customers, employees and society. - Failure to comply with regulatory requirements or identify and plan for emerging 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 and results, operations and prospects of the Group.	- There is strong commitment by the Management of the Group for an on-going and transparent dialogue with the Regulators (including the ECB, the CBC and others, such as CySEC and CSE). - The Regulatory Steering Group, chaired by the CEO and consisting of executive management, is regularly updated on Regulatory Compliance Risk matters, through the Regulatory Affairs Department, which obtains relevant information from Group Compliance, to ensure that all regulatory matters are brought to the attention of management in a timely manner.
Technology Risk	
- Technology risk arises from system downtimes impacting business operations and/ or customer service. Downtimes may be caused by hardware or software failures due to malfunctions, failed processes, human error, or cyber incidents. Use of outdated, obsolete and unsupported systems increase this risk.	- The Group has in place a Technology strategy designed to support business strategy and customer centric view. The strategy includes investments in skills and technology to minimize system downtimes and security risks, modernization of legacy applications, a risk-based approach to leverage the benefits of Cloud technologies, and investments in new and innovative applications to support business requirements. - The Group's policies, standards, governance and controls undergo ongoing review to ensure continued alignment with the Group's Technology strategy, compliance with regulation and effective management of the associated risks.

Third Party Risk	
- Third-Party and Outsourcing risk can arise from a third party's failure to provide the service as expected due to reasons such as inadequate capacity, technological failure, human error, unsatisfactory quality of service, unsatisfactory continuity of service and/or financial failure.	- The Group has a dedicated unit under the ORM Function, the Third-Party Risk Management Unit, which is responsible to perform risk assessments on all outsourcing, strategic and intragroup arrangements of the Group. As part of the risk assessment the team identifies and monitors the effective handling of any potential gaps/weaknesses. The risk assessment occurs prior to signing an outsourcing, strategic, or intragroup arrangement as well as prior to their renewal, triannually and upon any change of scope of service.
Insurance and Reinsurance Risk	
- The Group, through its subsidiaries EuroLife Ltd and General Insurance of Cyprus Ltd, 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. - Insurance risk therefore is the risk that an insured event under an insurance contract occurs and uncertainty over the amount and the timing of the resulting claim exists. - Although the Group has reinsurance coverage, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the contractual obligations assumed under such reinsurance arrangements.	- 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 each Company’s risk profile; • The application and further development of suitable risk management and internal control systems; - The risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. - The creditworthiness of reinsurers is evaluated by considering their solvency and credit rating and reinsurance arrangements are monitored and reviewed to ensure their adequacy as per the reinsurance policy. - In addition, counterparty risk assessment is performed on a frequent basis.

Climate Related & Environmental Risk	
- Climate risk is a growing consideration for financial institutions given the increasing effects of climate change globally and the sharp regulatory focus on addressing the resultant risks. The Group's businesses, operations and assets could be affected climate-related and environmental (C&E) risks over the short, medium and long term. - Accelerating climate change could lead to sooner than anticipated physical risk impacts to the Group and the wider economy and there is uncertainty in the scale and timing of technology, commercial and regulatory changes associated with the transition to a low carbon economy.	- The Group is committed to integrate C&E risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management and has taken the necessary steps to achieve this. - The Group has put in place targets which set transparent ambitions on its climate strategy and decarbonization of its operations and portfolio to achieve transition to a net zero economy by 2050. An overall ESG strategy and working plan is thus in place to facilitate these ambitions and address the ECB expectations. - Dedicated teams both within Risk Management and Investor Relations & ESG Department, as well as other resources, have been mobilised across the Group and are engaged in various streams of work such as the measuring of own and financed emissions, the integration of climate risk in the risk management framework and the enhanced green products offering.

3.1.2 Risk Management Framework

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

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

3.1.3 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 Internal Governance of Credit Institutions of 2021, and
b) The EBA Final report on Guidelines on Internal Governance under CRD 2021.

The Group's management and Board 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 Board through its Audit Committee (AC) on an annual basis.

The 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 Board through its AC.

The RMD is subject to independent internal reviews performed by the internal audit function as well as external assessments as requested, from time to time, by the regulator (ECB and CBC) or other relevant authorities. Such assessments may address any part of the Risk Management Framework including the Group's compliance with the risk appetite statement. Any resultant findings are addressed in a timely and effective manner.

3.1.4 Risk Governance

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

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

3.1.4 Risk Governance (continued)

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

Furthermore, certain roles within the Group are critical as they carry specific responsibilities with respect to Risk Management and include the Chief Risk Officer (CRO) and the Chief Executive Officer (CEO).

3.1.5 Accountability and Authority

The RMD operates independently. That is achieved through:

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

Furthermore, this independence is also ensured as:

- The CRO is assessed annually by the RC that is jointly responsible with Human Resources & Remuneration Committee
- The CRO maintains a close working relationship with both the RC and its Chairman which includes regular and frequent communication both during official RC meetings as well as unofficial meetings and discussions.

The RMD reports to the CRO and is ultimately accountable to the Board through the RC in coordinating the effective and efficient running of the Group's Risk Management Framework. The Board and Executive Management provide the necessary support to the Division. The role of the Board, RC and AC is described in Sections 3.3.4 to 3.3.6.

Board and Management Committees

Risk related topics are regularly covered by the various Board 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 material and emerging 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;
- Asset disposal;
- On-boarding of risk;

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

3.1.5 Accountability and Authority (continued)

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

3.1.6 Risk Identification

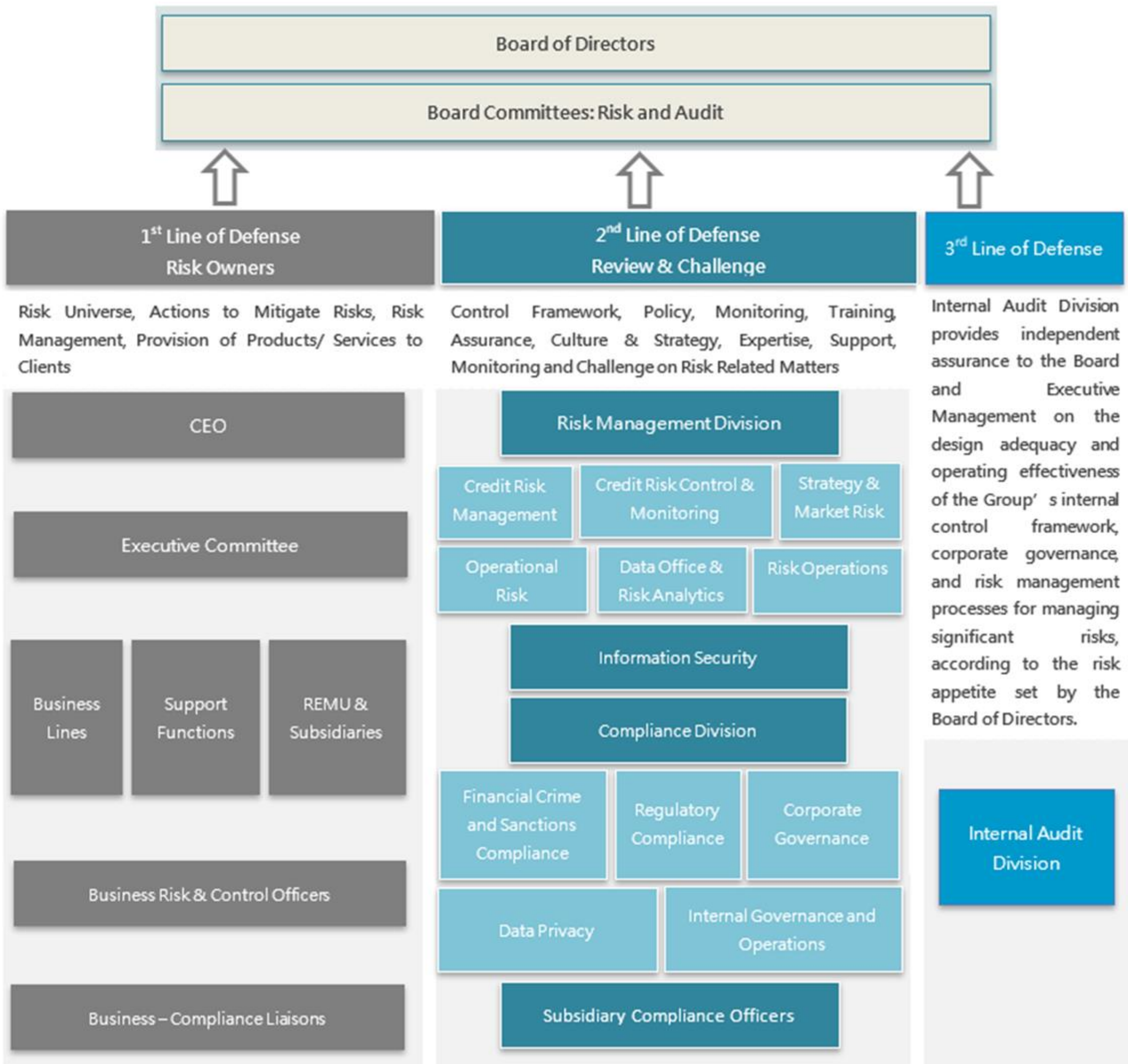
The risk identification process is comprised by two simultaneous but complementary approaches, namely, the top-down and the bottom-up approaches. The top-down process is led by Senior Management and focuses on identifying the Group's material risks whilst the bottom-up approach risks are identified and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

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

3.1.7 Three Lines of Defence

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

3.1.7 Three Lines of Defence (continued)



First Line of Defence

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

3.1.7 Three Lines of Defence (continued)

Second Line of Defence

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

Third Line of Defence

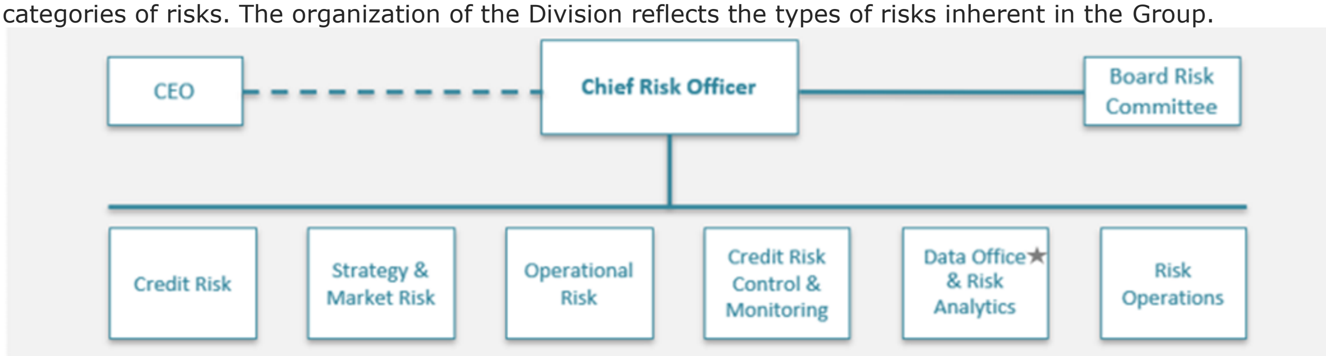
The third line of defence is the Internal Audit Division (IA) which provides independent assurance to the Board and the EXCO on the design, adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG risks) for the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

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.

3.1.8 Risk Management Division (RMD)

The RMD is the business function set up to manage the risk management process of the Group on a day-to-day basis. The risk management process is integrated into the Bank's internal control system. Headed by the CRO, the Division is 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 Group.



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

The RMD organisational model is structured so as to:

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

3.1.9 Risk Culture

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

3.1.10 Risk Appetite Framework (RAF)

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

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

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

Risk Appetite Statement (RAS)

The RAS is the articulation, in written form, of the aggregate level and types of risk that the Group is willing to accept in the course of executing its business objectives and strategy. It includes qualitative statements as well as quantitative measures expressed relative to Financial and Non-Financial risks. The RAS also includes indicators relative to insurance subsidiaries risk.

Financial Risks	**Non-Financial Risks**
Capital Risk	Operational Risk
Business Risk	Compliance Risk
Credit Risk	Reputational Risk
Market Risk	Legal Risk
Interest Rate Risk	Information Security Risk
Concentration Risk	ESG Risk
Funding & Liquidity Risk	Outsourcing/ Third Party Risk
Real Estate Risk	External and Internal Fraud Risk
	Data Quality Risk
	Model Risk
	Cyber Risk

Risk Appetite and Financial 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 a cycle of feedback during which certain RAS indicators (such as ones related to minimum regulatory requirements) act as a backstop to the Financial Plan while for other indicators the Group's Strategy and Financial Plan provides input for risk tolerance setting. Furthermore, the Group Financial Plan and Reforecast exercises are tested to ensure they are within the Group's risk appetite.

3.1.11 Risk Taxonomy

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

3.1.12 Risk Management Policies

The entire Risk Management Policy 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 staff of the Group should be aware of the Risk policies.

3.1.13 Risk Measurement and reporting

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

Additionally, the RMD:

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

3.1.14 Recovery Plan

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

The Group's RP:

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

The Group prepared and submitted to the ECB the updated RP in September 2023 in line with the ECB's guidance.

3.1.15 Stress Testing

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

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

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

If the stress testing scenarios reveal vulnerability to a given set of risks, management should make recommendations to the Board, through RC, for remedial measures or actions.

The Group's stress testing programme embraces a range of forward-looking stress tests and takes all the Group's material risks into account. These key internal exercises include:

- ICAAP stress testing undertaken on an annual basis in support of the Internal Capital Adequacy Assessment Process. Quarterly ICAAP reviews are also undertaken.
- Annual ILAAP stress testing applied to the funding and liquidity plan to formally assess the Group's liquidity risks. Quarterly ILAAP reviews are also undertaken.
- Ad hoc stress testing as and if required including requests from the regulator.

Other business and specific risk type stress tests
The Market & Liquidity Risk Department performs additional stress tests, which include the following:

- Monthly stress testing for interest rate risk (2% shock on Net Interest Income (NII) and EV).
- Quarterly stress testing for interest rate risk (based on the 6 predefined Basel rate scenarios which involve flattening, steepening, short down etc. rate shocks).
- Quarterly stress testing on items that are marked to market: impact on profit/loss and reserves is indicated from changes in interest rates and prices of bonds and equities.
- Liquidity stress testing on cash flows (one month horizon).

2023 EU-wide stress test ("EBA Stress Test")
BOC PCL participated in the 2023 SSM Stress Test as one of the "other SSM Significant Institutions". The Stress Test was officially launched on 31 January 2023, and it was completed in July 2023. The stress test results are used to update each bank's Pillar 2 Guidance in the context of the Supervisory Review and Evaluation Process (SREP). Qualitative findings on weaknesses in banks' stress testing practices could also affect their Pillar 2 Requirements and inform other supervisory activities. The EU-wide stress test follows a bottom-up approach, with some top-down elements. Banks will apply their own models to project the impact of the scenarios, subject to strict rules and a thorough review by the competent authorities, which involves the use of models to benchmark the main risk parameters.

The exercise assesses the performance of banks under a baseline and adverse scenario during the period 2023-25. The adverse scenario assumes a hypothetical worsening of geopolitical tensions leading to a severe decline in GDP with persistent inflation and high interest rates. The adverse scenario is designed to ensure a significant severity of various macro-economic and financial shocks across all EU countries and, for the first time, depicts a breakdown of the shocks (on real gross value added) by economic sectors. BOC's results are summarised below:
The capital depletion of the CET1 FL ratio over the 3-year horizon in the adverse scenario is in the range of 300 to 599 bps, compared to 600 to 899 bps in 2021 stress test, and compares well with the average 480 bps for the 98 ECB stress-tested banks. The CET1 FL as at the end of 2025 is in the range of 8% to 11% and is above the capital requirements of the Bank.

3.1.16 ICAAP, Pillar II and SREP

3.1.16.1 ICAAP

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

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

The 2022 ICAAP was submitted to the ECB on 31 March 2023. The 2022 ICAAP indicated that the Group has sufficient capital and available mitigants to support its risk profile and its business and to enable it to meet its regulatory requirements, both under a baseline and stressed scenarios.

3.1.16.2 Pillar II and SREP

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

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

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

The Group's minimum phased in CET1 capital ratio requirement for 2023 was 10.72% (2022: 10.10%), comprising a 4.50% Pillar I requirement, a 1.73% P2R, the CCB of 2.50%, the O-SII Buffer of 1.50% and the CcyB of c.0.48%.

The Group's minimum phased in TC ratio requirement for 2023 was 15.56% (2022: 15.03%), comprising an 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 3.08% P2R, the CCB of 2.50%, the O-SII buffer of 1.50% and the CcyB of c.0.48%.

Following the annual SREP performed by the ECB in 2023, and based on the final SREP decision received in November 2023, effective from 1 January 2024, the Group's minimum phased in CET1 capital ratio and Total Capital ratio requirements decreased, when disregarding the phasing in of the O-SII buffer and CcyB, reflecting the elimination of the Pillar II add-on relating to ECB's prudential provisioning expectations, following the Group's decision to directly deduct from own funds such amount.

3.1.16.2 Pillar II and SREP (continued)

On 1 January 2024 the Group's minimum phased in CET1 capital ratio requirement is set at approximately 10.91%, comprising a 4.50% Pillar I requirement, a 1.55% P2R, the CCB of 2.50%, the O-SII Buffer of 1.875% and CcyB of approximately 0.48%.

On 1 January 2024, the Group's minimum phased in Total Capital ratio requirement is set at approximately 15.61%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 2.75% P2R, the CCB of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.48%.

The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to previous year.

From 2 June 2024 both CET1 and Total minimum capital requirements are expected to increase by approximately 0.50% as a result of the increase in the CcyB.

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 requirement, P2R or the combined buffer requirement), and therefore cannot be used twice.

Following the 2022 SREP decision, effective from 1 January 2023, the equity dividend distribution prohibition was lifted, for both the Company and BOC PCL, with any dividend distribution being subject to regulatory approval. The decision remains unchanged with the 2023 SREP decision, effective from 1 January 2024.

3.2 Risk Management Objectives and Policies

3.2.1 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 definition of credit risk, the Bank identifies and manages the following types of risk:

- Counterparty credit risk (CCR): the Group's credit exposure 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.
- Environmental, Social, Governance Risk (ESG): these risks are managed through dedicated guidelines/ questionnaires and assessment, including an environmental and social due diligence process, which have been incorporated in the loan origination process.

3.2.1 Credit Risk Management (continued)

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 Board as indicated in Sections 3.1.2 – 3.1.13.

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.

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

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

Corporate & SME Credit Risk (CSCR)
Corporate & SME Credit Risk (CSCR) assesses credit applications from an independent credit risk perspective and in order to support the role of observer with a veto power in Credit Committee 3 and prepares recommendations with suggestions to mitigate credit risk. It also participates in the Bank Credit Committee authorised as delegated by the CRO, exercising the veto power bestowed to it by the CRO.

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

Shipping Risk
Shipping Risk is a specialised unit, with the role of independently review shipping credit applications and prepare a recommendation for supporting the role of observer with veto power in Credit Committee 3. Shipping Risk responsibilities also include:

- Development & review/update on the Shipping Finance Policy and on the Specialized Shipping Finance Procedures.
- Monitoring compliance of financing proposals with credit risk policies and identifying deviations & proposing possible mitigants/improvements.
- Following up of the development of the Shipping portfolio (from a risk point of view), within the Bank's risk appetite policy for the industry.

3.2.1.1 Credit Limits and Process

Regarding credit risk, the Bank sets and monitors Risk Appetite limits. Furthermore, in relation to the credit granting process, a limit framework is in place where both its structure and its general rules are documented in the Bank's Lending Policy.

Credit Risk Management has the responsibility to review the structure and level of approval limits on an annual basis or earlier if deemed necessary and to communicate the limits to the relevant Bank's departments.

3.2.1.1 Credit Limits and Process (continued)

The structure of the limits takes into account:
- The type / size of each credit facility,
- The type / quality / value of the collateral,
- The security gap,
- The group funded and non-funded exposure,
- The GRG/ Application Scoring for natural persons per risk grade for legal entities as calculated by CreditLens.
- Any adverse data regarding the client (e.g. arrears/excesses, bankrupt, caution listed, judgement guarantors, watch listed),
- Any deviations to policy

Relevant circulars and guidelines are in place that provide limits and guidelines for the approval of credit applications. The Bank currently has approving authorities which have limits and are authorized to approve granting, review and restructuring of credit facilities (e.g. Credit Sanctioning Department, Credit Committee 3, Restructuring & Recoveries Committee, Risk Committee etc).

3.2.1.2 Risk Identification, Measurement, Control and Reporting

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

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

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. Such monitoring includes:
- Quality assurance and sample testing to analyse and report adherence to the main pillars of various Credit Risk policies, relating, among others, to assessment of the repayment ability and sensitivity analysis on borrowers' repayment ability, data quality checks and whether deviations/exceptions from policies are properly justified and approved.
- Quantitative analysis of existing bank's portfolio relating to:
  - Performing exposures & early warning indicators: arrears, excesses, accounts with no limits, undisbursed loan balance, customers marked as high risk.
  - Non-performing & forborne exposures: Daily and monthly exit and entry, problematic restructurings, performance post restructurings and expected NP and forbearance exit dates.
  - New lending analysis.
  - Portfolio analysis by sector/industry/other characteristics.

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.

3.2.1.2 Risk Identification, Measurement, Control and Reporting (continued)

It is noted that within Risk Management a separate department is in place, the Credit Risk Control & Monitoring Department, that independently reports to the CRO and is tasked with carrying both a control and a monitoring function in relation to credit risk.

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. The 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. The report is communicated to the line directors so that the appropriate corrective measures are taken.

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

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

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

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

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

3.2.1.3 Credit Risk with Correspondent Banks and Countries

The Market & Liquidity Risk Department (MLR) is responsible for the credit risk, with correspondent banks and countries. CCR is discussed in Section 7 and Country risk is analysed below.

Country Risk
Country Risk refers to the possibility that sovereign or other 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.) and through lending to non-residents. 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 Board, through its RC is also informed on a regular basis and at least annually, on any limit breaches. Country risk is monitoring at the level of the below transactions, on an aggregate basis.

- Treasury transactions: relate to investments in bonds, MM placements, FX and derivative transactions.
- Lending: All loans given to or guaranteed by residents of a country are taken into account, except those loans where the customer also holds a deposit with the Group with a clear right of set-off. In the case where a loan is granted to a resident of one country and the collateral is in another country, these loans are included as exposures to both countries.
- Commercial transactions: relate to letters of credit, letters of guarantee or other similar products.
- Committed lines of credit are also considered.
- Properties owned by the Bank.
- Investments in branches/subsidiaries abroad: relate to the amounts invested, excluding goodwill, since this is deducted from the capital base.

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 ALCO/RC or Board depending on their approval levels following the Counterparty and Country credit Limit Framework. All policy documents relating to country and counterparty risk are approved by the RC at least once a year.

MLR monitors the Treasury country limits on a daily basis. Any breaches are reported following the escalation process depending on the limit breach as per the approved Counterparty and Country credit Limit Framework.

MLR may freeze the approved limits if market conditions deteriorate and inform ALCO for such decision.

3.2.1.4 Policies for Credit Risk Mitigation (CRM)

Credit Risk Mitigation is implemented through a number of policies and circulars /procedures such as:

Lending Policy
Lending policy sets the standards and effective guidelines to be used during the credit granting process and is aligned with the Bank's risk tolerance and approved limits. It includes customer, credit facility and collateral types, submission of financial and other customer information, assessment of financial and other information/repayment ability (e.g. purpose of credit facility/facility types, credit facility amount and duration, loan to value ratio, loan to cost ratio, housing loan ratio, repayment schedule, collaterals), review of existing facilities, restructured/forborne and non-performing exposures, leveraged transactions etc.

Asset acquisition and disposal policy for Debt Settlement
This Policy sets out the guidelines and limits, for the acquisition of assets for debt settlement and for the disposal of assets that were acquired by the Bank for debt settlement.

Write-off policy
This policy sets out the guidelines, authorities, limits and governance for write-off process i.e., write-offs (contractual) and accounting write-offs (set-offs / non-contractual). Additionally, it ensures write-offs and accounting write-offs (set-offs) are performed in accordance with the regulatory framework.

Concentration Risk Policy
This Policy defines the limits and the methodology for limit setting for exposures in specific Bank assets, liabilities and off-balance sheet items to ensure that concentration risk is within the Bank's Risk Appetite. It covers industry sector, name, country risk, collateral, product, shadow banking entity (SBE), leveraged transactions, capital repayment at maturity (CRAM) Loans, counterparty, funding sources, derivatives Concentration and brokers limits concentration.

Valuation policy
This policy sets the guidelines on how collaterals obtained as security by the Bank are valued at origination and how such value is monitored and reviewed at regular intervals, to ensure:

- That they provide adequate coverage for the credit facilities granted by the Bank and provide an accurate picture of the value of collateral in case of enforceabililty, provisioning or capital calculations.
- Valuation risk is prevented and deterred and, where it does occur, it is addressed in a timely and expeditious manner.

Environmental and Social Policy
The Bank is committed to applying certain environmental and social policies and procedures to its lending activities based on specific criteria. This policy covers the Bank's responsibilities under this commitment.

Green Lending Policy
The purpose of the Bank's Green Lending Policy, which is based on the Green Loan Principles ("GLP"s), is to provide the framework for the procedures and the requirements the Bank will implement for the creation of "green" loan products and ultimately the development of a green loan portfolio.

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 by RMD 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 the Credit Risk Monitoring policy.

3.2.1.5 Measurement and Assessment - Systems

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

Credit Scoring Systems

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

Small Medium Enterprises (SMEs) and Corporates (Credit Rating Models – Moody's Credit Lens Risk Analyst)
Moody's Credit Lens 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 Credit Lens 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 customer behaviour with the Bank, the management of the enterprise and sectorial risks, as well as the liquidity and capital structure of the business.

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

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

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

3.2.2 Market Risk Management

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

a. Interest Rate Risk (IRR);
b. FX risk;
c. Securities price risk (bonds, equities)
d. Properties Price risk;

Each of the risks is defined and further analysed in the subsections below.

3.2.2.1 Interest Rate Risk in the Banking Book

Definition

Interest rate risk in the banking book ("IRRBB") is the current or prospective risk to both the earnings and capital of the Bank as a result of adverse movements in interest rates. The four components of Interest rate risk are: repricing risk, yield curve risk, basis risk and option risk. Repricing risk is the risk of loss of net interest income or economic value as a result of timing mismatch in the repricing of assets, liabilities and off-balance sheet items.

Yield curve risk arises from changes in the slope and the shape of the yield curve. Basis risk is the risk of loss of net interest income or economic value as a result of imperfect correlation between two different variable reference rates. Option risk arises from options, including embedded options, e.g. consumers redeeming fixed rate products when market rates change.

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

Limits

Limits are set as a percentage of Tier 1 capital and as a percentage of the Group net interest income (when positive) and relate to the change in NII and Economic Value of Equity (EVE) based on internal and regulatory scenarios.

It is noted that all efforts take place to avoid limit breaches. Any breaches are reported following the escalation process depending on the limit breach.

Breaches, upon identification, are immediately reported to the relevant authority. Mitigating actions are taken unless ALCO recommends to the Risk Committee that it is not beneficial to proceed with hedging alternatives.

Management

Treasury is responsible for managing the Interest Rate exposure of the Group. Corrective actions and mitigating strategies, are taken by Treasury with a view of minimizing the risk exposure and in any event to restrict exposure within limits (unless an ALCO/RC approval is obtained).

Corrective actions include:

a. on balance sheet solutions i.e. purchase of fixed rate assets, introduction of new customer accounts with the desired characteristics etc, and
b. the use of derivatives, e.g. interest rate swaps or interest rate options.

3.2.2.1 Interest Rate Risk in the Banking Book (continued)

Monitoring

For internal management purposes and compliance with limits, the Bank calculates, on a monthly basis, the impact on NII and EV for EUR and USD and combined impact under the various internally developed interest rate shock scenarios. They are reported to the ALCO for information purposes (irrespective of whether there is a breach or not). RC is also informed on the Bank's IRRBB on a monthly basis mainly through the monitoring of the IRRBB RAS indicators.

The change in the economic value and NII resulting from the standard regulatory shocks of sudden +/-200 basis point shift of the yield curve is also calculated on a monthly basis. Any resulting decline in economic value or NII is compared to the internal and regulatory thresholds.

The Bank also calculates on a quarterly basis the Impact on NII and EV for Euro and USD and jointly under the standardised interest rate shock scenarios as specified in Basel Committee on Banking Supervision. ΔNII and ΔEVE results are compared to internal and regulatory limits.

The Bank also calculates the impact on NII and EV under stress scenarios which are aligned to the ICAAP scenarios used for the calculation of the economic capital requirement. These scenarios run on a quarterly basis at every ICAAP review. Results are not compared to any limits.

3.2.2.2 Currency Risk

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

Limits
In order to limit the risk of loss from adverse fluctuations in exchange rates, overall Intraday and Overnight open currency position limits have been set. These limits are small compared to the maximum permissible by the CBC. Internal limits serve as a trigger to the management for avoiding regulatory limit breaches.

Due to the fact that there is no FX Trading Book, VaR (Value at Risk) is calculated on a monthly basis on the position reported to CBC.

The table below shows the current approved FX limits:

2023	**Intraday**	**Overnight**
	€ million	**€ million**
Cyprus	**20**	**20 (10 per currency)**
Total	**20**	**20 (10 per currency)**
2022		
Cyprus	20	20 (10 per currency)
Total	20	20 (10 per currency)

Management
The Treasury is responsible for managing the FX Open position of BOC PCL emanating from its balance sheet. The FX position emanating from customer transactions is managed by the Treasury Sales Unit of Global Markets & Treasury Sales Department. Treasury also performs the hedging for the FX open positions of the foreign non-Banking units of the Group.

3.2.2.2 Currency Risk (continued)

2023	Change in foreign exchange rate %	Impact on profit/loss after tax € 000	Impact on equity € 000
US Dollar	+5	48	-
Russian Rouble	+60	963	452
Romanian Lei	+5	-	-
Swiss Franc	+5	(1)	-
British Pound	+5	(6)	-
Japanese Yen	+5	-	-
Other currencies	+5	5	-
US Dollar	-5	(44)	-
Russian Rouble	-30	(148)	(70)
Romanian Lei	-5	-	-
Swiss Franc	-5	1	-
British Pound	-5	6	-
Japanese Yen	-5	-	-
Other currencies	-5	(4)	-

2022	Change in foreign exchange rate %	Impact on profit/loss after tax € 000	Impact on equity € 000
US Dollar	+10	219	-
Russian Rouble	+70	14	1,078
Romanian Lei	+10	-	(6)
Swiss Franc	+10	(1)	-
British Pound	+10	12	-
Japanese Yen	+10	-	-
Other currencies	+10	9	-
US Dollar	-10	(179)	-
Russian Rouble	-40	(2)	(132)
Romanian Lei	-10	-	5
Swiss Franc	-20	1	-
British Pound	-10	(10)	-
Japanese Yen	-10	-	-
Other currencies	-10	(7)	-

3.2.2.3 Equity Risk

Definition
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.

Management and Monitoring
The Group has an equity and fund portfolio in its books. The policy is to manage the current equity portfolio with the intention to run it down by selling all positions for which there is a market. No new purchases of equities are allowed without ALCO approval. Nevertheless, new equities may be obtained from repossessions of collateral for loans.

Analysis of equity and fund holdings are reported to ALCO on a quarterly basis.

3.2.2.3 Equity Risk (continued)

	Change in index	Impact on profit/ loss before tax	Impact on equity
2023	**%**	**€ 000**	**€ 000**
Cyprus Stock Exchange	+40	1	900
Athens Exchange	+50	419	-
New York Exchange	+45	-	-
Other stock exchanges and unlisted	+40	26	1,270
Non-listed (Real Estate)	+25	-	1,732
Cyprus Stock Exchange	-40	(1)	(900)
Athens Exchange	-50	(419)	-
New York Exchange	-10	-	-
Other stock exchanges and unlisted	-40	(26)	(1,270)
Non-listed (Real Estate)	-10	-	(693)

	Change in index	Impact on profit/ loss before tax	Impact on equity
2022	**%**	**€ 000**	**€ 000**
Cyprus Stock Exchange	+50	1	1,383
Athens Exchange	+34	286	-
New York Exchange	+23	1,394	-
Other stock exchanges and unlisted	+66	2	2,569
Non-listed (Real Estate)	+25	-	1,735
Cyprus Stock Exchange	-33	(1)	(913)
Athens Exchange	-45	(379)	-
New York Exchange	-28	(1,697)	-
Other stock exchanges and unlisted	-59	(2)	(2,296)
Non-listed (Real Estate)	-10	-	(694)

3.2.2.4 Debt Securities Price Risk

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

Limits
Debt security investment limits are in place. These limits include RAS limits on counterparty concentrations and acceptable potential market losses, Credit Limits, Investment Concentration Limits and Bond guidelines. Market and Liquidity Risk unit is responsible for setting and calibrating bond related limits.

Management
The debt security portfolio is managed by Treasury and governed by the Bond Investment Policy. Treasury continuously monitors markets and the bond positions and takes any necessary actions. The annual bond investment strategy is proposed by Treasury and approved by ALCO. Treasury proceeds with bond investment amounts in accordance with the approved strategy ensuring that the portfolio remains within the bond investment policy, limits and parameters set in the various policies and frameworks.

3.2.2.4 Debt Securities Price Risk (continued)

Monitoring
Market and Liquidity Risk unit is primarily responsible for debt securities limit monitoring. Limit monitoring is performed on a daily basis. Any breaches are reported following the escalation process depending on the limit breach.

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.

2023	**Impact on profit/ loss before tax**	**Impact on equity**
Change in market prices	**€ 000**	**€ 000**
Up Scenario		
Aa3 and above rated bonds	2,614	4,068
A3 and above rated bonds	151	1,938
Baa1 and below rated bonds	53	430
Cyprus Government bonds	-	27,618
Down Scenario		
Aa3 and above rated bonds	(2,614)	(4,068)
A3 and above rated bonds	(151)	(1,938)
Baa1 and below rated bonds	(53)	(430)
Cyprus Government bonds	-	(27,618)
2022	**Impact on profit/ loss before tax**	**Impact on equity**
Change in market prices	**€ 000**	**€ 000**
Up Scenario		
Aa3 and above rated bonds	3,621	4,192
A3 and above rated bonds	1,733	3,324
Baa3 and above rated bonds	7	2,467
Cyprus Government bonds	-	34,179
Down Scenario		
Aa3 and above rated bonds	(3,621)	(4,192)
A3 and above rated bonds	(1,733)	(3,324)
Baa3 and above rated bonds	(7)	(2,467)
Cyprus Government bonds	-	(34,179)

Other non-equity instruments price risk
The table below shows the impact on the profit/loss before tax and 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 price index of the relevant instrument.

	Change in index	**Impact on profit/ loss before tax**	**Impact on equity**
2023	**%**	**€ 000**	**€ 000**
Other (non-equity instruments)	+45	1,625	-
Other (non-equity instruments)	-10	(361)	-
2022			
Other (non-equity instruments)	+23	2,063	-
Other (non-equity instruments)	-28	(2,511)	-

3.2.2.5 Property Risk

Definition
Property price risk is the risk that the value of property will decrease, either as a result of:
- Changes in the demand for, and prices of, Cypriot real estate; or
- Regulatory requests which may increase the capital requirement of stocks of properties

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 in line with the Group's strategy.

Management and Monitoring
The Group has in place a number of actions to manage and monitor the exposure to property risk as indicated below:
- It has set up and operates since 2016 a specialized division, Real Estate Management Unit (REMU), that manages the repossessed portfolio, including other non-core assets, through appropriate real estate disposal strategies.
- It has placed great emphasis in the efficient and quick disposal of on-boarded properties and in the close monitoring and reporting. RAS indicators and other KPIs are in place monitoring REMU properties in terms of aging, value and sales levels.
- It assesses and quantifies property risk as one of the material risks ICAAP purposes under both the normative and economic perspective.
- It monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.
- As part of the Group's provisioning process, assumptions are made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts.
- For the valuation of properties owned by the Group judgement is exercised which takes into account all available reference points, such as comparable market data, expert valuation reports, current market conditions and application of appropriate illiquidity haircuts where relevant.

Market and Liquidity Risk unit is primarily responsible for REMU property Group RAS limit monitoring. Limit monitoring is performed on a monthly basis. Any breaches are reported following the approved escalation process.

3.2.3 Liquidity Risk and Funding

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

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

Governance and Oversight
Every year, with the completion and approval of ILAAP, the Board 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 balanced Risk Appetite and Liquidity Policy. Processes, methods, systems including Governance with separation with lines of defence 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 Board ensures that senior management takes the steps necessary to monitor and control liquidity risk and provides adequate reporting regarding liquidity.

3.2.3 Liquidity Risk and Funding (continued)

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

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 by the Market & Liquidity Risk Unit, which is an independent department responsible to monitor compliance, with both internal policies and limits including RAS, and with the limits set by the regulatory authorities. Market & Liquidity Risk reports to ALCO and Board RC the liquidity position, at least monthly. It also provides the results of various stress tests to ALCO and Board RC on a quarterly basis as part of the quarterly ILAAP review. In the case of a breach, the escalation process is commenced.

Market & Liquidity Risk runs liquidity stress test scenarios on a regular basis. The potential impact is estimated ensuring that there is sufficient liquidity buffer and contingent liquidity to cover needs under stressed conditions. The combined stress scenario is the longest and most severe liquidity scenario performed by the Bank.

The designing of the stress tests follows best practices. The stress test assumptions are reviewed and approved at least annually.

As part of the Group's procedures for monitoring and managing liquidity risk, there is an approved Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event 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.

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, and the Group LCP.

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.

Risk Reporting and measurement system
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.

3.2.4 Operational Risk Management (ORM)

3.2.4.1 Definition and Structure

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

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

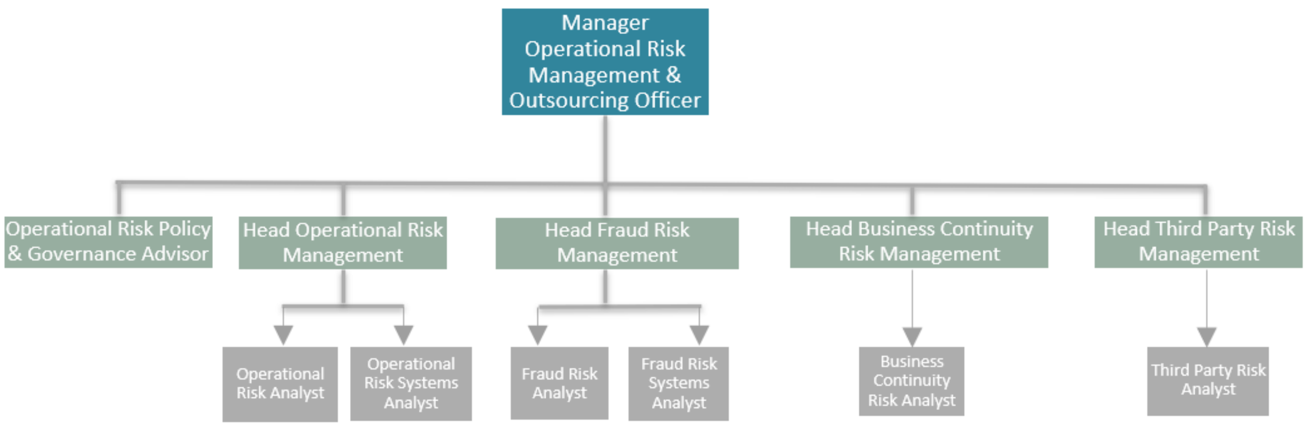
- Regulatory Compliance/Conduct risk
- Financial Crime and Sanctions Compliance risk
- Internal Fraud risk
- External Fraud risk
- People risk
- Business Continuity risks
- Information Security risk (including Cyber risk)
- Technology risk
- Data accuracy and data integrity risk
- Statutory Reporting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

Operational regulatory risk policies and procedures contribute to the management of these risks, some of which are also directly managed by specialised departments, i.e. Information Security Department, Group Compliance and Legal Services. The ORM Department is responsible to embed explicit and robust ORM practices into all areas of the business process from the initial design of the Bank's business strategy to the sale of services and products to its customers.

3.2.4.1 Definition and Structure (continued)

This is achieved by implementing a sound, coherent and comprehensive framework for the identification, assessment, monitoring and control of operational risk within the Bank (Section 3.2.4.2) 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 Board's overall risk appetite and corporate objectives.

ORMD Structure



3.2.4.1 Definition and Structure (continued)

Operational Risk Management Unit

The Operational Risk Management unit is responsible -inter alia - for:

- Providing direction to the first line of defence through policy, education, tools and training.
- Developing and maintaining a framework and supporting policies for the management of operational risks, to ensure timely and effective identification, assessment, monitoring, control and mitigation of operational risks, as well as alignment with regulatory requirements.
- Exercising oversight and challenge to the process of identification and assessment of operational risk and the necessary follow-up for remedial actions, including the operational risk for new products, services, or implementation of new systems, or processes, and all Tier 1 / Tier 2 Projects.

Business Continuity Risk Management Unit

- The Business Continuity Risk Management unit is responsible to maintain a comprehensive Business Continuity Management Policy and establish an automated System which follows best practice and the relevant ISO standard requirements ("ISO 22301 – Business Continuity Management"), and the Directive on Internal Governance of Credit Institutions of 2021.
- 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.

Fraud Risk Management Unit

The Fraud Risk Management unit is responsible for:

- Co-ordinating the Group's approach to Fraud Risk management.
- Developing and maintaining the framework, supporting policies and procedures for the management of internal and external fraud risks.
- Promoting and adopting automated Alert based systems, data analytics tools and controls for the prevention and detection of external and internal fraud.
- Establishing comprehensive Fraud Incident Response plan(s) across the Bank to ensure effective and timely management of external and internal fraud incidents.
- Performing Fraud Risk Assessments on business activities and processes for the timely identification and monitoring of fraud risks across Group.
- Ensuring that divisions and business departments have sound processes for identifying new and emerging fraud risks.
- Assessing new regulations or amendments with regards to fraud related issues and performing regulatory gap analysis in cooperation with Compliance division and other related stakeholders.
- Providing direction through policy, education, tools and training.

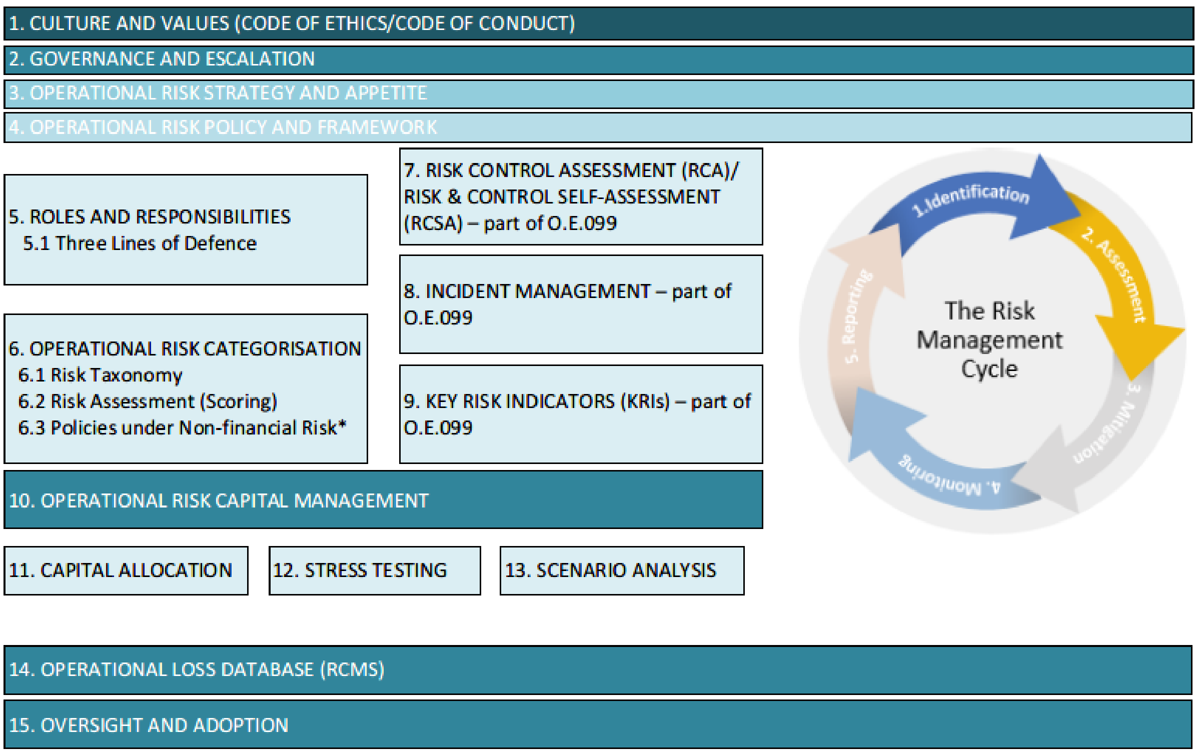
Third-Party Risk Management (TPRM) Unit

The TPRM unit is responsible for:

- Co-ordinating the Group's approach to Third Party Risk management.
- Developing and maintaining the framework, supporting policies and procedures for the management of Third Party risks.
- Assessing new regulations or amendments with regards to outsourcing related issues and performing regulatory gap analysis in cooperation with Compliance division and other related stakeholders.
- Assessing arrangements qualified as outsourcing, strategic or intragroup (based on the EBA Guidelines on outsourcing arrangements 2019 and CBC's Directive to Credit Institutions on Governance and Management Arrangements 2021).
- Performing risk assessments for all aforementioned types of arrangements of the Group, in coordination with the other control functions.
- Providing direction through policy, education, tools and training.

3.2.4.2 Management and Control of Operational Risk

The following diagram summarises the ORM Framework and its components:



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

The ORM framework addresses the following objectives:

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

3.2.4.2 Management and Control of Operational Risk (continued)

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

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

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

According to the RCSA methodology, business owners are requested to place emphasis on identifying risks that arise primarily from the risk areas under a full Risk Taxonomy (as outlined under Section 3.2.4.1).

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

Risk-based Business Process Management
Risk based Business Process Management involves the assessment of risks, the provision of opinions on the acceptability of the risks assessed and the recommendation of additional controls in relation to changes made in business processes, new products or services, outsourced activities and new projects/initiatives. ORMD actively participates in the evaluation of new or amended procedures/policies, Tier 1/2 projects, 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.

3.2.4.2 Management and Control of Operational Risk (continued)

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

The data collected is categorised and analysed to facilitate the management of operational risks and, where possible, to prevent future losses by implementing relevant mitigating actions. Emphasis is constantly placed on carrying out root-cause analysis of both operational risk incidents with a significant impact and repeated operational risk incidents which present worrying trends. In 2023, 710 loss events with gross loss equal to or greater than €1,000 were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2023, compared to 466 loss events in 2022.

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

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

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

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

3.2.4.3 Management of Litigation risk

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

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

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

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

Pending litigation, claims, regulatory and other matters

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

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

Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 31 December 2023 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

3.2.4.4 Major developments relating to ORM during 2023

The Bank is closely monitoring the developments regarding the Ukraine crisis and the fighting in Gaza that will continue in 2024, with several pathways for escalation into a broader regional war. In particular, ORM Function has performed risk assessment aiming to determine whether the Bank's operations are affected in terms of branch network or Third Party dependencies, with no material findings.

During the year, Operational Risk performed an increased number of assessments for new products/procedures. A new control types of categorization has been introduced where existing controls have been mapped to, while a number of RCMS system enhancements were designed, developed and deployed via the new RCMS System (e.g. introduction of workflows, web module for risks). Annual review of RCSAs within 2023 was completed for the in-scope Units (191 RCSAs). The "Business Risk and Control Officer" role was successfully established within the Group. Dedicated Business Risk Officers have been assigned for 3 Divisions (Consumer Banking, Corporate and Wealth). Moreover, Operational Risk oversighted all Tier 1 and Tier 2 projects and handled in an effective and timely manner 1,158 incidents.

The Third-party Risk Management unit (under Operational Risk Management) has performed compliance assessment of all in-scope existing and new Outsourcing, Strategic and Intragroup contracts in accordance with EBA Guidelines and CBOC outsourcing directive, aiming to identify and effectively handle any potential gaps or weaknesses. Furthermore, the Third-party Risk Management unit introduced additional KRIs for the oversight of Outsourcing and Strategic contracts and enhanced the current Concentration Model to include the aspect of Cloud Service Providers.

In addition to the Internet/Mobile Banking Fraud system, the Cards Fraud system has been deployed to production with enhanced preventing behaviour rules & models. Furthermore, the Fraud Risk Data Analytics Tool has been established and further automated controls have been applied to enhance the identification and monitoring of internal fraud risks. Specialised Fraud Risk Assessments have been undertaken as planned.

3.2.4.5 Reporting

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

3.3 Governance Arrangements

3.3.1 Recruitment Policy

The Group recognises the benefits of having a diverse Board of Directors (Board) which includes and makes use of differences in skills, experience, background, nationalities and gender among the directors. When determining the optimum composition of the Board, 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 Board in accordance with the Group Board Nominations Policy and in line with the Group Policy on the Suitability of members of the management body and key function holders approved by the Board.

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

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

Factors considered by the NCGC in its review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration, the assessment of the effectiveness of the institution's arrangements, the interpretation of the institution's financial information 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.
- Reputation of the potential candidate.
- The competencies and skills that the Board 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 Board Nominations and Diversity Policy for achieving and maintaining gender diversity on the Board (published on the Group's website). The Board aims in achieving at least 40% representation of women as per the European Commission's recommendation.

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

3.3.1 Recruitment Policy (continued)

The Board seeks to continually enhance its operations and conducts a formal effectiveness evaluation of the Board, Board Committees, and individual Board Directors. In addition to reviewing the Board's operations, composition and overall effectiveness, the evaluation reviews past performance with the aim of identifying possible opportunities for improvement, determines whether the Board and its Committees are collectively effective in discharging their responsibilities and, in the case of individual Directors, determines whether each individual Director contributes effectively to the collective suitability of the Board.

The external triennial board evaluation review for the year 2023 was conducted in accordance with Article 16 of the CBC Governance Directive and was completed in February 2024.

As referred to above, in August 2023, the Group retained Morrow Sodali to perform an externally facilitated evaluation of the effectiveness of the Board in line with the Bank's Policy for the annual evaluation of the Board. In 2020, Morrow Sodali (previously named Nestor Advisors) was chosen through a Request for Proposal (RFP) process to perform the 2021 triennial board evaluation. It is a common practice that the same external consultant performs the triennial board evaluation for two consecutive years. The purpose of this is twofold; first, Morrow Sodali already possesses a deep understanding and unique insight of the Board and Board Committees since they have already performed the triennial review in 2021 and, additionally, in light of the fact that Morrow Sodali performed the previous triennial review, they will be in a position to provide a thorough comparison between the results of the two triennial reviews.

The objective of the 2023 Triennial Board Evaluation is to assess the Board's strengths and its areas for improvement and provide recommendations for improving Board effectiveness. Notably, the evaluation aims to:

- Enhance the effectiveness of the Board and Board Committees by identifying possible improvements in their composition, structure, functioning, ability to work as a team and capacity to constructively challenge management.
- Develop shared views among Board members on how the Board can better guide and contribute to the Group's performance.
- Enhance comfort among Board members regarding the adequate fulfilment of their collective responsibilities.
- Ensure compliance with the provisions of the CBC Governance Directive in relation to Article 16, which relates to the Evaluation of the management body.
- Facilitate alignment with developing best practice national and international corporate governance standards particularly within the banking sector.
- Maintain and further bolster the confidence of shareholders and stakeholders in the Board governance practices.

The evaluation of the Board was carried out with the following inputs:

1. Document review: A review and analysis of the constitutional documents and Board documentation was carried out. This included documents such as the Corporate Governance Policy and Framework, Board Committee Terms of Reference, Board and Committee packs and presentations.

2. Online questionnaire: Each Board member was asked to complete a web-based questionnaire containing 157 questions, tailored to his/her position as Board member, Chair and Vice Chair of the Board, Committee Chair and Committee member. The questionnaire was grouped into sections, each dedicated to a key governance area derived from the Board evaluation.

3. Individual interviews: Following the confidential questionnaires, seven Board Directors were interviewed in-person, and two Board Directors were remotely interviewed. In these interviews, Board Directors were asked to elaborate further on specific challenges highlighted in their questionnaire responses and other challenges with regards to the Board's effectiveness. After each Board Director interview, all non-executive directors (NEDs) completed a 'Ranked Questionnaire,' a brief set of multiple-choice questions relating to the Group and the Board. These multiple-choice questions were used to further assess the Board's cohesiveness and shared understanding of the strategy and key risks. Interviews were also conducted with the Company Secretary, as well as key rapporteurs to the Board such as the Chief Risk Officer, Internal Audit Director, and Chief Compliance Officer.

3.3.1 Recruitment Policy (continued)

4. Meeting observation: Morrow Sodali attended the Board meeting that took place on the 19th of December 2023 to observe Board process and dynamics present among Board members.

5. Judgment and past assessment comparison: The report on the 2023 Triennial Board Performance Evaluation is primarily based on the responses to the questionnaire and views expressed in the interviews. However, Morrow Sodali have also used their own experience and judgement to identify some of the strengths and areas for improvement for the Board. They have also drawn upon the findings from the Group's 2022 internal Board evaluation and the 2020 Board evaluation, in order to highlight the Group's progress and identify further areas for improvement or continued gap with best practice.

The key points raised during the 2023 Triennial Board Evaluation include the below:
1. The Board effectively allocates sufficient time to strategy discussions and performance monitoring, with annual offsite meetings significantly aiding in focusing on the Group's long-term strategic goals.
2. Additionally, it was identified that the Board maintains a clear distinction between its role and management, ensuring a balanced approach to strategic and operational oversight.
3. Oversight of the Group's risk profile and internal control framework remains consistent, featuring clear reporting lines and improved communication between the Chief Risk Officer and Risk Committee Chair.
4. Improvements in sustainability efforts have been noted since the 2021 Triennial Board Evaluation and the forthcoming inclusion of a sustainability expert i.e. Mr. Christian Hansmeyer on the Board is seen as a positive step.
5. During the assessment, the Board's composition significantly contributed to its effectiveness, featuring an appropriate mix of skills, diversity, and a balance between local and international perspectives, well-suited to the Group's needs.
6. The Chair's leadership is notably effective, earning commendation for his preparedness, ability to manage agendas, and foster innovative and meaningful discussions.
7. The Board operates efficiently, characterized by high-quality deliberations, constructive contributions from directors, and a strong sense of team spirit. Effective communication is maintained both among directors and between directors and senior management, underlining the Board's cohesive and functional dynamics.

As part of the review, some key recommendations were identified to further enhance the Group's corporate governance framework. These recommendations are integral to the Group's ongoing efforts to uphold best practices in governance and stakeholder engagement. Firstly, the report underscores the importance of maintaining a strong commitment to gender diversity within the Board. It advises that the Board should persistently prioritize gender diversity as a critical agenda item, reflecting the Group's and Board's dedication to fostering an inclusive and diverse leadership environment. Secondly, the evaluation highlights the crucial role of the Senior Independent Director in facilitating transparent and effective communication between the Board and the Bank's shareholders and other key stakeholders. It recommends that the Senior Independent Director continues to report to the Board on his engagements with shareholders and stakeholders. Thirdly, the report highlights the fact that the Board should continue to identify opportunities for updates and training on developments on key areas – on banking, regulatory compliance, ESG and other key topics. Additionally, the report explicitly suggests that the Board recognises the critical importance of sustainability, technology, and digitalization in shaping the Group's future. While time constraints have limited in-depth discussions, the Board sees great value in further fostering informal discussions among all members to delve into these essential topics.

As of 31 December 2023, the Board is comprised of seven members: the Group Chairperson, who was independent on appointment and remains independent, two executive directors (Mr. Panicos Nicolaou and Ms. Eliza Livadiotou) and four non-executive directors (Ms. Lyn Grobler, Mr. Adrian J. Lewis, Ms. Monique Hemerijck and Mr. Constantine Iordanou). In accordance with the provisions of the CBC Directive on Suitability, five of the non-executive directors are independent. The names and brief biographical details including each director's background, external directorships, and whether these are executive or non-executive, experience and independent status are set out in Appendix I of this Report. In Appendix I, where biographical details are presented, information on the two NEDs who resigned on 31 December 2023 but had served on the Board throughout 2023 is also included.

3.3.1 Recruitment Policy (continued)

Further to the latest resignations on 31 December 2023 and although fully functional, the Board currently goes through a transitional phase with two newly nominated members, highly experienced in the areas of ESG and technology as well as cybersecurity, pending approval and looking to further enhance its composition with another one or two members. Once this transitional phase is completed, the Board's size will allow for a good balance between having the full range of skills and experience necessary on the Board and to populate its committees while retaining a sense of accountability by each director for Board decisions; to govern the business effectively, while enabling full and constructive participation by all directors given the size and operations of the Group, and the time demands placed on the directors. The Board recognises the need to identify the best qualified and available people to serve on the Board. In accordance with the Board Nominations and Diversity Policy, all appointments are made on merit against objective criteria (including skills and experience) with due regard for the benefits of diversity on the Board. The Board plans for its own renewal with the assistance of the NCGC, which regularly reviews Board composition and tenure and ensures plans are in place for orderly succession to both the Board and Executive positions.

Both on an individual and a collective basis, the directors are considered to have the range of skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group and that high corporate governance standards are maintained.

The NCGC ensures a formal, rigorous, and transparent procedure when considering candidates for appointment to the Board and maintains continuous oversight of the Board's composition to ensure it remains appropriate and has regard for its purpose, culture, major business lines, risk profile and governance requirements.

The NCGC reviews, at least annually, the structure, size, and composition of the Board (including skills, knowledge, experience, independence, and diversity), and recommends to the Board the skills and experience required to provide sound governance oversight. These include experience in banking, insurance, markets and regulatory environments, risk management, financial management, strategy development, technology as well as cybersecurity and operations experience and knowledge of law, governance, compliance, audit and ESG. As noted above, the areas of ESG and technology/cybersecurity will be enhanced upon the appointment of Mr. Christian Hansmeyer as well Mr. Stuart Birrell respectively. Assessing the skills profile of the Board ensures that the Board and committees comprise of members having an all-embracing perception of the Group's activities and the risks associated with them. The composition of the Board remains under continuous review and the NCGC maintains a constant focus on succession planning to ensure the continuation of a strong and diverse Board, which is appropriate to the Group's purpose and the industry within which it operates.

The NCGC's succession planning process has regard for the impact of expected retirements of directors, and the Group's desired culture and strategic direction. As part of the process, the NCGC prepares a detailed role profile, based on its analysis of the skills and experience needs, and selects, where appropriate, an experienced third-party professional search firm to facilitate the process. The search firm develops an appropriate pool of candidates and provides independent assessments of the candidates. The NCGC works with the search firm to shortlist candidates, conduct interviews/meetings (including meetings with members of the NCGC) and carry out comprehensive due diligence.

The NCGC adheres to the requirements of the Group Suitability Policy, which is fully aligned with the CBC Directive on Suitability (and the Joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body) and ensures a robust assessment of potential candidates which includes an interview by the NCGC and recommendation to the Board prior to the submission of suitability applications to the regulator for consideration.

In accordance with the Board Nominations and Diversity Policy, the assessment and due diligence process is extensive and includes self-certification confirmations of probity and financial soundness as well as external checks involving a review of various publicly available sources. All potential candidates are assessed to ensure they have the ability to act with integrity, lead by example and promote the desired culture, which evidences a commitment to high standards and values. The process also involves the NCGC satisfying itself as to the candidate's ability to devote sufficient time to the role, his/her independence and suitability.

3.3.1 Recruitment Policy (continued)

At the same time, the NCGC assesses and documents its consideration of possible conflict of interest. Finally, an assessment of collective suitability is performed following which the NCGC makes recommendations to the Board, according to the provisions of the Joint Guidelines on Suitability.

Regulatory assessment and formal approval are required and given for all Board appointments.

The Group carries out a review of the ongoing suitability of Board members on an annual basis, whereby they are required to confirm any changes in their circumstances in relation to their compliance with the CBC Directive on Suitability. All changes in circumstances disclosed, are assessed and their materiality determined. The Board concluded that each of the directors has the requisite standard of fitness, probity, and financial soundness to perform his/her functions effectively and commits the necessary time for the execution of his/her duties.

3.3.2 Other Directorships

The NCGC ensures that individual Board directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual director. The Board has determined the time commitment expected of non-executive directors to be 35-40 days per annum. Time devoted to the Group can be considerably more when serving on Board committees.

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 Board's approval of the individual's appointment.

BOC PCL has been classified as a 'significant institution' under the European Union (Capital Requirements) Regulation 2014. The CBC Directive on Suitability, which incorporates the provisions of Article 91 of the European Capital Requirements Directive ('CRD IV') on management bodies of credit institutions, determines that a director cannot hold more than one of the following combinations:

- One executive directorship with two non-executive directorships; or
- 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 Board to hold one additional directorship.

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.

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

- Mr. Arapoglou 2 Non-Executive directorships
- Mr. Nicolaou 3 Non-Executive directorships
- Mrs Lyn Grobler 2 Non-Executive directors
- Mr. Zographakis 2 Non-Executive directorships
- Mrs Hadjisotiriou 3 Non-Executive directorship
- Mr. Iordanou 1 Non-Executive directorship
- Mrs. Monique Hemerijck 1 Non-Executive
- Mr. Adrian J. Lewis 1 Executive directorship

The biographies of the directors, including experience and knowledge, are presented in Appendix I and can be accessed on our website online and in the Annual Corporate Governance Report 2023 which is included in the Annual Financial Report for 2023 and is available at www.bankofcyprus.com/en-gb/group/who-we-are.

3.3.3 Diversity

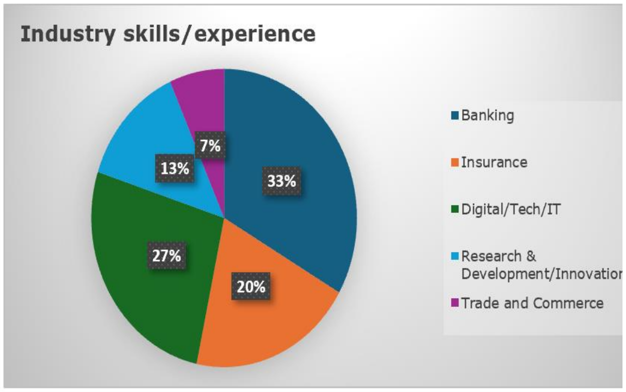
The Group recognises the benefits of having a diverse Board and workforce, creating a work environment where everyone has an opportunity to fully participate in creating business success, and where each person is valued for their distinctive skills, experiences, and perspectives. In reviewing Board composition and identifying suitable candidates, the NCGC considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, industry experience, nationality, gender, age and other relevant qualities, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

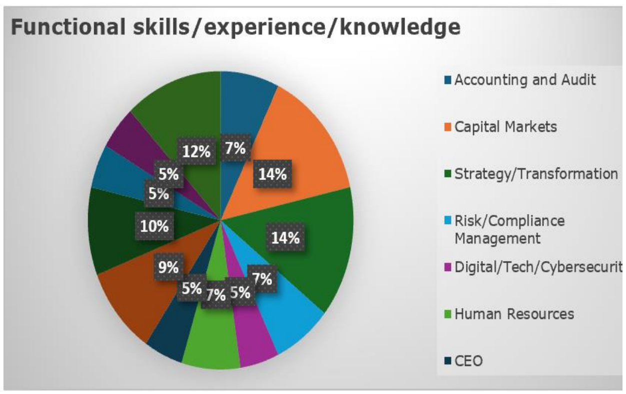
All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole is required to have to be effective and the diversity benefits each candidate can bring to the overall board composition.

The Group's approach to Board diversity is set out in full in the Board Nominations and Diversity Policy, which can be found online at www.bankofcyprus.com/globalassets/who-we-are/our-governance/corporate-governance-policies-2024/board-nominations-and-diversity-policy_web.pdf. The Board Nominations and Diversity Policy recognises that a truly diverse Board will include and make good use of the differences in skills, experience, background, race, gender and other distinctions brought by each director, with such differences being considered in determining the optimum composition of the Board.

Non-executive members of the Board possess a wide range of skills, knowledge and extensive experience acquired from executive and/or non-executive appointments as directors of other companies, that combine to provide independent perspective, insights and challenge needed to support good decision-making and effective board dynamics. The effectiveness of the Board depends on ensuring the right balance of directors with banking or financial services experience and broader commercial experience. Directors bring their individual knowledge, skills, and experience to bear in discussions on the major challenges facing the Group. The participation of executives on the Board enhances the banking expertise of the Board and ensures that the Board is provided with direct, precise, and up-to-date information about significant issues concerning the Group.

3.3.3 **Diversity** (continued)





In the 2023 review of knowledge, experience, and skills, the Nomination and Corporate Governance Committee (NCGC) concluded that the Board's skills profile, both academic and professional, aligns well with the diverse needs of the Group's business. This includes sectors such as banking, insurance, manufacturing, audit and accounting, economics, risk management, strategy and business modelling, capital markets, information technology, and human resource management.

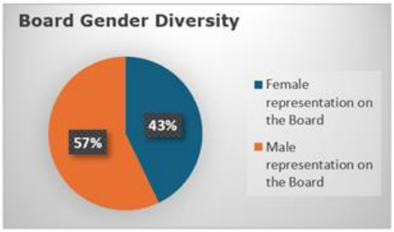
However, it was identified that the areas of Environmental, Social, and Governance (ESG) and Digital/Technology/Cybersecurity require further strengthening to align with the Group's strategic direction. This enhancement is anticipated to be achieved through the prospective appointments of Mr. Christian Hansmeyer and Mr. Stuart Birrell. These appointments are pending approval from the European Central Bank (ECB). Following the recent resignation of Mr. Nicolaos Sofianos, there is a need for the Board to appoint a new Non-Executive Director (NED) with robust audit qualifications and experience. This is essential to maintain the high standards of governance and oversight that the Board aspires to uphold.

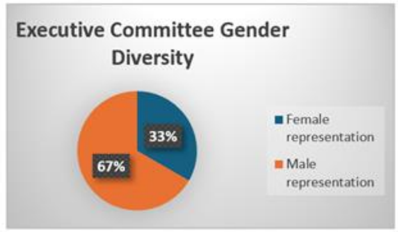
During 2023, the NCGC reviewed the Board Nominations and Diversity Policy, which aims to maintain diversity with appointments based on merit in the context of the skills and experience required. The quantitative gender diversity of BOCH is set at 40% female representation. BOCH has been implementing an action plan approved by the NCGC describing all key intervening milestones leading to the accomplishment of this target. The changes in the composition of the Board in 2023 increased diversity at 43%. The Board remains committed to maintaining its set target. The Board Nominations and Diversity Policy applies to the Board and its Committees.

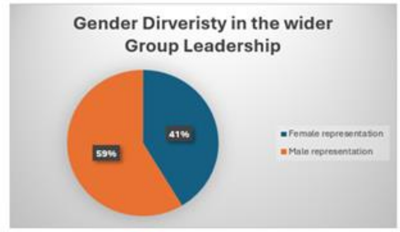
The Board also places high emphasis on ensuring the development of diversity in the senior management roles within the Group. A number of Group policies ensure unbiased career progression opportunities. The Code of Conduct similarly ensures equal opportunities to all members of staff and treats diversity with fairness and respect aiming to provide fair treatment for everyone at work. A primary ESG target approved under the ESG strategy by the Board is ≥30% women in Group's management bodies by 2030.

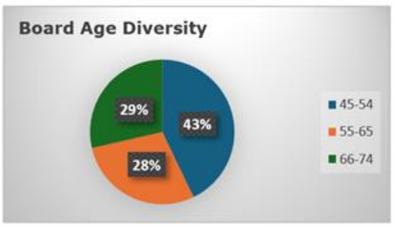
As of 31 December 2023, there is a 33% representation of women in Group's management bodies (defined as the EXCO) and a 41.35% representation of women at key positions such as Managers, Heads, Leads, Team Heads (defined as the wider Group Leadership).

3.3.3 **Diversity** (continued)









As per the required Financial Conduct Authority (FCA) Diversity disclosures, the following is applicable in relation to the Bank as from 1 January 2023 to 31 December 2023:

- 43% of the individuals on the Board are women.
- The Executive Director Finance, Eliza Livadiotou is a woman.
- The Board recognises the challenges in setting diversity targets. Cyprus is the geographical provenance of the Group's customer and employee base and having also regards to the ethnic background of Cyprus population, at this time, the Board has not set a target for having at least one member of the Board from a non-white ethnic minority background. Notwithstanding this, when considering Board appointments, the Board will have regard to the requirements under the UK FCA Listing Rules.

	Number of Board members	Percentage of the Board	Number of senior positions on the board (CEO, CFO, SID, and Chair)	Number in EXCO	Percentage of EXCO	Number in wider Group Leadership	Percentage in wider Group Leadership
Men	4	57%	3	4	67%	61	59%
Women	3	43%	1	2	33%	43	41%

3.3.4 The Board

The Board is collectively responsible for the long-term success of the Group, and is committed to effective leadership, which contributes to wider society. The Board's role is to promote the Group's vision, values, culture, and behaviour, within a framework of adequate controls, which enables risk to be identified, assessed, measured, and managed. The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types.

The Board is responsible for ensuring that management maintains an adequate and effective internal governance framework and internal control system, which includes a clear organisational structure and the smooth operation of independent risk management, regulatory compliance, internal control and ICT and security risk management functions with adequate powers and resources for the performance of their duties. Furthermore, the Board has the responsibility to present a fair, balanced and understandable assessment of the Company's and Group's position and prospects, including in relation to the annual and interim financial statements and other price-sensitive public reports and reports required by regulators and by law.

The Board sets the Group's strategic objectives and risk appetite to support the strategy; integrates sustainability into the way business is conducted; ensures that the necessary financial and human resources are in place for the Group to meet its objectives; ensures that the Group's purpose, values, strategy, and culture are all aligned and reviews management performance in that regard. The Board recognises the need to be adaptable and flexible to respond to changing circumstances and emerging business priorities, whilst ensuring the continuous monitoring and oversight of core issues.

The Board is the decision-making body for all matters of importance because of their strategic, financial, or reputational implications or consequences. A formal schedule of matters reserved for approval by the Board ensures that control of these key decisions is maintained by the Board. The schedule of matters reserved for the Board is reviewed at least annually to ensure that it remains relevant and to reflect any enhancements required under evolving corporate governance requirements and industry best practice. A full schedule of matters reserved for the Board can be found at www.bankofcyprus.com/group.

Moreover, the Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group. Their appropriateness for the role is monitored on an ongoing basis. The removal from office of the head of a 'control function' as defined in the CBC Directive on Internal Governance, is also subject to Board approval.

3.3.5 Board Risk Committee (RC)

The RC purpose and responsibilities
The Committee ensures the implementation of a comprehensive risk management framework across the Group, meticulously reviewing the aggregate risk profile. This includes a thorough evaluation against the predetermined risk appetite for various risk types and confirming the continued suitability of both the risk profile and risk appetite.

The Committee aids the Board in executing the Group's risk strategy, guaranteeing a robust approach to risk management. A critical function involves overseeing the identification, assessment, control, and monitoring of diverse risk categories. These include financial/economic risks as well as non-financial risks like operational, technological, tax, legal, information security, model, reputational, compliance risks, and Environmental, Social, Governance (ESG)/Climate-related and Environmental (C&E) risks, in collaboration with the respective Board Committees. The Committee is responsible for contemplating, challenging, and recommending the Group's overall Risk Appetite to the Board. It reviews the Group's aggregated Risk Profile and performance against the set Risk Appetite/tolerance, reporting its findings to the Board.

Further to the above, the Committee remains vigilant about potential impacts of new developments that might affect the Group's risk profile. It focuses on identifying and evaluating future potential risks, particularly those that might not have been sufficiently addressed in previous reviews due to their uncertainty and novelty.

The Committee gives detailed consideration to existing and emerging risks, through a balanced agenda which ensures sufficient focus on standing areas of risk management through the Group Risk Management Framework, together with specific attention being given to those emerging risks which could significantly impact the Group and/or its customers.

The Committee ensures that the Group's overall Risk Profile and Risk Appetite remain suitable in the evolving external environment. The Committee guarantees effective, continuous oversight of the Group's risk management and mitigation activities. This includes supervising the Group's control processes, training, culture, information and communication systems and procedures for ongoing evaluation of their effectiveness.

Additionally, to the above, the Committee also takes responsibility for managing all risks associated with third-party interactions and outsourcing.

The Committee's role included, amongst others, recommending the Group's Risk Appetite Framework and Risk Appetite Statement. In this context, the Committee dealt with breaches of risk appetite, developed remediation plans and oversaw necessary communications.

Further to the above, the Committee was instrumental in formulating policies for managing credit market, liquidity, and cyber/information security risks. This involved approving other essential risk policies as well. A significant part of the RC responsibility included regularly assessing the Group's overall risk profile and emerging risk themes. This assessment was bolstered by direct input from the Chief Risk Officer and Chief Information Security Officer and involved a thorough review of risk reports and the risk appetite dashboard.

Reports on the Group's operational and technology capability were another key area of focus for the Committee, especially updates on cyber risk management, IT resilience, IT Service Continuity Management and Data Management.

The Committee's agenda also included a detailed review and challenge of the assumptions, scenarios, and outputs of the 2023 ICAAP and ILAAP. Recommendations from these reviews were then presented to the Board for approval. In addition to these tasks, the Committee stayed informed about the latest and impending regulatory developments, receiving monthly updates and reviewing the risk report, which highlighted key issues and provided insights into the Group's Risk Appetite Statement, as well as top and emerging risks. The emerging risks and risk profile were reviewed on a quarterly basis, with updates provided through risk report submissions including for the insurance subsidiaries.

3.3.5 Board Risk Committee (RC) (continued)

To ensure a unified approach across subsidiary companies, the Committee established core terms of reference for subsidiary company committees. This included endorsing any significant changes to these terms and appointments to the committees. Furthermore, detailed information relating to Group risk management was outlined in specific sections of the Consolidated Financial Statements and the Risk and Capital Management Report.

Deep dive discussions were a regular feature, concentrating on areas such as REMU, Corporate & SME Banking, International Banking, Consumer Banking, and the RRD End-to-End process. These discussions also planned to encompass areas like Wealth, Treasury, and the Digital Economy Platform (DEP). In-depth discussions on SREP results and data governance issues were also a significant part of the Committee's work. Additionally, the Committee reviewed and approved or recommended for approval various credit facilities exceeding €100 million, relating to restructurings and/or contractual or non-contractual write-offs.

Lastly, the Committee was kept abreast of developments and market practices through dedicated training sessions. These sessions covered a wide range of topics, including Basel III Implementation, Quantitative Impact analysis for Capital Adequacy and Leverage, Data & Report Quality Framework, IFRS 9, Information Security & Cyber Security, and the Bank's models. The Committee, acting under the Board's authority, is dedicated to managing risks effectively. It ensures the implementation of a comprehensive risk management framework across the Group, meticulously reviewing the aggregate risk profile. This includes a thorough evaluation against the predetermined risk appetite for various risk types and confirming the continued suitability of both the risk profile and risk appetite.

During 2023, the RC held 21 meetings (2022:22 meetings).

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

3.3.6 Board Audit Committee (AC)

The AC serves a critical function in appraising the effectiveness of the internal control structures of the Group. These systems are intentionally established to mitigate fraud, safeguard assets, and ensure the veracity of financial reports. The AC conducts thorough reviews of policies and procedures, thereby reinforcing an adequate internal control environment. The AC is responsible for overseeing the Internal Audit function, which is an independent and objective assurance function. The AC ensures that the internal audit department is independent and has the necessary resources and access to information in order to carry out its mandate effectively. The Committee reviews and approves, inter alia, the internal audit plan and the internal audit budget, monitors the progress of audit activities, and evaluates the effectiveness of the internal audit function.

Further to the above, the AC bears the responsibility of reviewing and evaluating the Company's the Bank's and the Group's financial statements. It is the duty of the Committee to ensure that these financial reports are precise, comprehensive, and adhere to the International Financial Reporting Standards (IFRS), as well as to relevant laws and regulations. Additionally, the Committee scrutinizes any alterations in accounting policies and practices, confirming their suitability and alignment with the Group's overarching financial objectives. The Committee holds the responsibility for the appointment, compensation, and oversight of the Group's external auditor. The Committee ensures the external auditor's independence and verifies their qualifications to perform effectively. It reviews the auditor's plan, findings, and recommendations, and oversees the Group's response to any issues identified.

The Group operates in a highly regulated environment, and the AC is responsible for ensuring that the Group complies with all applicable laws, regulations, and standards. The AC reviews the compliance policies and procedures and monitors performance against key regulatory requirements. The AC also liaises with regulators and addresses any concerns or findings that may arise from regulatory inspections or examinations. In addition to the latter, the AC assesses the soundness of the methodologies and policies management the Group uses to develop ESG metrics and other disclosures and to assess the key vendors'

3.3.6 Board Audit Committee (AC) (continued)

plans about sustainability. The AC is responsible for establishing and maintaining an effective whistleblowing mechanism that enables employees and other stakeholders to report concerns about potential misconduct or unethical behaviour. The Committee ensures that the whistleblowing policy protects whistleblowers from retaliation and provides for a thorough and objective investigation of reported concerns. The chairperson of the Committee holds the role of Whistleblowing Champion and has specific responsibility for the integrity, independence and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for protecting employees who raise concerns from possible discriminatory or retaliatory actions.

The AC and the Risk Committee liaise closely and in joint committee meetings, review the appropriateness and completeness of the system of internal controls, management's recommendations in respect of provisions for impairment of loans and advances and other impairment losses and charges as reported in the Group's financial statements. The AC is primarily responsible to review the manner and framework in which management ensures and monitors the adequacy of the nature, extent, and effectiveness of internal controls system, including accounting control systems, thereby maintaining an overall effective system of internal controls and monitors management's responses and actions to the findings and recommendations and any mitigating actions in response.

The AC provides guidance to the Board in relation to risk related issues that emerge in the context of enhancing the Group's ethical culture. In this respect, the AC submits recommendations to the Board for any actions that should be taken in the context of enhancing the ethical culture of the Group. In August 2023, the Board was informed in relation to the Institute of Business Ethics (IBE) Guidance for Board members on developing an ethical business culture, issued by the IBE, where the twelve pillars for further enhancement and promotion of an ethical business culture were discussed. During the last few years, the Bank and primarily its Board, has undertaken significant initiatives in establishing a business culture that fosters ethics and integrity and the IBE's paper is a good benchmark to discuss and evaluate this work and determine possible further actions to reinforce this objective. Relevant recommendations for action were noted by the Board, and it was decided that the Chair of the Audit Committee in cooperation with the Chief Compliance Officer, will proceed with the creation of a plan during the first quarter of 2024 to enhance the ethical framework of the Bank even further.

The progress of addressing IT audit findings was also discussed during 2023 with regards to availability and continuity of IT services.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board on key matters. While not intending to be an exhaustive list of the Committee's considerations and activities in 2023, a number of areas that were subject to Committee focus during the year are outlined below.

The AC held 20 meetings during 2023.

3.3.7 Board Human Resources & Remuneration Committee (HRRC)

The HRRC oversees core human resources activities including, inter alia, the performance related process, talent management, learning & development, and staff optimisation. It also reviews human resources initiatives that foster employee engagement, such as the Organisational Health Index project ('OHI'), the application of a holistic internal communication programme, the implementation of the 'Well-at-Work' initiative - an employee wellbeing/care programme, and the application of fair and transparent recognition initiatives across the Group.

The HRRC holds delegated responsibility from the Board for the oversight of the Group-wide Remuneration Policy with specific reference to the senior management, heads of, and senior officers in, internal control functions and those employees whose activities have a material impact on the Group's risk profile. The HRRC is responsible for overseeing the annual review of the Group Remuneration Policy with input from the Control Functions which is then proposed to the Board for ratification. In addition, the Board, through the HRRC, is

3.3.7 Board Human Resources & Remuneration Committee (HRRC) (continued)

ultimately responsible for monitoring the implementation of the Group Remuneration Policy. The remuneration of non-executive directors is determined by the Board following the recommendation of the Chairperson of the Board while the remuneration of the Chairperson and Vice-Chair is recommended by the HRRC. Both are subject to approval by the shareholders. No director is involved in decisions regarding his/her own remuneration.

The HRRC exercises oversight of negotiations with the labour union in Cyprus and provides guidance and support to management. It advises the Board on the approval of the collective agreements and reviews the framework of industrial relations and collective agreements to ensure they are relevant to best practices and conducive to good performance.

The HRRC reviews any voluntary retirement / separation schemes for BOC PCL and material subsidiaries in cooperation with the Human Resources Division ('HRD') and succession planning for all divisions and subsidiaries for senior management throughout the Group. It also reviews the annual training plan as prepared by HRD and approved by the CEO and ensures that it creates and/or develops the right competencies and behaviours that are necessary for meeting the Group's strategic priorities.

The HRRC reviews and approves the content of any resolutions submitted for approval at the general meeting of the shareholders. These resolutions are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the CSE Code and concern possible plans for the compensation of members of the senior management in the form of shares, share warrants or share options.

The Board is informed through the HRRC on staff surveys and is updated on progress in implementing actions in response to staff feedback. The main source of feedback relates to the Group Organizational Health Index (OHI) which focuses on – and simultaneously examines - all aspects of the Group's work culture as well as the way it operates as an organization. The first full OHI Survey took place in 2021 and action plans were set in place for all priority areas identified. Four members of the Senior Management Team act as sponsors to each priority area (such as knowledge sharing, career opportunities, personal ownership, and employee involvement) and various initiatives have been - and continue to be - launched under each area, with the support of more than 25 Health Champions. Two pulse surveys took place in 2022 and a second full OHI Survey followed in October 2023.

The HRRC considered and recognised the strength of the mechanisms in place to engage with and hear from employees; in particular, there are methods of gathering and documenting workforce views and considering how themes and viewpoints of the workforce are presented to and considered by the Board for discussion and debate, with the aim of encouraging a meaningful dialogue between the Board and the workforce on a timely basis.

The Board agreed to adopt an alternate approach to the workforce engagement methods set out in the 2018 UK Code. The primary reason for taking a different approach is that there is regular interaction with the labour union which represents 97.7% of staff. Remuneration within the Group is based on collective agreements including remuneration of executive management except that of the CEO which is a fixed-term contract and there are certain restrictions on variable remuneration for all employees including executive directors. The Remuneration Policy covers all employees including executive directors. The information from surveys, the whistleblowing process, other information reported from the Working Team on culture, disciplinary actions, grievance's themes etc., were reported to and discussed by the HRRC before being reported to the Board. It is hereby confirmed that the workforce engagement method that the Board has settled on, is through internal communication initiatives facilitated by the HRD and reported to the Board. The HRD engaged with the workforce by conducting numerous meetings with the purpose of providing a detailed explanation in relation to the processes and procedures affecting the granting of merit pay. Furthermore, meetings at a divisional level with the employees were also held with the aim to enhance transparency and clarity in relation to the matter of merit pay. The Group engages with staff representatives (trade union) during the annual process of granting pay increases, including the granting of merit pay awards.

The HRRC held 10 meetings during 2023.

3.3.8 Reporting and Control

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

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

4. Scope of Application

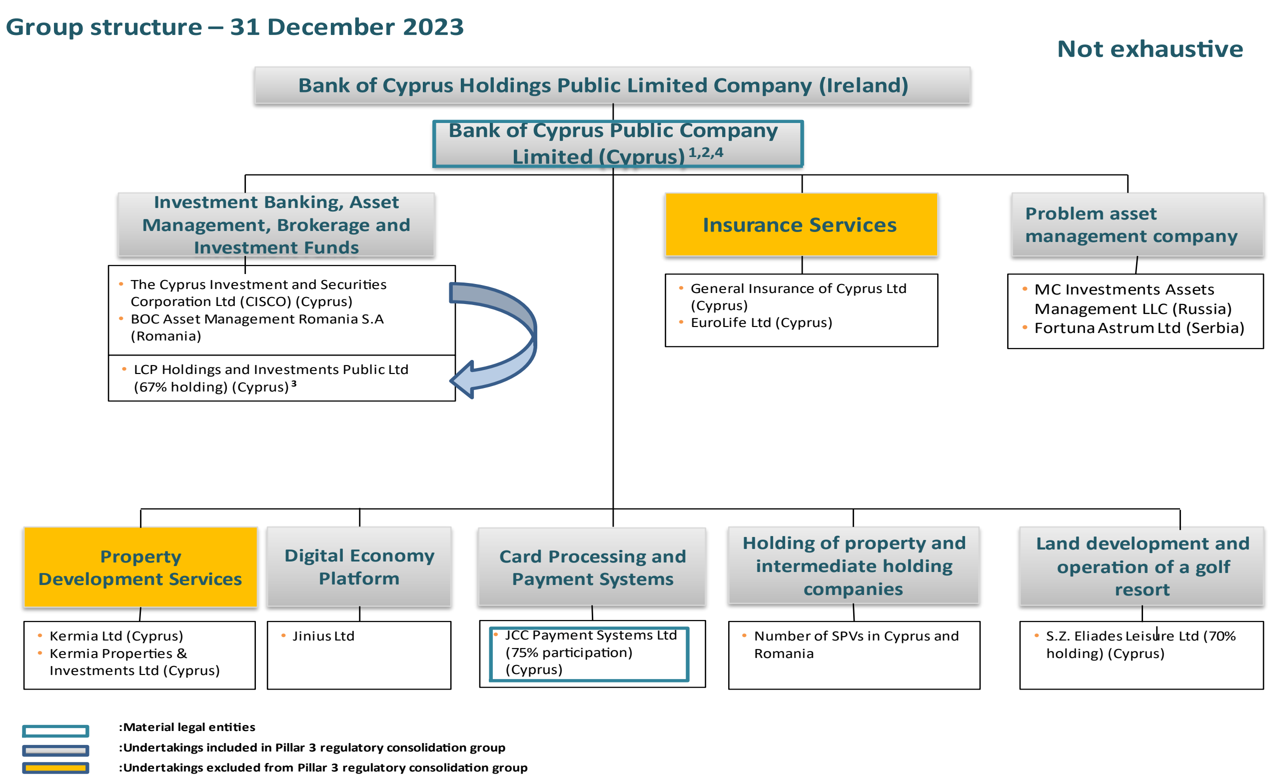
Differences on the basis of consolidation for financial reporting and prudential purposes

The data included in this Report may be different than the respective data of the Consolidated Financial Statements of the Company for 2023, 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 2023 and the balance sheet prepared for prudential purposes is disclosed in this section.

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

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

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



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

4. **Scope of Application** (continued)

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

As shown in table EU LI3 (Appendix II), as at 31 December 2023, the following subsidiaries were not included in the regulatory consolidation: EuroLife Ltd, General Insurance of Cyprus Ltd, Kermia Ltd, Kermia Properties & Investments Ltd, BOC Secretarial Company Ltd, Dominion Industries Ltd, Eurolife Properties Ltd, Ledra Estate Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Settle Cyprus Limited, Laiki Bank (Nominees) Ltd, Nelcon Transport Co. Ltd, Kyprou Properties SA, Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd) and Kyprou Zois (branch of EuroLife Ltd). For none of these subsidiaries the actual own funds as at 31 December 2023, where applicable, were less than those required.

Material legal entities

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

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

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

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

Based on EBA Technical advice on critical functions and core business lines (EBA/Op/2015/05) and the Commission Delegated Regulation (CDR) 2016/778, 'Function' indicates a structured set of activities, services or operations that are delivered by an institution or group to third parties. Critical functions mean 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.

According to the EU Commission Delegated Regulation (2016) on CFs, a function shall be considered critical, when it meets both of the following criteria:
- The function is provided by an institution to third parties not affiliated to the institution or group and
- The sudden disruption to provide that function would likely have a material negative impact on the third parties, give rise to contagion or undermine the general confidence of market participants due to the systemic relevance of the function for the third parties and the systemic relevance of the institution or group in providing the function.

This requires that the function cannot be substituted on acceptable terms within a reasonable timeframe, which would exclude such an impact of the failure.

The results of the materiality analysis of the legal entities for 31 December 2023 are presented in Appendix IV. The fulfilled criteria are highlighted in each case for the legal entities identified as material. Based on the qualitative and quantitative criteria, the Bank and JCC Payments Ltd have been identified as material entities as at 31 December 2023.

4.1 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

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

		a	b	c
	31 December 2023	**Consolidated Balance sheet as in published financial statements**	**Consolidated Balance Sheet under regulatory scope of consolidation**	**Reference (1)**
		€ million	**€ million**	
	Assets			
1	Cash and balances with central banks	9,615	9,614	
2	Loans and advances to banks	385	376	
3	Reverse repurchase agreements	403	403	
4	Derivative financial assets	51	51	
5	Investments at FVPL	135	8	
6	Investments at FVOCI	443	437	(h)
7	Investments at amortised cost	3,117	3,117	
8	Loans and advances to customers	9,822	9,822	
9	Life insurance business assets attributable to policyholders	649	-	
10	Prepayments, accrued income and other assets	585	523	
11	Stock of property	826	824	
12	Investment properties	62	52	
13	Deferred tax assets	201	201	
14	Property and equipment	286	257	
15	Intangible assets	49	40	(e)
16	Investments in Group undertakings	-	35	(i)
17	**Total assets**	**26,629**	**25,760**	
	Liabilities			
1	Deposits by banks	472	472	
2	Funding from central banks	2,044	2,044	
3	Derivative financial liabilities	18	18	
4	Customer deposits	19,337	19,380	
5	Insurance contract liabilities	658	-	
6	Accruals, deferred income, other liabilities and other provisions	469	355	
7	Provisions for pending litigation, claims, regulatory and other matters	132	132	
8	Debt securities in issue	672	672	
9	Subordinated liabilities	307	307	(g)
10	Deferred tax liabilities	32	27	
11	**Total liabilities**	**24,141**	**23,407**	
	Equity			
1	Share capital	45	45	(a)
2	Share premium	594	594	(b)
3	Revaluation and other reserves	90	92	(d)
4	Retained earnings	1,518	1,381	(c)
5	**Equity attributable to the owners of the Company**	**2,247**	**2,112**	
6	Other equity instruments	220	220	(f)
8	**Non-controlling interests**	**21**	**21**	
9	**Total equity**	**2,488**	**2,353**	
10	**Total liabilities and equity**	**26,629**	**25,760**	

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

4.1 Reconciliation of regulatory own funds to balance sheet in the audited financial statements (continued)

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

		a	b	c
	31 December 2022	**Consolidated Balance sheet as in published financial statements [1]**	**Consolidated Balance Sheet under regulatory scope of consolidation**	**Reference [2]**
		€ million	**€ million**	
	Assets			
1	Cash and balances with central banks	9,567	9,567	
2	Loans and advances to banks	205	191	
3	Derivative financial assets	48	48	
4	Investments at FVPL	190	19	
5	Investments at FVOCI	468	460	(h)
6	Investments at amortised cost	2,046	2,046	
7	Loans and advances to customers	9,953	9,953	
8	Life insurance business assets attributable to policyholders	542	-	
9	Prepayments, accrued income and other assets	609	559	
10	Stock of property	1,041	1,039	
11	Deferred tax assets	228	228	
12	Investment properties	85	75	
13	Property and equipment	254	223	
14	Intangible assets	53	43	(e)
15	Investments in Group undertakings	-	35	(i)
16	**Total assets**	**25,289**	**24,486**	
	Liabilities			
1	Deposits by banks	508	508	
2	Funding from central banks	1,977	1,977	
3	Derivative financial liabilities	16	16	
4	Customer deposits	18,998	19,041	
5	Insurance contract liabilities	598	-	
6	Accruals, deferred income, other liabilities and other provisions	381	309	
7	Provisions for pending litigation, claims, regulatory and other matters	128	128	
8	Debt securities in issue	298	298	
9	Subordinated liabilities	302	302	(g)
10	Deferred tax liabilities	34	24	
11	**Total liabilities**	**23,240**	**22,603**	
	Equity			
1	Share capital	45	45	(a)
2	Share premium	594	594	(b)
3	Revaluation and other reserves	77	81	(d)
4	Retained earnings	1,091	921	(c)
5	**Equity attributable to the owners of the Company**	1,807	1,641	
6	Other equity instruments	220	220	(f)
8	**Non-controlling interests**	**22**	**22**	
9	**Total equity**	**2,049**	**1,883**	
10	**Total liabilities and equity**	**25,289**	**24,486**	

1. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. There was no impact on the Consolidated balances Sheet under regulatory scope of consolidation.

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

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

The difference between the carrying values reported in the Consolidated Financial Statements of the Company for 2023 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 Group's structure on the basis of consolidation for the prudential purposes and the basis for consolidated accounting is presented in Section 4 '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 2023 and the Balance Sheet for regulatory purposes is presented in Section 4.1. The shift in the exposures under each framework between 2023 and 2022 is in line with the changes in column (b).

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

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

		a	b	c	d	e	f	g
				Carrying values of items				
	31 December 2023	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to own funds requirements or subject to deduction from own funds**
		€million	€million	€million	€million	€million	€million	€million
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and balances with central banks	9,615	9,614	9,614	-	-	-	-
2	Loans and advances to banks	385	376	346	30	-	-	-
3	Reverse repurchase agreements	403	403	-	403	-	-	-
4	Derivative financial assets	51	51	-	51	-	-	-
5	Investments at FVPL	135	8	8	-	-	-	-
6	Investments at FVOCI	443	437	437	-	-	-	-
7	Investments at amortised cost	3,117	3,117	3,117	-	-	-	-
8	Loans and advances to customers	9,822	9,822	9,822	-	-	-	-
9	Life insurance business assets attributable to policyholders	649	-	-	-	-	-	-
10	Prepayments, accrued income and other assets	585	523	523	-	-	-	-
11	Stock of property	826	824	796	-	-	-	28
12	Investment properties	62	52	52	-	-	-	-
13	Property and equipment	286	257	257	-	-	-	-
14	Intangible assets	49	40	15	-	-	-	25
15	Investments in Group undertakings, associates and joint ventures	-	35	35	-	-	-	-
16	Deferred tax assets	201	201	201	-	-	-	-
17	**Total assets**	**26,629**	**25,760**	**25,223**	**484**	**-**	**-**	**53**

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

		a	b	c	d	e	f	g
				Carrying value of items				
	31 December 2023	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€million	€million	€million	€million	€million	€million	€million
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits by banks	472	472	-	-	-	-	472
2	Funding from central banks	2,044	2,044	-	-	-	-	2,044
3	Derivative financial liabilities	18	18	-	18	-	-	-
4	Customer deposits	19,337	19,380	-	-	-	-	19,380
5	Insurance contract liabilities	658	-	-	-	-	-	-
6	Accruals,deferred income, other liabilities and other provisions	469	355	19	-	-	-	336
7	Provisions for pending litigation, claims, regulatory and other matters	132	132	-	-	-	-	132
8	Debt securities in issue	672	672	-	-	-	-	672
9	Subordinated liabilities	307	307	-	-	-	-	307
10	Deferred tax liabilities	32	27	-	-	-	-	27
11	**Total liabilities**	**24,141**	**23,407**	**19**	**18**	**-**	**-**	**23,370**

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

		a	b	c	d	e	f	g
				Carrying value of items				
31 December 2022		Carrying values as reported in published financial statements (restated)[1]	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash and balances with central banks	9,567	9,567	9,567	-	-	-	-
2	Loans and advances to banks	205	191	191	-	-	-	-
3	Derivative financial assets	48	48	-	48	-	-	-
4	Investments at FVPL	190	19	19	-	-	-	-
5	Investments at FVOCI	468	460	460	-	-	-	-
6	Investments at amortised cost	2,046	2,046	2,034	-	12	-	-
7	Loans and advances to customers	9,953	9,953	9,953	-	-	-	-
8	Life insurance business assets attributable to policyholders	542	-	-	-	-	-	-
9	Prepayments, accrued income and other assets	609	559	559	-	-	-	-
10	Stock of property	1,041	1,039	1,029	-	-	-	10
11	Investment properties	85	75	75	-	-	-	-
12	Property and equipment	254	223	223	-	-	-	-
13	Intangible assets	53	43	13	-	-	-	30
14	Investments in Group undertakings, associates and joint ventures	-	35	35	-	-	-	-
15	Deferred tax assets	228	228	228	-	-	-	-
16	**Total assets**	**25,289**	**24,486**	**24,386**	**48**	**12**	**-**	**40**

1. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. There was no impact on the Consolidated balances Sheet under regulatory scope of consolidation.

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

		a	b	c	d	e	f	g
				Carrying value of items				
31 December 2022		Carrying values as reported in published financial statements (restated)[1]	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits by banks	508	508	-	-	-	-	508
2	Funding from central banks	1,977	1,977	-	-	-	-	1,977
3	Derivative financial liabilities	16	16	-	16	-	-	-
4	Customer deposits	18,998	19,041	-	-	-	-	19,041
5	Insurance contract liabilities	598	-	-	-	-	-	-
6	Accruals,deferred income, other liabilities and other provisions	381	309	15	-	-	-	294
7	Deferred tax liabilities	34	24	-	-	-	-	24
8	Provisions for pending litigation, claims, regulatory and other matters	128	128	-	-	-	-	128
9	Debt securities in issue	298	298	-	-	-	-	298
10	Subordinated liabilities	302	302	-	-	-	-	302
11	**Total liabilities**	**23,240**	**22,603**	**15**	**16**	**-**	**-**	**22,572**

1. On 1 January 2023 the Group adopted IFRS 17 'Insurance contracts' which replaced IFRS 4 'Insurance contracts'. 2022 comparative information has been restated to reflect the impact of IFRS 17. There was no impact on the Consolidated balances Sheet under regulatory scope of consolidation.

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

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

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

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

Row 7, “Differences due to consideration of provisions”, refers to transitional arrangement adjustments described in Section 5.1.

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

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

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

There are material shifts between 2023 and 2022 other than the shifts in the carrying values under the scope of regulatory consolidation analysed in Section 4.1.1 above. The difference between the regulatory exposure amounts and the carrying values under the prudential scope of consolidation for the years 2023 and 2022 is driven by the same factors.

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

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

		a	b	c	d	e
			Items subject to			
	31 December 2023	**Total**	**Credit risk framework**	**Securitisation framework**	**CCR framework**	**Market risk framework**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**25,760**	**25,223**	**-**	**484**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)**	**(23,407)**	**(19)**	**-**	**(18)**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**2,353**	**25,204**	**-**	**466**	**-**
4	**Off-balance-sheet amounts**	**2,689**	**2,689**	**-**	**-**	**-**
5	Differences in valuations	(91)	(63)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	(12)	-	-	(12)	-
7	Differences due to consideration of provisions	7	7	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(1,199)	(779)	-	(420)	-
9	Differences due to credit conversion factors	(1,911)	(1,911)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	23,345	-	-	-	-
11.01	*Deductions from Capital - Total Assets (EU LI1: column g less EU LI1 column (g) row 9 included in EU LI2 row 5)*	*(25)*	-	-	-	-
11.02	*Deductions from Capital - Total Liabilities (EU LI1: column g)*	*23,370*	-	-	-	-
11.03	*Differences between due to Securities Financing Transactions*	-	-	-	-	-
12	**Exposure amounts considered for regulatory purposes**	**25,182**	**25,148**	**-**	**34**	**-**

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

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

		a	b	c	d	e
	31 December 2022	**Total**	**Items subject to**			
			Credit risk framework	**Securitisation framework**	**CCR framework**	**Market risk framework**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**24,486**	**24,386**	**12**	**48**	**-**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)**	**(22,603)**	**(15)**	**-**	**(16)**	**-**
3	**Total net amount under the regulatory scope of consolidation**	**1,883**	**24,370**	**12**	**32**	**-**
4	**Off-balance-sheet amounts**	**2,598**	**2,598**	**-**	**-**	**-**
5	Differences in valuations	(107)	(97)	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	(6)	-	-	(6)	-
7	Differences due to consideration of provisions	90	90	-	-	-
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(845)	(845)	-	-	-
9	Differences due to credit conversion factors	(1,890)	(1,890)	-	-	-
10	Differences due to Securitisation with risk transfer	-	-	-	-	-
11	Other differences	22,546	4	-	-	-
11.01	*Deductions from Capital - Total Assets (EU LI1: column g)*	*(30)*	*-*	*-*	*-*	*-*
11.02	*Deductions from Capital - Total Liabilities (EU LI1: column g)*	*22,576*	*4*	*-*	*-*	*-*
12	**Exposure amounts considered for regulatory purposes**	**24,269**	**24,230**	**12**	**26**	**-**

5. Own Funds

5.1 CRD Regulatory Capital

The tables below disclose the components of regulatory capital as at 31 December 2023 and 2022.

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

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2023[1]	**31 December 2022[2] (restated)**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€million	**€million**	
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	639	639	(a) plus (b)
2	Retained earnings	862	867	(c)[1,2]
3	Accumulated other comprehensive income (and other reserves)	58	50	(d)[3]
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	380	33	(c)[1,2]
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,940**	**1,589**	

5.1 CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2023[1]	31 December 2022[2] (restated)	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€million	€million	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)[4]	(90)	(108)	
8	Intangible assets (net of related tax liability) (negative amount)	(24)	(30)	(e)[5]
9	Not applicable	-	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
20	Not applicable	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	-	
EU-20c	*of which: securitisation positions (negative amount)*	-	-	
EU-20d	*of which: free deliveries (negative amount)*	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	-	
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	-	
24	Not applicable	-	-	
25	*of which: deferred tax assets arising from temporary differences*	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	-	(c)[1,2]
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
26	Not applicable	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	(27)	90	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(142)**	**(48)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,798**	**1,540**	

5.1 CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2023[1]	**31 December 2022[2] (restated)**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	220	220	
31	*of which: classified as equity under applicable accounting standards*	*220*	*220*	
32	*of which: classified as liabilities under applicable accounting standards*	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**220**	**220**	(f)
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
41	Not applicable	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	
44	**Additional Tier 1 (AT1) capital**	**220**	**220**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2,018**	**1,760**	

5.1 CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2023[1]	**31 December 2022[2] (restated)**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		€ million	**€ million**	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	300	300	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**300**	**300**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
54a	Not applicable	-	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
56	Not applicable	-	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-	
EU-56b	Other regulatory adjustments to T2 capital	-	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**	
58	**Tier 2 (T2) capital**	**300**	**300**	(g)[6]
59	**Total capital (TC = T1 + T2)**	**2,318**	**2,060**	
60	**Total Risk exposure amount**	**10,341**	**10,114**	

5.1 CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

		(a)	(b)	(c)
		31 December 2023[1]	**31 December 2022**[2] **(restated)**	Source based on reference numbers/letters of the consolidated balance sheet under the regulatory scope of consolidation (EU CC2)
		%	**%**	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	17.39%	15.23%	
62	Tier 1 capital	19.51%	17.40%	
63	Total capital	22.42%	20.37%	
64	Institution CET1 overall capital requirements	10.72%	10.10%	
65	*of which: capital conservation buffer requirement*	*2.50%*	*2.50%*	
66	*of which: countercyclical capital buffer requirement*	*0.48%*	*0.02%*	
67	*of which: systemic risk buffer requirement*	*0.00%*	*0.00%*	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement*	*1.50%*	*1.25%*	
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.73%*	*1.83%*	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**11.15%**	**8.90%**	
National minima (if different from Basel III)				
69	Not applicable	-	-	
70	Not applicable	-	-	
71	Not applicable	-	-	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2	1	(h)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	23	23	(i)[7]
74	Not applicable	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	12	-	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

5.1 CRD Regulatory Capital (continued)

EU CC1 - Composition of regulatory own funds

Notes:

1. Amounts and ratios include profits for the year ended 31 December 2023 and a deduction for a distribution in respect of 2023 earnings of €137 million, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €112 million and in principle approval by the Board to undertake a share buyback of ordinary shares of the Company for an aggregate consideration of up to €25 million and in compliance with the terms of the ECB approval as disclosed in subsection 'Distributions', below.

2. Amounts and ratios include profits for the year ended 31 December 2022 (audited). The 2022 capital ratios as previously reported in the 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023, and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22.3 million.

3. No restrictions apply on the items listed above for the purpose of the calculation of own funds in accordance with the CRR. It should be noted that on the basis of Article 26(i) of the CRR and the EBA guidelines on prudent valuations, a part of the fixed assets revaluation reserve (31 December 2023: c.€33 million, 31 December 2022: c.€30 million) is not allowed to be included in CET1 capital.

4. The amount reported in line 7, in addition to Additional Value Adjustments includes prudential charges relating to specific credits.

5. As at 31 December 2023 an amount of c.€15 million was not deducted from CET1 capital as a result of the revised rules of CRR II on the prudential treatment of software assets (31 December 2022: c.€13 million)

6. The corresponding reference in the balance sheet also includes loan stock which does not qualify for T2 capital.

7. The corresponding reference in the balance sheet also includes holdings which are not CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions).

5.1 CRD Regulatory Capital (continued)

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

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

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

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

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

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

5.1 CRD Regulatory Capital (continued)

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

During the year ended 31 December 2023, CET1 ratio was positively affected by pre-provision income as well as the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary following the adoption of IFRS 17 'Insurance Contracts' ('IFRS 17') resulting in a benefit in the equity of the life insurance subsidiary enabling the distribution to BOC PCL and enhancing Group CET1 ratio by approximately 50 basis points and negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, the payment of AT1 coupon, AT1 refinancing costs, the capital deduction of 0.33% in relation to the ECB prudential expectations for NPEs, other movements and the increase in risk-weighted assets. The CET1 ratio is also impacted by the deductions for distribution in respect of 2023 earnings and charges in line with the applicable framework.

As a result of the above, the CET1 ratio has increased by 216 bps during the year.

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

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

At the same time, the Company invited the holders of its outstanding €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities callable in December 2023 to tender the previous AT1 issue in 2018 ('Existing Capital Securities') at a purchase price of 103% of the principal amount.

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

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

5.1 CRD Regulatory Capital (continued)

Prudential filters and deductions

Prudential filters

The Group capital, in accordance with CRR Article 34 is subject to the prudential filter of additional value adjustments for assets measured at fair value. These adjustments are deductible from CET1 capital. As such, Additional Valuation Adjustments (AVA) relating to assets and liabilities measured at fair value are deducted from CET1 capital in accordance with the Commission Delegated Regulation (EU) 2016/101. Under the Commission Delegated Regulation (EU) 2016/101, the Group satisfies the conditions for using the simplified approach. The AVA deduction for 2023 and 2022 is reported within the Additional Value Adjustments line 7 in the tables above.

For the year ended 31 December 2023 and the year ended 31 December 2022 the Group deducted from CET1 prudential charges relating to specific credits. The deduction amounted to c.€90 million as at 31 December 2023 and to c.€108 million as at 31 December 2022. The amount includes a prudential charge in relation to the ECB's onsite inspection and review on the value of the Group's foreclosed assets which is being directly deducted from own funds since 30 June 2021. The impact of this prudential charge was 12 bps on the Group's CET1 ratio as at 31 December 2023 and 26 bps on the Group's CET1 ratio as at 31 December 2022. In addition, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 31 December 2023 the impact of these requirements was 24 bps on the Group's CET1 ratio. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

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:

- Intangible assets, which include mainly computer software, were deducted from CET1 capital as per CRR provisions (Article 36(1) (b)). The amount deducted in 2023 and 2022 is reported within the 'Intangible assets' line 8 in the tables above. In December 2020 the revised rules on the prudential treatment of software assets as amended by CRR II came into force, under which, EU banks no longer have to fully deduct prudently valued software and IT systems from CET1 capital.

- 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, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities' in the tables above) and the amount of less than 10% is risk-weighted at 250%. In addition, as at 31 December 2023 the Group had deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) and the amount was risk-weighted at 250% (reported in line 75 in the tables above).

Moreover, as of 30 September 2023, the amount relating to ECB's prudential provisioning expectations is deducted from CET1 capital (Article 3 of the CRR) and has been eliminated from the Pillar II SREP capital requirements on 1 January 2024. This deduction amounted to c. €33mn as at 31 December 2023, and is reported within the 'Other regulatory adjustments' line 27a in the tables above.

In addition, during 2023 and 2022, the Group deducted from CET1 a prudential charge relating to specific credits as mentioned above.

There are no deductions from the T2 capital under Article 66 of the CRR.

5.1 CRD Regulatory Capital (continued)

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

Items not deducted from own funds

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

IFRS 9 Financial Instruments and CRR Article 468

Please refer to the disclosures in Section 6.3.

Issued share capital

The issued share capital consists of 446,200 thousand (2022: 446,200 thousand) number of shares at nominal value of €0.10 each. The share capital for the years 2023 and 2022 is shown on the table below:

	2023		2022	
	Number of shares (million)	**€ million**	Number of shares (million)	€ million
Authorised				
Ordinary shares of €0.10 each	**10,000**	**1,000**	10,000	1,000
Issued				
1 January and 31 December	**446**	**45**	446	45

Authorised and issued share capital

All issued ordinary shares carry the same rights.

There were no changes to the authorised or issued share capital during the years ended 31 December 2023 and 2022.

Treasury shares of the Company

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

The life insurance subsidiary of the Group, as at 31 December 2023, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (2022: 142 thousand ordinary shares of a nominal value of €0.10 each), as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21,463 thousand (2022: €21,463 thousand).

The treasury shares represent 0.03% of the total issued share capital of the Company (2022: 0.03%).

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

Share Premium reserve

There were no changes to the share premium reserve during the years ended 31 December 2023 and 2022.

5.1 CRD Regulatory Capital (continued)

Distributions
Based on the 2022 SREP decision, effective from 1 January 2023, any equity dividend distribution is subject to regulatory approval, both for the Company and BOC PCL. The requirement for approval does not apply if the distributions are made via the issuance of new ordinary shares to the shareholders which are eligible as Common Equity Tier 1 Capital nor to the payment of coupons on any AT1 capital instruments issued by the Company or BOC PCL.

Distribution in respect of 2023 earnings
In March 2024, the Company obtained regulatory approval from the European Central Bank for a distribution in respect of 2023 earnings of a total amount €137 million, comprising a cash dividend of €112 million and a share buyback of ordinary shares of the Company for an aggregate consideration of up to € 25 million.

Following ECB approval, the Board of Directors of the Company recommended a final cash dividend to shareholders and approved in principle to undertake a buyback of ordinary shares as described below.

The Board of Directors has recommended to pay a final dividend of €0.25 per ordinary share in respect of earnings for the year ended 31 December 2023 (totalling €112 million based on the total number of ordinary shares currently outstanding). This is subject to shareholder approval at the Annual General Meeting in May 2024. The financial statements for the year ended 31 December 2023 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2024.

The Board of Directors of the Company have confirmed their intention to undertake a buyback of ordinary shares of the Company in an aggregate consideration amount of up to €25 million and in compliance with the terms of the approval received from the ECB. The financial statements for the year ended 31 December 2023 do not reflect the impact of the proposed share buyback, which will be accounted for as and when shares are repurchased by the Company.

Dividends and share buybacks are funded out of distributable reserves.

The combined Proposed Dividend and Proposed Share Buyback (together referred to as the "Distribution") represents 30% of the Group's adjusted recurring profitability for the year 2023 in line with the Group's approved distribution policy. Group adjusted recurring profitability is defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.

Distribution in respect of 2022 earnings
In April 2023, the Company obtained the approval of the European Central Bank to pay a dividend in respect of earnings for the year ended 31 December 2022. Following this approval, the Board of Directors of the Company recommended to the shareholders for approval at the Annual General Meeting ('AGM') on 26 May 2023, a final dividend of €0.05 per ordinary share in respect of the earnings of the year ended 31 December 2022 ('2022 Dividend'). The AGM on 26 May 2023 declared a final dividend of €0.05 per share. The 2022 Dividend amounted to €22,310 thousand in total and is equivalent to a payout ratio of 14% of the financial year 2022 recurring profitability adjusted for the AT1 coupon or 31% based on the financial year 2022 profit after tax (as reported in the 2022 Annual Financial Report).

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).

Other equity instruments

Reset Perpetual Additional Tier 1 Capital Securities
In December 2018, the Company issued €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'Existing Capital Securities'). The Existing Capital Securities constitute an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually.

In June 2023 the Company invited the holders of its outstanding €220 million Existing Capital Securities to tender their Existing Capital Securities for cash purchase by the Company at a price equal to 103% of the principal amount. The Company also paid accrued interest on the Existing Capital Securities, from the last coupon date, 15 June 2023 until the settlement date. As a result of the tender offer, approximately €204 million in aggregate nominal amount were purchased and cancelled by the Company. Furthermore, in July 2023, the Company purchased in the open market approximately €7 million of the outstanding nominal amount of the Existing Capital Securities, after which €8.25 million in aggregate principal amount remained outstanding. At a meeting held in November 2023, the Board of Directors resolved to exercise the Company's option to redeem the remaining nominal amount outstanding of the Existing Capital Securities on 19 December 2023. As a result of the buy-back, a total cost of €6,820 thousand was recorded directly in equity during the year ended 31 December 2023.

At the same time, in June 2023, the Company successfully launched and priced an issue of €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'New Capital Securities'). The New Capital Securities constitute unsecured and subordinated obligations of the Company, are perpetual and are issued at par. They carry an initial coupon of 11.875% per annum, payable semi-annually, and resettable on 21 December 2028 and every five years thereafter. The Company may elect to cancel any interest payment for an unlimited period, on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain conditions. The New Capital Securities are perpetual and have no fixed date of redemption but can be redeemed (in whole but not in part) at the Company's option from, and including, 21 June 2028 to, and including, 21 December 2028 and on each interest payment date thereafter, subject to applicable regulatory consents and the relevant conditions to redemption. The New Capital Securities are listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

The full terms and conditions of the AT1 Capital Securities are presented in Section 5.3.

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

Subordinated Liabilities

Subordinated Tier 2 Capital Note - April 2021
In April 2021, BOCH issued a €300 million unsecured and subordinated Tier 2 Capital Note under the EMTN Programme. The note was priced at par with a coupon of 6.625% per annum payable annually in arrears and resettable on 23 October 2026 at the then prevailing 5-year swap rate plus a margin of 6.902% per annum up to 23 October 2031, payable annually. The note matures on 23 October 2031. BOCH has the option to redeem the note early on any day during the six-month period from 23 April 2026 to 23 October 2026, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The full terms and conditions of the Note are presented in Section 5.3.

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

Subordinated liabilities are initially measured at the fair value of the consideration received, net of any issue costs. They are subsequently measured at amortised cost using the effective interest rate method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Group has the right to redeem the loan stock. Interest on debt securities in issue and subordinated liabilities is included in 'Interest expense' in the consolidated income statement.

Debt securities in issue

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

Senior Preferred Notes - July 2023
In July 2023, BOC PCL issued a €350 million senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 7.375% per annum, payable annually in arrears and resettable on 25 July 2027. The note matures on 25 July 2028. BOC PCL has the option to redeem the note early on 25 July 2027, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards BOC PCL's MREL requirements.

5.3 Full terms and conditions of regulatory own funds instruments and eligible liabilities instruments

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

AT1 instruments

In June 2023, the Company issued €220 million Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities.

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

The listing particulars and detailed information on the terms and conditions of the AT1 are available published on the website www.luxse.com/security/XS2638438510/381755.

Tier 2 instruments

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

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

The listing particulars and detailed information on the terms and conditions of the T2 instrument is published on the website www.luxse.com/security/XS2333239692/335184.

5.3 Full terms and conditions of regulatory own funds instruments and eligible liabilities instruments (continued)

Debt securities in issue
The main features of the senior preferred notes are presented in Appendix III.

The listing particulars and detailed information on the terms and conditions of the Senior Preferred Notes - June 2021 is published on the website www.luxse.com/security/XS2355059168/338796.

The listing particulars and detailed information on the terms and conditions of the Senior Preferred Notes - July 2023 is published on the website www.luxse.com/security/XS2648493570/384481.

6. Own Funds Requirements and Risk Weight Assets

6.1 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 Board. 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 Board. 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 3.1.16).

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

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" was phased out on 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 reported 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 was phased out on 1 January 2023. Further information is disclosed in Section 6.3.

The Standardised Approach has been applied to calculate the Risk Weighted Assets (RWAs) across all risks and minimum capital requirements are calculated as 8% of the RWAs. The total capital requirement increased in 2023 (€827 million) in comparison to 2022 (€809 million) with the main drivers behind this increase being the increase in operational risk RWAs, the increase in the portfolio of investments, mainly assigned to lower risk weight classes (Central government, Covered bonds, Regional governments, MDB, PSEs, International Organizations) and the increase in placements with banks partly offset by decreases in other assets (such as the stock of property) and the IFRS 9 phasing in on 1 January 2023. Credit Risk RWAs continue to be the main component of minimum capital requirements. The table below presents the RWA and capital requirements under each regulatory framework.

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

EU OV1 – Overview of total risk exposure amounts

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

		a	b	c
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 December 2023	30 September 2023	31 December 2023
		€ million	€ million	€ million
1	Credit risk (excluding CCR)	8,997	9,237	720
2	*Of which the standardised approach*	*8,997*	*9,237*	*720*
3	*Of which the Foundation IRB (F-IRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the Advanced IRB (A-IRB) approach*	-	-	-
6	Counterparty credit risk - CCR	16	9	1
7	*Of which the standardised approach*	*2*	*5*	-
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	-	-	-
EU 8b	*Of which credit valuation adjustment - CVA*	*11*	*3*	*1*
9	*Of which other CCR*	*3*	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	7	-
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	-	*7*	-
EU 19a	*Of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	*Of which the standardised approach*	-	-	-
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,328	1,011	106
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,328*	*1,011*	*106*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	*Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)*	*86*	*57*	*7*
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**10,341**	**10,264**	**827**

The main drivers behind material changes in RWA by type of risks are analysed respectively in Sections 6.3, 7, 11.

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

EU OV1 – Overview of total risk exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		**Total own funds requirements**
		31 December 2022	**30 September 2022**	**31 December 2022**
		€ million	**€ million**	**€ million**
1	Credit risk (excluding CCR)	9,085	9,490	727
2	*Of which the standardised approach*	*9,085*	*9,490*	*727*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	-	-	-
6	Counterparty credit risk - CCR	7	17	1
7	*Of which the standardised approach*	*4*	*12*	-
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	-	-	-
EU 8b	*Of which credit valuation adjustment - CVA*	*2*	*5*	-
9	*Of which other CCR*	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	12	15	1
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	*12*	*15*	*1*
EU 19a	*Of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	*Of which the standardised approach*	-	-	-
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	1,011	1,015	81
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*1,011*	*1,015*	*81*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	*Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)*	*57*	*57*	*5*
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**10,114**	**10,537**	**809**

6.2 Insurance participations

EU INS1 insurance participations

		a	b	a	b
		2023		**2022**	
		Exposure value	**Risk-weighted exposure amount**	**Exposure value**	**Risk-weighted exposure amount**
		€ million	**€ million**	**€ million**	**€ million**
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	23	57	23	57

The Group is not subject to supplementary own fund requirements for financial conglomerates as at 31 December 2023 and 2022, and therefore does not report the EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio.

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

		a	b	c	d	e
		31/12/2023[1]	**30/09/2023[2,3]**	**30/06/2023[2]**	**31/03/2023[4]**	**31/12/2022[5]**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	Common Equity Tier 1 (CET1) capital	1,798	1,565	1,598	1,438	1,540
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,791	1,555	1,591	1,434	1,456
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[6]	1,798	1,565	1,598	1,438	1,534
3	Tier 1 capital	2,018	1,793	1,827	1,658	1,760
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,011	1,783	1,819	1,654	1,676
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[6]	2,018	1,793	1,827	1,658	1,754
5	Total Capital	2,318	2,093	2,127	1,958	2,060
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,311	2,083	2,119	1,954	1,976
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[6]	2,318	2,093	2,127	1,958	2,054
	Risk-weighted assets					
7	Total risk-weighted assets	10,341	10,264	10,257	10,164	10,114
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,334	10,253	10,249	10,160	10,030

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

		a	b	c	d	e
		31/12/2023[1]	30/09/2023[2,3]	30/06/2023[2]	31/03/2023[4]	31/12/2022[5]
		€ million	€ million	€ million	€ million	€ million
	Capital ratios					
9	CET1 (as a percentage of risk exposure amount)	17.39%	15.25%	15.58%	14.15%	15.23%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.33%	15.16%	15.52%	14.11%	14.52%
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[6]	17.39%	15.25%	15.58%	14.15%	15.17%
11	Tier 1 (as a percentage of risk exposure amount)	19.51%	17.47%	17.81%	16.31%	17.40%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.46%	17.39%	17.75%	16.28%	16.71%
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[6]	19.51%	17.47%	17.81%	16.31%	17.35%
13	Total Capital (as a percentage of risk exposure amount)	22.42%	20.39%	20.73%	19.26%	20.37%
14	Total Capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.37%	20.31%	20.67%	19.23%	19.70%
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[6]	22.42%	20.39%	20.73%	19.26%	20.31%
	Leverage ratio					
15	Leverage ratio total exposure measure	26,389	26,160	25,555	25,216	25,155
16	Leverage ratio	7.65%	6.85%	7.15%	6.57%	7.00%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.62%	6.82%	7.12%	6.56%	6.68%
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[6]	7.65%	6.85%	7.15%	6.57%	6.98%

Notes:

1. Amounts and ratios include profits for the year ended 31 December 2023 and a deduction for a distribution in respect of 2023 earnings of €137 million, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €112 million and in principle approval by the Board to undertake a share buyback of ordinary shares of the Company for an aggregate consideration of up to €25 million and in compliance with the terms of the ECB approval as disclosed in subsection 'Distributions' of Section 5.1 CRD Regulatory Capital.

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

2. Amounts and ratios include reviewed profits for the six months ended 30 June 2023 in line with the ECB Decision (EU) (2015/656) on the recognition of interim or year-end profits in CET1 capital in accordance with Article 26(2) of the CRR and an accrual for an estimated final dividend at a payout ratio of 50% of the Group's adjusted profitability for the period, which represents the top-end range of the Group's approved dividend policy, in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges.

3. Amounts and ratios as at 30 September 2023 do not include quarterly profits for the three months ended 30 September 2023. Including the quarterly profits net of dividend accrual of 50% of the Group's adjusted profitability for the quarter, representing the top-end range of the Group's approved dividend policy, the CET1 ratio and Total Capital ratio stood at 15.8% and 21% respectively, on a transitional basis.

4. Amounts and ratios exclude interim profits.

5. Amounts and ratios include profits for the year ended 31 December 2022 (audited). The 2022 capital ratios as previously reported in the 2022 Annual Financial Report and 2022 Pillar III Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023, and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22.3 million.

6. The temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR was applicable until 31 December 2022.

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

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

The amount added each year for the 'static component' was decreasing based on a weighting factor until the impact of IFRS 9 was fully absorbed back to CET1 at the end of the five years, with the impact being fully phased in (100%) by 1 January 2023. The cumulative impact on the capital position as at 31 December 2022 stood at 75%, with the impact being fully phased in (100%) on 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 was allowed for the years 2020 and 2021 reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. This will be fully phased in (100%) by 1 January 2025. The calculation at each reporting period is against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018.

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 was 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 applied the temporary treatment from the third quarter of 2020 until 31 December 2022 when it ceased to apply.

7. Counterparty Credit Risk (CCR)

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

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

There is a material increase between 31 December 2023 and 31 December 2022 in the exposures values, collateral and RWA that arise from counterparty credit risk due to the SFTs.

EU CCR1 – Analysis of CCR exposure by approach

31 December 2023		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		€ million	€ million	€ million		€ million	€ million	€ million	€ million
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	3	16		1.4	9	8	8	2
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					434	13	13	3
5	VaR for SFTs					-	-	-	-
6	**Total**					**443**	**21**	**21**	**5**

7. Counterparty Credit Risk (CCR) (continued)

EU CCR1 – Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
31 December 2022		Replacement cost (RC)	Potential future exposure (PFE)	Effective expected positive exposure (EEPE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		€ million	**€ million**	**€ million**		**€ million**	**€ million**	**€ million**	**€ million**
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	4	20		1.4	15	15	15	4
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**15**	**15**	**15**	**4**

7. Counterparty Credit Risk (CCR) (continued)

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

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

	31 December 2023	a	b
		Exposure value	**RWEA**
		€ million	**€ million**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	20	11
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**20**	**11**

	31 December 2022	a	b
		Exposure value	**RWEA**
		€ million	**€ million**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	15	2
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**15**	**2**

7. Counterparty Credit Risk (CCR) (continued)

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

The table below provides a breakdown of CCR exposures, calculated under the Standardised Approach, by exposure class and by risk weight.

		a	b	c	d	e	f	g	h	i	j	k	l
Exposure classes		**Risk weight**											
		0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
31 December 2023		**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	13	-	-	20	-	-	-	-	-	-	33
7	Corporates	-	-	-	-	-	-	-	-	1	-	-	1
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**13**	**-**	**-**	**20**	**-**	**-**	**-**	**1**	**-**	**-**	**34**

7. Counterparty Credit Risk (CCR) (continued)

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

		a	b	c	d	e	f	g	h	i	j	k	l
Exposure classes		**Risk Weight**											
		0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
31 December 2022		**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	10	-	-	12	3	-	-	-	-	-	25
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**10**	**-**	**-**	**12**	**3**	**-**	**-**	**-**	**-**	**-**	**25**

The allocation of exposure values among exposure classes as well as the overall values remains unchanged. The exposures under the 2% RW presented in 2023 relate to exposures to a QCCP.

7. Counterparty Credit Risk (CCR) (continued)

EU CCR5 – Composition of collateral for CCR exposures

The table below discloses information on counterparty credit risk exposure and the collateral posted or received used in derivative transactions or in SFTs. The collaterals reported in the table below relate to Variation and Initial Margins. The Group has not posted or received any Initial Margin in the years 2023 and 2022.

The majority of Variation Margins of the Group are with QCCP and are segregated, that is the collateral is bankruptcy remote in the event of the default or insolvency of that counterparty. In 2023 the Group has received and posted unsegregated collaterals in SFTs.

	31 December 2023	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Cash – domestic currency	38	1	-	14	-	-	-	31
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	431	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**38**	**1**	**-**	**14**	**-**	**431**	**-**	**31**

	31 December 2022	a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Cash – domestic currency	36	2	-	7	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**36**	**2**	**-**	**7**	**-**	**-**	**-**	**-**

7. Counterparty Credit Risk (CCR) (continued)

EU CCR8 – Exposures to CCPs

The Group trade exposures with QCCPs are only on OTC Derivatives as at 31 December 2023 and 2022 however, the RWA are well below EUR equivalent of €1 million due to the low-risk weight which is applied to the exposures with QCCPs.

		a	b
	31 December 2023	**Exposure value**	**RWEA**
		€ million	**€ million**
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	13	-
3	(i) OTC derivatives	13	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

7. Counterparty Credit Risk (CCR) (continued)

EU CCR8 – Exposures to CCPs

		a	b
	31 December 2022	**Exposure value**	**RWEA**
		€ million	**€ million**
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	10	-
3	(i) OTC derivatives	10	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

7.1 Internal Capital and Credit Limits for Counterparty Credit Exposures

The counterparty credit limit model, which was approved by ALCO, sets maximum limits for financial institutions, based on their credit rating and CET1 capital base or the Bank's CET1 capital base, whichever is lower. Subsequently, 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

Then, the amount derived by the credit rating and CET1 is multiplied by the internal score and the result is considered the maximum limit that can be allocated as per the model.

Two types of limits are monitored:

a. Credit: for Money Market (MM) placements, FX (FX swaps, FX forwards), bonds, derivatives, commercial transactions, Nostros, pledged amounts for collateral, Repos, Reverse Repos and Factors.
b. Settlement: for maturing FX spot, forward and swaps, MM placements, Nostro, pledged amounts for collateral and banknotes.

Limit amounts and Tenor limits follow the Counterparty & Country Credit Models and Limits document. The approval levels are set in the Counterparty and Country credit Limit Framework. Limits for derivative transactions are assigned to counterparties with a CSA agreement in place and enforceability of netting. Allocated derivative limits with counterparties that have not signed a CSA and the Legal service department has not yet advised that netting is enforceable or has informed that netting is not enforceable can be set 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), as per the approved Concentration Policy. Any exceptions to the maximum notional amounts can be approved as per the Counterparty and Country credit Limit Framework.

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

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

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

It is noted that all efforts take place to avoid limit breaches. Any breaches are reported following the escalation process depending on the limit breach as per the Counterparty and Country credit Limit Framework.

7.2 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 Funding & Liquidity 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. Also Funding & Liquidity department is responsible for the monitoring and use of loan assets for funding programmes collateralised by loans such as Covered Bond Issuance and Additional Credit Claims (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 agreements with its counterparties so that eligible trades are cleared centrally with London Clearing House Central Clearing Counterparty.

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

As at 31 December 2023, the Group had signed the CSA annex of the ISDA Master Agreement with 33 counterparties (2022: 35 counterparties) and Global Master Repurchase Agreements (GMRAs) with 17 counterparties (2022: 17 counterparties). The Group has an agreement in place with a Qualifying Central Counterparty (QCCP) since 2018.

As at 31 December 2023, the Group maintained CSA exposures with 10 counterparties, one of which is QCCP (2022: 10 counterparties one of which is QCCP). The Group has one exposure under GMRA as at 31 December 2023 and 2022.

7.2 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 8 counterparties (2022: 9 counterparties) for CSAs, one of which the QCCP.

	2023	2022
	€ 000	€ 000
Total Positive	39,344	37,250
Total Negative	(13,970)	(7,380)
Total	**25,374**	**29,870**

An amount of €30.5 million has been posted to a 3rd counterparty as at 31 December 2023 for GMRAs collateral amount due to the Reverse Repurchase exposure.

7.2.1 Policies with Respect to Wrong-Way Risk Exposures

Wrong way risk occurs when an exposure to a counterparty is adversely correlated with the credit quality of that counterparty i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Group's derivative transactions) have an adverse impact on the Probability of Default (PD) of a counterparty. This risk is not currently measured as it is not anticipated to be significant given that the bulk of the deals are cleared with the Bank's QCCP and the existence of CSAs for almost all the uncleared derivative transactions, with daily settlement of margins that significantly reduce credit risk resulting in a total accounting CVA charge equal to only €4 thousand as at 31 December 2023 (2022: €7 thousand).

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

As at 31 December 2023, 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 and includes downgrade triggers. 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 2023, in the event of a downgrade.

8. Countercyclical Capital Buffers

The majority of the CcyB relevant exposures of the Group arise in Cyprus and the increase in the institution specific countercyclical capital buffer of the Group from 0.02% to 0.48% mainly reflects the increase as at 30 November 2023 of CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus. Moreover, on 2 June 2023, the CBC, announced its decision to raise the CcyB rate to 1.00% of the total risk exposure amount in Cyprus of each authorised credit institution incorporated in Cyprus. The said increase of the CcyB is effective as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase further. There has been an increase in the CcyB rate of other countries where the Group holds exposures (mainly United Kingdom, Germany, Norway, Netherlands, Australia, Romania and Ireland).

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

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

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

8. Countercyclical Capital Buffers (continued)

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
31 December 2023		General credit exposure		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%	%
0101	Cyprus	10,584	-	-	-	-	10,584	601	-	-	601	7,513	89.17	0.50
0102	Greece	263	-	-	-	-	263	21	-	-	21	263	3.12	0.00
0103	Marshall Islands	177	-	-	-	-	177	13	-	-	13	163	1.88	0.00
0104	United States	127	-	-	-	-	127	6	-	-	6	75	0.84	0.00
0105	United Kingdom	123	-	-	-	-	123	7	-	-	7	88	1.11	2.00
0106	France	115	-	-	-	-	115	4	-	-	4	50	0.57	0.50
0107	Germany	69	-	-	-	-	69	1	-	-	1	13	0.16	0.75
0108	Canada	49	-	-	-	-	49	-	-	-	-	-	0.06	0.00
0109	Norway	42	-	-	-	-	42	-	-	-	-	-	0.05	2.50
0110	Liberia	41	-	-	-	-	41	3	-	-	3	38	0.42	0.00
0111	Netherlands	41	-	-	-	-	41	3	-	-	3	38	0.38	1.00
0112	Ireland	41	-	-	-	-	41	3	-	-	3	38	0.41	1.00
0113	Australia	33	-	-	-	-	33	-	-	-	-	-	0.05	1.00
0114	Virgin Islands,	24	-	-	-	-	24	2	-	-	2	25	0.24	0.00
0115	Luxembourg	21	-	-	-	-	21	2	-	-	2	25	0.36	0.50
0116	Belgium	20	-	-	-	-	20	-	-	-	-	-	0.05	0.00
0117	Jersey	17	-	-	-	-	17	1	-	-	1	13	0.17	0.00
0118	United Arab Emirates	16	-	-	-	-	16	-	-	-	-	-	0.06	0.00
0119	Spain	15	-	-	-	-	15	1	-	-	1	13	0.20	0.00
0120	Austria	14	-	-	-	-	14	-	-	-	-	-	0.02	0.00
0121	Russian Federation	12	-	-	-	-	12	1	-	-	1	13	0.09	0.00
0122	Finland	10	-	-	-	-	10	1	-	-	1	13	0.18	0.00
0123	Switzerland	7	-	-	-	-	7	-	-	-	-	-	0.02	0.00
0124	Romania	7	-	-	-	-	7	1	-	-	1	13	0.11	1.00
0125	Saudi arabia	6	-	-	-	-	6	-	-	-	-	-	0.02	0.00
0126	Iran, Islamic	5	-	-	-	-	5	-	-	-	-	-	0.06	0.00
0127	Israel	5	-	-	-	-	5	-	-	-	-	-	0.02	0.00
0128	South Africa	4	-	-	-	-	4	-	-	-	-	-	0.03	0.00
0129	New Zeland	3	-	-	-	-	3	-	-	-	-	-	0.01	0.00
0130	Ukraine	2	-	-	-	-	2	-	-	-	-	-	0.01	0.00
0131	Bahrain	1	-	-	-	-	1	-	-	-	-	-	0.01	0.00
0132	Other countries with total relevant exposure values < EUR 1 million	12	-	-	-	-	12	3	-	-	3	38	0.12	0,0.5,0.75,1,1.5,2,2.5
020	**Total**	**11,906**	**-**	**-**	**-**	**-**	**11,906**	**674**	**-**	**-**	**674**	**8,425**	**100**	

8. Countercyclical Capital Buffers (continued)

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

Other countries with total relevant exposure values < EUR 1 million	77 countries with 0% CCyB except for the ones indicated: Albania, Andorra, Argentina, Armenia, Azerbaijan, Bahamas, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria (2%), Cameroon, Cayman Islands, China, Congo Democratic Republic, Côte d'Ivoire, Croatia (1%), Curaçao, Czech Republic (2%), Denmark (2.5%), Dominican Republic, Egypt, El Salvador, Estonia (1.5%), Gambia, Georgia, Ghana, Gibraltar, Hong Kong (1%), Hungary, Iceland (2%), India, Isle of Man, Italy, Japan, Jordan, Kazakhstan, kenya, Kuwait, Kyrgyzstan, Latvia, Lebanon, Libya, Lithuania (1%), Macedonia, Malaysia, Malta, Mauritius, Mexico, Moldova, Monaco, Montenegro, Nigeria, Oman, Panama, Poland, Portugal, Qatar, Saint Kitts and Nevis, Serbia, Seychelles, Singapore, Slovakia (1.5%), Slovenia (0.5%), Sri Lanka, Sweden (2%), Syrian Arab Republic, Taiwan Province of China, Tanzania United Republic , Thailand, Turkey, Turkmenistan, Uganda, Uzbekistan, Vietnam, Zimbawe.

8. Countercyclical Capital Buffers (continued)

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

31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposure		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
010	Breakdown by country:	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%	%
0101	Cyprus	10,864	-	-	-	-	10,864	617	-	-	617	7,713	89.98	0.00
0102	Greece	248	-	-	-	-	248	18	-	-	18	225	2.67	0.00
0103	United Kingdom	134	-	-	-	-	134	8	-	-	8	100	1.21	1.00
0104	United States	101	-	-	-	-	101	5	-	-	5	63	0.68	0.00
0105	Marshall Islands	92	-	-	-	-	92	6	-	-	6	75	0.94	0.00
0106	Liberia	63	-	-	-	-	63	4	-	-	4	50	0.61	0.00
0107	Luxembourg	45	-	-	-	12	57	4	-	1	5	63	0.71	0.50
0108	Ireland	42	-	-	-	-	42	3	-	-	3	38	0.41	0.00
0109	Canada	42	-	-	-	-	42	-	-	-	-	-	0.05	0.00
0110	France	39	-	-	-	-	39	3	-	-	3	38	0.40	0.00
0111	Germany	37	-	-	-	-	37	1	-	-	1	13	0.10	0.00
0112	Norway	25	-	-	-	-	25	-	-	-	-	-	0.03	2.00
0113	Virgin islands	24	-	-	-	-	24	2	-	-	2	25	0.24	0.00
0114	Russian Federation	18	-	-	-	-	18	1	-	-	1	13	0.14	0.00
0115	Spain	12	-	-	-	-	12	1	-	-	1	13	0.14	0.00
0116	Finland	10	-	-	-	-	10	1	-	-	1	13	0.17	0.00
0117	Romania	7	-	-	-	-	7	1	-	-	1	13	0.11	0.50
0118	Netherlands	7	-	-	-	-	7	1	-	-	1	13	0.11	0.00
0119	Australia	7	-	-	-	-	7	-	-	-	-	-	0.02	0.00
0120	Islamic Republic of Iran	7	-	-	-	-	7	-	-	-	-	-	0.07	0.00
0121	United Arab Emirates	7	-	-	-	-	7	-	-	-	-	-	0.04	0.00
0122	South Africa	4	-	-	-	-	4	-	-	-	-	-	0.03	0.00
0123	Israel	4	-	-	-	-	4	-	-	-	-	-	0.02	0.00
0124	New Zealand	3	-	-	-	-	3	-	-	-	-	-	0.00	0.00
0125	Ukraine	2	-	-	-	-	2	-	-	-	-	-	0.02	0.00
0126	Switzerland	2	-	-	-	-	2	-	-	-	-	-	0.01	0.00
0127	Belgium	2	-	-	-	-	2	-	-	-	-	-	0.02	0.00
0128	Bahrain	2	-	-	-	-	2	-	-	-	-	-	0.01	0.00
0129	Sweden	1	-	-	-	-	1	-	-	-	-	-	0.01	1.00
0130	Other countries with total relevant exposure values < EUR 1million	93	-	-	-	-	93	9	-	-	9	113	1.02	0, 0.5, 1, 2
020	**Total**	**11,944**	**-**	**-**	**-**	**12**	**11,956**	**685**	**-**	**1**	**686**	**8,575**	**100**	

8. Countercyclical Capital Buffers (continued)

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

Other countries with total relevant exposure values < EUR 1 million	77 countries with 0% CCyB except for the ones indicated: Andorra, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria (1%), Cameroon, Cayman Islands, China, Congo, Congo Democratic Republic, Côte d'Ivoire, Croatia, Curaçao, Czech Republic (1.5%), Denmark (2%), Dominican Republic, Egypt, Estonia (1%), Gambia, Georgia, Ghana, Gibraltar, Hong Kong (1%), Hungary, Iceland (2%), India, Isle of Man, Italy, Japan, Jersey, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Libya, Lithuania, Malaysia, Malta, Mauritius, Mexico, Moldova, Monaco, Montenegro, Nigeria, Oman, Pakistan, Panama, Philippines, Poland, Portugal, Qatar, Saint Kitts and Nevis, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia (1%), Slovenia, Syrian Arab Republic, Tanzania United Republic, Taiwan Province of China, Thailand, Turkmenistan, Turks and Caicos Islands, Uganda, Uzbekistan, Vietnam, Zimbawe.

8. Countercyclical Capital Buffers (continued)

Amount of specific Countercyclical Capital Buffer

EU CCyB2 - Amount of institution specific countercyclical capital buffer

	a	b
	31 December 2023	**31 December 2022**
	€ million	**€ million**
Total risk exposure amount	**10,341**	10,114
Institution specific countercyclical capital buffer rate	**0.48%**	0.02%
Institution specific countercyclical capital buffer requirement	**50**	2

The specific countercyclical capital buffer rate of the Group as of 31 December 2023 increased to 0.48% (31 December 2022: 0.02%). This resulted following CBC's decision to increase the CcyB rate from 0.00% to 0.50% of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus, effective from 30 November 2023. Moreover, on 2 June 2023, the CBC, announced its decision to raise the CcyB rate to 1.00% of the total risk exposure amount in Cyprus of each licenced credit institution incorporated in Cyprus. The said increase of the CcyB is effective as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase further.

9. Credit Risk

9.1 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. All past-due exposures more than 90 days are considered to be impaired.

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

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

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

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

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 ECL. ECL is recorded for all financial assets measured at amortised cost and FVOCI, lease receivables, loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI whereby the ECL is measured on a lifetime basis. In the event of a significant increase in credit risk since initial recognition, impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

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

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

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

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

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

9.1 Past Due and Credit Impaired Loans (continued)

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

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

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

The Group calculates ECL using the following three components:
- exposure at default (EAD),
- probability of default (PD), and
- loss given default (LGD).

9.1.1 Net exposures by residual and exposure classes

EU CR1-A: Maturity of exposures

31 December 2023		a	b	c	d	e	f
		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Loans and advances[1]	1,000	385	1,630	7,311	59	**10,385**
2	Debt securities	-	646	1,811	1,084	4	**3,545**
3	**Total**	**1,000**	**1,031**	**3,441**	**8,395**	**63**	**13,930**

31 December 2022		a	b	c	d	e	f
		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	Loans and advances[1]	1,193	277	1,368	7,301	-	**10,139**
2	Debt securities	-	432	1,787	274	9	**2,502**
3	**Total**	**1,193**	**709**	**3,155**	**7,575**	**9**	**12,641**

1. Amounts presented exclude cash balances at central banks and other demand deposits.

9.2 Non-performing exposures

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

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

Exposures are classified as forborne when concessions are made to debtors who are facing or about to face financial difficulties and cannot meet their contractual obligations (Section 9.4).

Non-performing forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:

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

Non-performing non-forborne exposures cease to be considered as NPEs only when all of the following conditions are met:

(i) At least three months have passed since the date that the conditions for which the exposure was classified as non-performing cease to be met, and within these three months there are no default triggers, and
(ii) During the three-month period, the behaviour of the obligor should be taken into account, i.e. there are no arrears/excesses and instalments are being repaid normally, and
(iii) During the three-month period, the financial situation of the obligor should be taken into account, i.e. the financial situation of the obligor has improved, and
(iv) During the three-month period an Unlikely-to-Pay criteria assessment is carried out and it is assessed that the obligor can fulfil their obligations without resorting to the liquidation of collateral and there are no other Unlikely-to-Pay criteria and
(v) The obligor does not have any amount past due by more than 90 days.

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

The tables below include loans and advances to customers measured at FVPL.

9.2 Non-performing exposures (continued)

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/Nominal amount											
		Performing exposures			Non- performing exposures								
	31 December 2023		Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,738**	9,738	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**												
020	Central banks	**59**	59	-	-	-	-	-	-	-	-	-	-
030	General governments	**35**	35	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	**505**	505	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	**252**	252	-	**1**	1	-	-	-	-	-	-	1
060	Non-financial corporations	**4,777**	4,772	5	**155**	128	3	5	7	5	3	4	155
070	*Of which SMEs*	***2,893***	*2,888*	*5*	***126***	*99*	*3*	*5*	*7*	*5*	*3*	*4*	*126*
080	Households	**4,573**	4,562	11	**208**	61	9	15	19	25	15	64	208
		10,201	**10,185**	**16**	**364**	**190**	**12**	**20**	**26**	**30**	**18**	**68**	**364**
090	**Debt securities**												
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	**1,919**	1,919	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	**1,465**	1,465	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	**51**	51	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	**111**	111	-	-	-	-	-	-	-	-	-	-
		3,546	**3,546**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off balance sheet exposures**												
160	Central Bank	-			-								-
170	General governments	**13**			-								-
180	Credit institutions	**67**			-								-
190	Other financial corporations	**32**			-								-
200	Non-financial corporations	**1,854**			**54**								54
210	Households	**645**			**4**								4
		2,611			**58**								**58**
220	**Total**	**26,096**	**23,469**	**16**	**422**	**190**	**12**	**20**	**26**	**30**	**18**	**68**	**422**

9.2 Non-performing exposures (continued)

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/Nominal amount											
		Performing exposures			Non-performing exposures								
	31 December 2022		Not past due or past due ≤30 days	Past due >30 days ≤90 days		Unlikely to pay that are not past-due or are Past due ≤90 days	Past due > 90 days ≤180 days	Past due >180 days ≤1 year	Past due >1 year ≤2 years	Past due >2 years ≤5 years	Past due >5 years ≤7 years	Past due >7 years	Of which: defaulted
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,480**	9,480	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**												
020	Central banks	**115**	115	-	-	-	-	-	-	-	-	-	-
030	General governments	**40**	40	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	**71**	71	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	**183**	183	-	**3**	3	-	-	-	-	-	-	3
060	Non-financial corporations	**4,990**	4,989	1	**144**	94	4	14	12	11	2	7	144
070	*Of which SMEs*	***3,408***	*3,407*	*1*	***84***	*36*	*4*	*14*	*12*	*11*	*2*	*5*	*84*
080	Households	**4,510**	4,505	5	**261**	77	8	15	26	29	28	78	261
		9,909	**9,903**	**6**	**408**	**174**	**12**	**29**	**38**	**40**	**30**	**85**	**408**
090	**Debt securities**												
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	**1,382**	1,382	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	**1,007**	1,007	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	**46**	46	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	**69**	69	-	-	-	-	-	-	-	-	-	-
		2,504	**2,504**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off balance sheet exposures**												
160	Central Bank	**-**			**-**								-
170	General governments	**12**			**-**								-
180	Credit institutions	**62**			**-**								-
190	Other financial corporations	**39**			**-**								-
200	Non-financial corporations	**1,705**			**75**								75
210	Households	**692**			**5**								5
		2,510			**80**								**80**
220	**Total**	**24,403**	**21,887**	**6**	**488**	**174**	**12**	**29**	**38**	**40**	**30**	**85**	**488**

9.2 Non-performing exposures (continued)

CR1: Performing and non-performing exposures and related provisions

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures- accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,738**	**9,738**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**															
020	Central banks	59	59	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	35	34	1	-	-	-	-	-	-	-	-	-	-	34	-
040	Credit institutions	505	505	-	-	-	-	-	-	-	-	-	-	-	426	-
050	Other financial corporations	252	211	41	1	-	1	(4)	(1)	(3)	-	-	-	(3)	193	-
060	Non-financial corporations	4,777	3,993	607	155	-	137	(31)	(16)	(11)	(61)	-	(48)	(219)	4,187	89
070	*Of which SMEs*	*2,893*	*2,560*	*313*	*126*	-	*108*	*(18)*	*(9)*	*(7)*	*(48)*	-	*(36)*	*(184)*	*2,619*	*75*
080	Households	4,573	4,037	512	208	-	189	(25)	(7)	(16)	(59)	-	(56)	(766)	4,109	145
		10,201	**8,839**	**1,161**	**364**	**-**	**327**	**(60)**	**(24)**	**(30)**	**(120)**	**-**	**(104)**	**(988)**	**8,949**	**234**
090	**Debt securities**															
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,919	1,919	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
120	Credit institutions	1,465	1,465	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	51	47	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	111	111	-	-	-	-	-	-	-	-	-	-	-	-	-
		3,546	**3,542**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off-balance-sheet**															
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	13	11	2	-	-	-	-	-	-	-	-	-		7	-
180	Credit institutions	67	67	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	32	22	10	-	-	-	-	-	-	-	-	-		10	-
200	Non-financial corporations	1,854	1,484	336	54	-	53	-	-	-	(19)	-	(19)		922	4
210	Households	645	571	43	4	-	4	-	-	-	-	-	-		185	-
		2,611	**2,155**	**391**	**58**	**-**	**57**	**-**	**-**	**-**	**(19)**	**-**	**(19)**		**1,124**	**4**
220	**Total**	**26,096**	**24,274**	**1,552**	**422**	**-**	**384**	**(62)**	**(26)**	**(30)**	**(139)**	**-**	**(123)**	**(988)**	**10,073**	**238**

9.2 Non-performing exposures (continued)

CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	31 December 2022	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures- accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
005	**Cash balances at central banks and other demand deposits**	**9,480**	**9,480**	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
020	Central banks	115	115	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	40	38	2	-	-	-	-	-	-	-	-	-	-	39	-
040	Credit institutions	71	71	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	183	132	51	3	-	3	(4)	(1)	(3)	(2)	-	(2)	(2)	122	1
060	Non-financial corporations	4,990	3,719	1,011	144	-	132	(31)	(15)	(14)	(69)	-	(59)	(220)	4,470	71
070	*Of which SMEs*	*3,408*	*2,673*	*671*	*84*	-	*82*	*(20)*	*(9)*	*(10)*	*(34)*	-	*(33)*	*(203)*	*3,119*	*47*
080	Households	4,510	3,978	502	261	-	236	(17)	(6)	(10)	(55)	-	(52)	(944)	4,134	200
		9,909	**8,053**	**1,566**	**408**	**-**	**371**	**(52)**	**(22)**	**(27)**	**(126)**	**-**	**(113)**	**(1,166)**	**8,765**	**272**
090	**Debt securities**															
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,382	1,382	-	-	-	-	(2)	(2)	-	-	-	-	-	-	-
120	Credit institutions	1,007	1,007	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	46	37	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	69	69	-	-	-	-	-	-	-	-	-	-	-	-	-
		2,504	**2,495**	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150	**Off-balance-sheet exposures**															
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	12	11	1	-	-	-	-	-	-	-	-	-		7	-
180	Credit institutions	62	62	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	39	27	12	-	-	-	-	-	-	-	-	-		16	-
200	Non-financial corporations	1,705	1,380	286	75	-	74	-	-	-	(17)	-	(17)		903	2
210	Households	692	600	59	5	-	5	-	-	-	-	-	-		238	1
		2,510	**2,080**	**358**	**80**	**-**	**79**	**-**	**-**	**-**	**(17)**	**-**	**(17)**		**1,164**	**3**
220	**Total**	**24,403**	**22,108**	**1,924**	**488**	**-**	**450**	**(54)**	**(24)**	**(27)**	**(143)**	**-**	**(130)**	**(1,166)**	**9,929**	**275**

The NPEs at 31 December 2023 amounted to €364 million, compared to €408 million at 31 December 2022, reflecting an organic NPE reduction of 11%. New loans originated or purchased and drawdowns of existing facilities during 2023 amounted to c€1.9 billion.

9.2 Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
	31 December 2023	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
		€million	€million	€million	€million	€million	€million	€million
010	***On-balance sheet*** [1]							
020	Cyprus	10,190	328	328	10,051	(173)		-
030	Ireland	508	-	-	508	-		-
040	France	314	-	-	314	-		-
050	Greece	280	-	-	280	(1)		-
060	Germany	278	-	-	278	-		-
070	Other countries	2,541	36	36	2,538	(7)		-
		14,111	**364**	**364**	**13,969**	**(181)**		**-**
080	***Off-balance sheet***							
090	Cyprus	2,503	43	43			(5)	
100	France	3	-	-			-	
110	Greece	66	14	14			(14)	
120	Germany	2	-	-			-	
130	Other countries	95	1	1			-	
		2,669	**58**	**58**			(19)	
150	**Total**	**16,780**	**422**	**422**	**13,969**	**(181)**	**(19)**	**-**

1. Amounts presented exclude cash balances at central banks and other demand deposits.

For the above analysis a materiality threshold of 2% on total gross exposures was used to evaluate the material countries. In row "other countries", all immaterial countries were included (please refer to the list of immaterial countries below). As per the above table, 72% of the gross on balance sheet exposures of the Group are in Cyprus showing the commitment of the Group to support the local economy.

9.2 Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

"Other countries" included in on-balance sheet exposure:

Finland, Marshall Islands, Netherlands, Belgium, Norway, United Kingdom, Austria, Sweden, Spain, Japan, Israel, Saudi Arabia, Australia, Iceland, Liberia, Croatia, United States, Italy, Luxembourg, Denmark, British Virgin Islands, Slovakia, Jersey C.I., New Zealand, Russian Federation, Poland, Bulgaria, Romania, United Arab Emirates, Iran (Islamic Republic), Slovenia, South Africa, Switzerland, Ukraine, Bahrain, Canada, Kazakhstan, Qatar, China, Lebanon, Cameroon, Singapore, Kuwait, Azerbaijan, Latvia, Armenia, Jordan, Botswana, Thailand, Belarus, Serbia, Monaco, Egypt, Montenegro, Syrian Arab Republic, Malta, Portugal, Taiwan, Czech Republic, Barbados, Seychelles, Zimbabwe, Hungary, Bahamas, Paraguay, Uganda, Kenya, Mexico, Oman, Turkey, Hong Kong, Kyrgyzstan, Bosnia-Herzegovina, Zambia, Belize, Lithuania, Republic of Moldova, St Kitts and Nevis, Panama, Gibraltar, Mauritius, Malaysia, Uzbekistan, Vietnam, Gambia, Cote d'Ivoire, Dominican Republic, Estonia, Philippines, India, Nigeria, Brazil, Cayman Islands, Andorra, Curacao, Georgia, North Macedonia, Isle of Man, El Salvador, Ghana, The Democratic Republic of Congo, Libyan Arab Jamah, Turkmenistan, Argentina, Sri Lanka, United Republic of Tanzania, Albania, Republic of Yemen, Korea, Bangladesh, Pakistan.

9.2 Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
31 December 2022		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
		€million	€million	€million	€million	€million	€million	€million
010	***On-balance sheet*** [1]							
020	Cyprus	10,354	358	358	10,143	(173)		-
030	Greece	240	-	-	237	-		-
040	United Kingdom	161	26	26	161	(2)		-
050	Russia	19	8	8	19	(1)		-
070	Other countries	2,047	16	16	2,038	(4)		-
		12,821	**408**	**408**	**12,598**	**(180)**		**-**
080	***Off-balance sheet***							
090	Cyprus	2,485	65	65			(4)	
100	Greece	46	14	14			(13)	
110	United Kingdom	4	-	-			-	
130	Russia	1	-	-			-	
140	Other countries	54	1	1			-	
		2,590	**80**	**80**			(17)	
150	**Total**	**15,411**	**488**	**488**	**12,598**	**(180)**	**(17)**	**-**

1. Amounts presented exclude cash balances at central banks and other demand deposits.

For the above analysis a materiality threshold of 1% on total gross exposures was used to evaluate the material countries. In row "other countries", all immaterial countries were included (please refer to the list of immaterial countries below). As per the above table, 81% of the gross on balance sheet exposures of the Group are in Cyprus showing the commitment of the Group to support the local economy.

9.2 Non-performing exposures (continued)

CQ4: Quality of non-performing exposures by geography

"Other countries" included in on-balance sheet exposure:

Azerbaijan, Yugoslavia, Slovenia, Tanzania, Utd Rep of, Congo, Philippines, Lithuania, Pakistan, Congo, The Democratic Republic of, Turkmenistan, Isle of Man, Cote d'Ivoire, Curacao, Andorra, India, Vietnam, Dominican Republic, Malaysia, Cayman Islands, Ghana, Georgia, Gambia, Mauritius, Moldova, Republic of, Zambia, Croatia, St Kitts and Nevis, Uzbekistan, Estonia, Gibraltar, Brazil, Japan, Belize, Kyrgyzstan, Bosnia-Herzegovina, Libyan Arab Jamah, Paraguay, Hong Kong, Uganda, Oman, Argentina, Mexico, Bahamas, Bulgaria, Seychelles, Panama, Zimbabwe, Barbados, Portugal, Hungary, Monaco, Czech Republic, Iceland, Slovakia, Taiwan, Turka & Caicos Is, Malta, Jersey C.I., Montenegro, Syrian Arab Republic, Egypt, Thailand, Nigeria, Austria, Botswana, Belgium, Belarus, Latvia, Italy, Jordan, Poland, Kuwait, Norway, Cameroon, New Zealand, Saudi Arabia, Armenia, China, Denmark, Lebanon, Kazakhstan, Serbia, Qatar, Singapore, Canada, Sweden, Bahrain, Switzerland, Australia, Ukraine, Germany, Israel, South Africa, Netherlands, United Arab Emirates, Iran (Islamic Repl), Romania, Finland, Spain, United States, Virgin Islands, Brit, France, Ireland, Luxembourg, Liberia, Marshall Islands.

9.2 Non-performing exposures (continued)

The tables below provide an overview of the credit quality of loans and advances to non-financial corporations and related impairments, provisions and valuation adjustments by industry.

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

	31 December 2023	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
		€million	€million	€million	€million	€million	€million
010	Agriculture, forestry and fishing	42	1	1	42	-	-
020	Mining and quarrying	8	-	-	8	-	-
030	Manufacturing	360	4	4	360	(5)	-
040	Electricity, gas, steam and air conditioning supply	87	-	-	87	(2)	-
050	Water supply	5	-	-	5	-	-
060	Construction	485	25	25	485	(9)	-
070	Wholesale and retail trade	870	38	38	870	(24)	-
080	Transport and storage	345	-	-	345	(1)	-
090	Accommodation and food service activities	1,168	14	14	1,030	(10)	-
100	Information and communication	50	1	1	50	(1)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	1,020	40	40	1,020	(23)	-
130	Professional, scientific and technical activities	276	27	27	276	(13)	-
140	Administrative and support service activities	39	-	-	39	(1)	-
150	Public administration and defence, compulsory social	-	-	-	-	-	-
160	Education	63	2	2	63	(1)	-
170	Human health services and social work activities	68	-	-	68	(1)	-
180	Arts, entertainment and recreation	20	1	1	20	-	-
190	Other services	26	2	2	26	(1)	-
200	**Total**	**4,932**	**155**	**155**	**4,794**	**(92)**	**-**

9.2 Non-performing exposures (continued)

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

	31 December 2022	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
		€million	€million	€million	€million	€million	€million
010	Agriculture, forestry and fishing	47	2	2	47	(2)	-
020	Mining and quarrying	12	-	-	12	-	-
030	Manufacturing	393	9	9	393	(4)	-
040	Electricity, gas, steam and air conditioning supply	49	-	-	49	(1)	-
050	Water supply	6	-	-	6	-	-
060	Construction	550	12	12	550	(13)	-
070	Wholesale and retail trade	909	21	21	909	(16)	-
080	Transport and storage	292	-	-	292	(1)	-
090	Accommodation and food service activities	1,163	21	21	1,016	(10)	-
100	Information and communication	40	3	3	40	(1)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	1,109	20	20	1,109	(20)	-
130	Professional, scientific and technical activities	299	50	50	237	(27)	-
140	Administrative and support service activities	45	2	2	42	(1)	-
150	Public administration and defence, compulsory social	-	-	-	-	-	-
160	Education	71	-	-	71	-	-
170	Human health services and social work activities	99	1	1	99	(2)	-
180	Arts, entertainment and recreation	20	1	1	20	(1)	-
190	Other services	30	2	2	28	(1)	-
200	**Total**	**5,134**	**144**	**144**	**4,920**	**(100)**	**-**

9.2. Non-performing exposures (continued)

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

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

		a	a
		31 December 2023	31 December 2022
		Gross carrying amount	Gross carrying amount
		€ million	€ million
010	**Initial stock of non-performing loans and advances to customers**	**408**	**716**
020	**Inflows to non-performing portfolios**	**170**	**124**
030	**Outflows from non-performing portfolios**	**(214)**	**(432)**
040	Outflows due to write-offs	(74)	(180)
050	Outflow due to other situations	(140)	(252)
060	**Final stock of non-performing loans and advances to customers**	**364**	**408**

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

		a	b	a	b
		31 December 2023		31 December 2022	
		Gross carrying amount	Related net accumulated recoveries	Gross carrying amount	Related net accumulated recoveries
		€ million	€ million	€ million	€ million
010	**Initial stock of non-performing loans and advances to customers**	**408**		**716**	
020	**Inflows to non-performing portfolios (including accrued interest)**	**170**		**124**	
030	**Outflows from non-performing portfolios**	**(214)**		**(432)**	
040	Outflow to performing portfolio	(34)		(66)	
050	Outflow due to loan repayment, partial or total	(90)		(104)	
060	Outflow due to collateral liquidations	-	-	-	-
070	Outflow due to taking possession of collateral	(16)	14	(82)	82
080	Outflow due to sale of instruments	-	-	-	-
090	Outflow due to risk transfers	-	-	-	-
100	Outflow due to write-offs	(74)		(180)	
110	Outflow due to other situations	-		-	
120	Outflow due to reclassification as held for sale	-		-	
130	**Final stock of non-performing loans and advances to customers**	**364**		**408**	

NPEs, as defined by EBA were reduced by €44 million during 2023, accounting for 3.6% gross loans, compared to 4% as at 31 December 2022.

9.2 Non-performing exposures (continued)

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

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

EU CQ7: Collateral obtained by taking possession and execution processes

	31 December 2023	a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		€million	€million
010	**Property, plant and equipment (PP&E)**	**23**	**(1)**
020	**Other than PP&E**	**1,053**	**(200)**
030	Residential immovable property	313	(28)
040	Commercial immovable property	341	(72)
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	67	(34)
070	Other collateral	332	(66)
080	**Total**	**1,076**	**(201)**

	31 December 2022	a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		€million	€million
010	**Property, plant and equipment (PP&E)**	**2**	**-**
020	**Other than PP&E**	**1,252**	**(175)**
030	Residential immovable property	387	(29)
040	Commercial immovable property	442	(76)
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	67	(31)
070	Other collateral	356	(39)
080	**Total**	**1,254**	**(175)**

9.2 Non-performing exposures (continued)

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

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

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤2 years		Foreclosed >2 years ≤5 years		Foreclosed >5 years		Of which: non current assets held for sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Collateral obtained by taking possession classified as PP&E**	**36**	**-**	**23**	**(1)**								
020	**Collateral obtained by taking possession other than classified as PP&E**	**1,634**	**(615)**	**1,053**	**(200)**	**91**	**-**	**119**	**(2)**	**843**	**(198)**	**-**	**-**
030	Residential immovable property	423	(146)	313	(28)	13	-	50	(1)	250	(27)	-	-
040	Commercial immovable property	955	(349)	341	(72)	22	-	53	(1)	266	(71)	-	-
050	Movable property	-	-	-	-	-	-	-	-	-	-	-	-
060	Equity and debt instruments	53	(11)	67	(34)	-	-	-	-	67	(34)	-	-
070	Other collateral	203	(109)	332	(66)	56	-	16	-	260	(66)	-	-
080	**Total**	**1,670**	**(615)**	**1,076**	**(201)**	**91**	**-**	**119**	**(2)**	**843**	**(198)**	**-**	**-**

9.2 Non-performing exposures (continued)

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

31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤2 years		Foreclosed >2 years ≤5 years		Foreclosed >5 years		Of which: non current assets held for sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Collateral obtained by taking possession classified as PP&E**	**1**	**-**	**2**	**-**								
020	**Collateral obtained by taking possession other than classified as PP&E**	**1,802**	**(693)**	**1,252**	**(175)**	**92**	**-**	**282**	**(8)**	**878**	**(167)**	**-**	**-**
030	Residential immovable property	439	(153)	387	(29)	19	-	110	(2)	258	(27)	-	-
040	Commercial immovable property	1,070	(394)	442	(76)	17	-	101	(6)	324	(70)	-	-
050	Movable property	-	-	-	-	-	-	-	-	-	-	-	-
060	Equity and debt instruments	53	(11)	67	(31)	-	-	-	-	67	(31)	-	-
070	Other collateral	240	(135)	356	(39)	56	-	71	-	229	(39)	-	-
080	**Total**	**1,803**	**(693)**	**1,254**	**(175)**	**92**	**-**	**282**	**(8)**	**878**	**(167)**	**-**	**-**

9.2 Non-performing exposures (continued)

EU CQ6: Collateral valuation - loans and advances

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

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances to customers											
			Performing		Non performing								
				Of which past due > 30 days ≤90 days		Unlikely to pay that are not past due or past due ≤90 days	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
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Gross carrying amount**	**10,565**	**10,201**	**16**	**364**	**190**	**174**	**12**	**20**	**26**	**30**	**18**	**68**
020	Of which: Secured	9,307	8,966	14	341	180	161	10	17	23	28	17	65
030	Of which: Secured with immovable Property	8,185	7,852	14	333	175	158	10	16	22	27	17	65
040	Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,240	1,178		62	46	16						
050	Of which: Instruments with LTV higher than 80% and lower or equal to 100%	246	219		27	20	7						
060	Of which: Instruments with LTV higher than 100%	440	390		50	44	6						
070	**Accumulated impairment for secured assets**	**(142)**	**(40)**	**(1)**	**(102)**	**(64)**	**(38)**	**(2)**	**(5)**	**(8)**	**(9)**	**(5)**	**(9)**
080	**Collateral**												
090	Of which value capped at the value of exposure	9,130	8,897	13	233	111	122	8	12	15	19	13	55
100	Of which: Immovable Property	7,315	7,088	13	227	109	118	7	12	14	18	12	55
110	Of which value above the cap	9,488	8,907	15	581	229	352	12	18	30	52	43	197
120	Of which: Immovable Property	8,260	7,718	15	542	216	326	12	18	30	51	43	172
130	**Financial guarantees received**	**53**	**52**	**-**	**1**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**
140	**Accumulated partial write off**	**(988)**	**(78)**	**-**	**(910)**	**(51)**	**(859)**	**(2)**	**(77)**	**(11)**	**(80)**	**(40)**	**(650)**

9.2 Non-performing exposures (continued)

EU CQ6: Collateral valuation - loans and advances

	31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances to customers											
			Performing		Non performing								
						Unlikely to pay that are not past due or past due ≤90 days	Past due > 90 days						
				Of which past due > 30 days ≤90 days				Of which past due > 90 days ≤180 days	Of which past due > 180 days ≤1 year	Of which past due > 1 year ≤2 years	Of which past due > 2 years ≤5 years	Of which past due > 5 years ≤7 years	Of which past due > 7 years
		€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million	€million
010	**Gross carrying amount**	**10,317**	**9,909**	**6**	**408**	**174**	**234**	**12**	**29**	**38**	**40**	**30**	**85**
020	Of which: Secured	9,780	9,393	6	387	163	224	11	27	35	39	30	84
030	Of which: Secured with immovable Property	8,495	8,117	6	378	157	221	11	26	34	38	30	83
040	Of which: Instruments with LTV higher than 60% and lower or equal to 80%	1,568	1,510		58	39	19						
050	Of which: Instruments with LTV higher than 80% and lower or equal to 100%	414	375		39	13	26						
060	Of which: Instruments with LTV higher than 100%	609	530		79	65	13						
070	**Accumulated impairment for secured assets**	**(148)**	**(41)**	**-**	**(107)**	**(60)**	**(47)**	**(3)**	**(10)**	**(12)**	**(10)**	**(6)**	**(6)**
080	**Collateral**												
090	Of which value capped at the value of exposure	8,984	8,714	6	270	96	174	8	17	22	28	24	75
100	Of which: Immovable Property	7,522	7,267	5	255	84	171	8	17	22	27	24	73
110	Of which value above the cap	8,599	8,097	7	502	165	337	10	21	34	60	45	167
120	Of which: Immovable Property	7,511	7,046	7	465	152	313	10	21	34	60	45	143
130	**Financial guarantees received**	**53**	**51**	**-**	**2**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**2**
140	**Accumulated partial write off**	**(1,166)**	**(86)**	**-**	**(1,080)**	**(57)**	**(1,023)**	**(1)**	**(4)**	**(32)**	**(65)**	**(64)**	**(857)**

9.3 Credit Risk Adjustments

9.3.1 ECL of Loans and Advances to Customers

Individually assessed loans
The individual assessment is performed not only for individually significant performing and non-performing exposures, but also for other exposures meeting specific criteria and thresholds determined by Credit Risk Management. A risk based approach is used on the selection criteria of the individually assessed population which include, among others, forborne exposures, exposures with significant decrease in the yearly credit turnover and/or in assigned collaterals. Also, significant Stage 1 exposures within sectors assessed by Credit Risk Management to be highly impacted by one or more factors or events (such as a global or local economic/market/regulatory/geopolitical development) are assessed for potential increase in credit risk and significant exposures that have transitioned to Stage 2 from Stage 1 are assessed for potential indications of unlikeness to pay.

The ECL for individually assessed stage 3 assets is calculated on an individual basis and all relevant considerations of the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work out process).

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

In accordance with Article 1(2) Commission Delegated Regulation (EU) No. 183/2014 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.

9.3.2 Credit Risk Adjustments recorded to Income Statement

Credit losses on financial assets	**2023**	2022
	€ million	€ million
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers	**82**	65
Recoveries of loans and advances to customers previously written off	**(15)**	(12)
Changes in expected cash flows	**5**	8
Financial guarantees and commitments	**1**	(4)
	73	57

Credit losses of other financial instruments		
Other financial assets	**7**	3
	7	3

9.4 Forbearance

Forborne/restructured loans are those loans that have been modified because the borrower is considered unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower with the ability to service the debt or refinance the contract, either partially or fully.

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

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

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

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

Forbearance/restructuring options may be of a short or long-term nature or 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.

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

Forbearance modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements, are not regarded as sufficient to categorise the facility as credit impaired and in Stage 3, as by themselves they do not necessarily indicate credit distress affecting payment ability such that would require the facility to be classified as NPE.

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

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

9.4 Forbearance (continued)

The tables below provide an overview of the quality of forborne exposures as per Commission Implementing Regulation (EU) No 680/2014.

EU CQ1: Credit quality of forborne exposures

31 December 2023		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**								
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	1	-	-	-	-	-	1	-
060	Non-financial corporations	164	95	95	95	(4)	(33)	208	58
070	Households	100	96	96	96	(5)	(25)	152	69
		265	**191**	**191**	**191**	**(9)**	**(58)**	**361**	**127**
080	**Debt securities**	-	-	-	-	-	-	-	-
090	**Loans commitments given**	**9**	**1**	**1**	**1**	-	-	**5**	-
100	**Total**	**274**	**192**	**192**	**192**	**(9)**	**(58)**	**366**	**127**

9.4 Forbearance (continued)

EU CQ1: Credit quality of forborne exposures

31 December 2022		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
				Of which: defaulted	Of which: impaired				Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**								
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	9	3	3	3	-	(2)	9	1
060	Non-financial corporations	859	91	91	91	(10)	(45)	866	43
070	Households	147	143	143	143	(5)	(32)	234	106
		1,015	**237**	**237**	**237**	**(15)**	**(79)**	**1,109**	**150**
080	**Debt securities**	-	-	-	-	-	-	-	-
090	**Loans commitments given**	**16**	**1**	**1**	**1**	-	-	**11**	-
100	**Total**	**1,031**	**238**	**238**	**238**	**(15)**	**(79)**	**1,120**	**150**

Forborne loans and advances as defined by EBA were reduced by €796 million during 2023. Most of these loans related to restructuring solutions offered in 2021 to customers due to COVID and exited forbearance status in 2023 as they met the forbearance exit criteria.

9.4 **Forbearance** (continued)

EU CQ2: Quality of forbearance

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

		a	a
		Gross carrying amount of forborne exposures	
		2023	**2022**
		€ million	**€ million**
010	Loans and advances that have been forborne more than twice	**67**	249
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	**26**	42

9.5 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 and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Equity investments at FVOCI comprise mainly investments in private Cyprus registered companies, acquired through loan restructuring activity and specifically through debt for equity swaps.

The carrying value of the Group's equity securities, per the accounting scope consolidation, at 31 December 2023 at FVOCI amounts to €12 million (2022: €13 million) and at FVPL €1 million (2022: €7 million) and it is equal to their fair value, analysed as follows:

	2023	2022
	€ million	€ million
Listed on the CSE	**1**	1
Listed on other stock exchanges	**1**	7
Unlisted	**11**	12
Total	**13**	20

During the year ended 31 December 2023 holdings of an equity investment measured at FVOCI with a carrying value of c€1 million have been disposed of (2022: no material equity investments measured at FVOCI have been disposed of). During the year ended 31 December 2022, there were transfers from OCI to retained earnings of €2.9 million relating to investments disposed of in prior years.

10. Asset Encumbrance

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

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations.

The regulatory consolidation scope used for the purpose of the disclosures on asset encumbrance, in the Report is in line with the scope retained for the application of the liquidity requirements on a consolidated basis as defined in Chapter 2 of Title I of Part Two CRR, which is used to define (E)HQLA eligibility. There is no intragroup encumbrance, nor any encumbrance of assets or source of encumbrance by any significant currencies other than the reporting currency.

Asset encumbrance ratio is part of the Liquidity Policy as well as the Public Funding Policy and Collateral Management Policy. It is used as a management indicator and not a critical limit. It provides a signal that the management can combine with other tools to decide if any action is deemed necessary. It also ensures that no excessive assets encumbrance occurs without any justified reason. The ratio is monitored quarterly.

All tables below are based on EBA reporting templates pertaining to Asset Encumbrance under CRD. The values presented, including totals, are median values based on quarter end point-in-time (PiT) figures covering the years ended 31 December 2023 and 31 December 2022.

10.1 Encumbered and Unencumbered Assets by Asset Type

EU AE1 - Encumbered and unencumbered assets

2023		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
		€million	€million	€million	€million	€million	€million	€million	€million
010	**Assets**	**3,661**	**89**			**21,543**	**11,833**		
030	**Equity instruments**	**-**	**-**	**-**	**-**	**19**	**-**	**19**	**-**
040	**Debt securities**	**258**	**89**	**240**	**79**	**3,072**	**2,634**	**3,002**	**2,578**
050	*of which: covered bonds*	*-*	*-*	*-*	*-*	*278*	*230*	*277*	*230*
060	*of which: securitisations*	*-*	*-*	*-*	*-*	*8*	*-*	*8*	*-*
070	*of which: issued by general goverments*	*34*	*34*	*33*	*33*	*1,717*	*1,717*	*1,678*	*1,678*
080	*of which: issued by financial corporations*	*224*	*55*	*207*	*45*	*1,251*	*842*	*1,223*	*828*
090	*of which: issued by non-financial corporations*	*-*	*-*	*-*	*-*	*104*	*74*	*102*	*72*
120	**Other assets**	**3,406**	**-**			**18,526**	**9,284**		

2022		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
		€million	€million	€million	€million	€million	€million	€million	€million
010	**Assets**	**4,582**	**1,068**			**20,374**	**10,208**		
030	**Equity instruments**	**-**	**-**	**-**	**-**	**25**	**-**	**25**	**-**
040	**Debt securities**	**1,270**	**1,068**	**1,238**	**1,046**	**787**	**571**	**763**	**553**
050	*of which: covered bonds*	*6*	*6*	*6*	*6*	*84*	*84*	*83*	*83*
060	*of which: securitisations*	*-*	*-*	*-*	*-*	*16*	*-*	*16*	*-*
070	*of which: issued by general goverments*	*806*	*806*	*787*	*787*	*275*	*269*	*264*	*258*
080	*of which: issued by financial corporations*	*459*	*256*	*441*	*249*	*475*	*270*	*463*	*265*
090	*of which: issued by non-financial corporations*	*-*	*-*	*-*	*-*	*43*	*35*	*42*	*35*
120	**Other assets**	**3,344**	**-**			**19,304**	**9,549**		

10.1 Encumbered and Unencumbered Assets by Asset Type (continued)

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond. Encumbered assets include cash and other liquid assets placed with banks (which are included in 'Other assets' c.€0.07 billion as at 31 December 2023 and c.€0.07 billion as at 31 December 2022) as collateral under ISDA agreements which are not immediately available for use by the Group but are released once the transactions are terminated.

As at 31 December 2023, investments are mainly used as collateral for ECB funding or as supplementary assets for the covered bond. The decrease in the investments presented as encumbered assets during the year ended 31 December 2023 compared to the year ended 31 December 2022 was driven by the removal of debt securities from the ECB collateral pool following the repayment of €1 billion TLTRO III funding in December 2022.

Encumbered assets primarily consist of loans and advances to customers (which are included in 'Other assets' c.€3.4 billion as at 31 December 2023 and c.€3.3 billion as at 31 December 2022). These are mainly used as collateral for funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,008 million as at 31 December 2023 (2022: €1,007 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2023 housing loans of a nominal amount of €2,329 million (2022: €2,287 million) in Cyprus, are pledged as collateral for funding from the ECB.

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

The vast majority of encumbered assets are within the Bank.

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

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

As at 31 December 2023, the Group has €22.1 billion of unencumbered assets. Included in this amount are other assets of €9.1 billion which consist mainly loans and advances to customers, intangible assets, tax assets, fixed assets and derivative assets. Additionally, included in this amount are assets of €2.6 billion which would not be deemed available for encumbrance in the normal course of business.

10.2 Collateral Received by Product Type

EU AE2 - Collateral received and own debt securities issued

2023		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		€ million	€ million	€ million	€ million
130	**Collateral received**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	*of which: covered bonds*	-	-	-	-
180	*of which: securitisations*	-	-	-	-
190	*of which: issued by general governments*	-	-	-	-
200	*of which: issued by financial corporations*	-	-	-	-
210	*of which: issued by non-financial corporations*	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**			**-**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**3,661**	**89**		

10.2 Collateral Received by Product Type (continued)

EU AE2 - Collateral received and own debt securities issued

2022		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		€ million	€ million	€ million	€ million
130	**Collateral received**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	*of which: covered bonds*	-	-	-	-
180	*of which: securitisations*	-	-	-	-
190	*of which: issued by general governments*	-	-	-	-
200	*of which: issued by financial corporations*	-	-	-	-
210	*of which: issued by non-financial corporations*	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and securitisations issued and not yet pledged**			**-**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**4,582**	**1,068**		

The current and expected level of asset encumbrance remains at low levels. The main funding sources of the Group do not include any secured funding other than the ECB funding (TLTRO) which matures in the first six months period of 2024. Given this funding profile, the asset encumbrance ratio is monitored and expected to remain at low levels.

10.3 Encumbered Assets/Collateral Received and Associated Liabilities

EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	2023	**€ million**	**€ million**
10	Carrying amount of selected financial liabilities	**2,023**	**3,385**
	2022		
10	Carrying amount of selected financial liabilities	2,961	3,321

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

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

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

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

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

11. Credit Risk Under the Standardised Approach

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

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

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

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

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

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

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

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

The increase in RWA was driven by the increase in operational risk RWAs, the increase in the portfolio of investments, mainly assigned to lower risk weight classes (Central government, Covered bonds, Regional governments, MDB, PSEs, International Organizations) and the increase in placements with banks partly offset by decreases in other assets (such as the stock of property) and the IFRS 9 phasing in on 1 January 2023. As a result of the increase in exposures, mainly with Central Governments and Central Banks and the decrease in relevant RWAs, the overall RWA density, as defined below, has dropped.

11. Credit Risk Under the Standardised Approach (continued)

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

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

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

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

11. Credit Risk Under the Standardised Approach (continued)

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

31 December 2023		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWEAs	RWEA density
		€ million	€ million	€ million	€ million	€ million	%
1	Central governments or central banks	11,337	-	11,420	-	243	2.13
2	Regional government or local authorities	145	11	110	-	2	1.41
3	Public sector entities	237	6	228	2	2	1.03
4	Multilateral development banks	336	-	356	-	-	-
5	International organisations	232	-	232	-	-	-
6	Institutions	975	67	928	28	330	34.47
7	Corporates	3,600	1,190	3,355	353	3,259	87.89
8	Retail	1,680	883	1,350	95	1,018	70.44
9	Secured by mortgages on immovable property	3,852	368	3,852	75	1,418	36.12
10	Exposures in default	197	30	196	5	208	103.42
11	Exposures associated with particularly high risk	636	114	586	36	932	150.00
12	Covered bonds	287	-	287	-	29	10.00
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	3	-	3	-	2	75.14
15	Equity	24	-	24	-	59	240.05
16	Other items	1,625	-	1,625	-	1,495	91.99
17	**TOTAL**	**25,169**	**2,669**	**24,554**	**594**	**8,997**	**35.78**

11. Credit Risk Under the Standardised Approach (continued)

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

31 December 2022		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWEAs	RWEA density
		€ million	€ million	€ million	€ million	€ million	%
1	Central governments or central banks	10,932	-	11,022	-	244	2.22
2	Regional government or local authorities	148	11	108	-	2	1.44
3	Public sector entities	187	5	179	2	4	2.40
4	Multilateral development banks	169	-	206	-	-	-
5	International organisations	125	-	125	-	-	-
6	Institutions	759	62	710	33	270	36.34
7	Corporates	3,608	1,084	3,354	242	3,114	86.60
8	Retail	1,609	896	1,265	97	956	70.22
9	Secured by mortgages on immovable property	3,877	363	3,877	72	1,425	36.09
10	Exposures in default	261	45	258	3	273	104.43
11	Exposures associated with particularly high risk	677	114	616	27	965	150.00
12	Covered bonds	109	-	109	-	11	10.00
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	3	-	3	-	2	80.22
15	Equity	31	-	31	-	65	210.01
16	Other items	1,890	-	1,890	-	1,752	92.66
17	**Total**	**24,385**	**2,580**	**23,754**	**476**	**9,085**	**37.49**

There is an increase in On-balance sheet exposure value which is mainly driven by 'Central governments or central banks' and other exposure classes ('Covered Bonds', 'MDBs', 'International Organisations', 'PSEs') which are assigned low or zero Risk Weight percentage while the balance of some exposure classes which are assigned high Risk Weight percentage has decreased. As a result, there is a decrease in RWAs and in RWA density. More details of the main drivers behind the overall changes in exposures and RWAs are analysed above.

11. Credit Risk Under the Standardised Approach (continued)

EU CR5 Standardised Approach

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

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated[1]
	Exposure classes	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Central governments or central banks	11,053	-	53	8	105	-	-	-	-	190	-	12	-	-	-	**11,421**	201
2	Regional government or local authorities	102	-	-	-	8	-	-	-	-	-	-	-	-	-	-	**110**	-
3	Public sector entities	228	-	-	-	-	-	-	-	-	2	-	-	-	-	-	**230**	-
4	Multilateral development banks	356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**356**	-
5	International organisations	232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**232**	-
6	Institutions	-	-	-	-	645	-	221	-	-	90	-	-	-	-	-	**956**	-
7	Corporates	-	-	-	-	94	-	55	-	-	3,496	63	-	-	-	-	**3,708**	3,436
8	Retail	-	-	-	-	-	-	-	-	1,445	-	-	-	-	-	-	**1,445**	1,445
9	Secured by mortgages on immovable property	-	-	-	-	-	2,989	938	-	-	-	-	-	-	-	-	**3,927**	3,927
10	Exposures in default	-	-	-	-	-	-	-	-	-	187	14	-	-	-	-	**201**	201
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	622	-	-	-	-	**622**	622
12	Covered bonds	-	-	-	287	-	-	-	-	-	-	-	-	-	-	-	**287**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
14	Unit or shares in collective investment undertakings	-	-	-	-	1	-	-	-	-	2	-	-	-	-	-	**3**	3
15	Equity	-	-	-	-	-	-	-	-	-	2	-	23	-	-	-	**25**	23
16	Other items	93	-	-	-	35	-	-	-	-	1,453	18	-	-	-	27	**1,626**	1,600
17	**TOTAL**	**12,065**	**-**	**53**	**295**	**888**	**2,989**	**1,214**	**-**	**1,445**	**5,421**	**716**	**35**	**-**	**-**	**27**	**25,148**	**11,459**

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

11. Credit Risk Under the Standardised Approach (continued)

EU CR5 Standardised Approach

31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated[1]
Exposure classes		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	Central governments or central banks	10,711	-	-	-	84	-	-	-	-	227	-	-	-	-	-	**11,022**	228
2	Regional government or local authorities	101	-	-	-	8	-	-	-	-	-	-	-	-	-	-	**109**	-
3	Public sector entities	177	-	-	-	-	-	-	-	-	4	-	-	-	-	-	**181**	-
4	Multilateral development banks	206	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**206**	37
5	International organisations	125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**125**	-
6	Institutions	-	-	-	-	455	-	216	-	-	71	-	-	-	-	-	**742**	-
7	Corporates	-	-	-	-	24	-	59	-	-	3,473	40	-	-	-	-	**3,596**	3,430
8	Retail	-	-	-	-	-	-	-	-	1,362	-	-	-	-	-	-	**1,362**	1,362
9	Secured by mortgages on immovable property	-	-	-	-	-	3,011	939	-	-	-	-	-	-	-	-	**3,950**	3,949
10	Exposures in default	-	-	-	-	-	-	-	-	-	238	23	-	-	-	-	**261**	261
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	643	-	-	-	-	**643**	643
12	Covered bonds	-	-	-	109	-	-	-	-	-	-	-	-	-	-	-	**109**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
14	Unit or shares in collective investment undertakings	-	-	-	-	1	-	-	-	-	2	-	-	-	-	-	**3**	3
15	Equity	-	-	-	-	-	-	-	-	-	8	-	23	-	-	-	**31**	31
16	Other items	92	-	-	-	38	-	-	-	-	1,739	-	-	-	-	22	**1,891**	1,806
17	**Total**	**11,410**	**-**	**-**	**109**	**610**	**3,011**	**1,215**	**-**	**1,362**	**5,763**	**706**	**23**	**-**	**-**	**22**	**24,231**	**11,750**

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

In terms of exposure values there has been an increase mainly driven by 'Central governments or central banks' and other exposure classes ('Covered Bonds', 'MDBs', 'International Organisations', 'PSEs') which are assigned low or zero Risk Weight percentage while the balance of some exposure classes which are assigned high Risk Weight percentage has decreased.

12. Market Risk

There are no minimum capital requirements for market risk for 2023 or 2022. Foreign Exchange (FX) risk does not require any capital since the materiality threshold set by Article 351 of the CRR is not met. Other than the foreign exchange risk, the Group does not hold any trading book positions that would fall under Title VI of the CRR.

13. Operational Risk

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

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

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

The minimum capital requirement of the Group in relation to operational risk calculated in accordance with the Standardised Approach amounts to €106 million for 2023 and €81 million for 2022. The increase in the operational risk capital requirement is driven mainly by higher net interest Income at Group level.

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

		a	b	c	d	e
	Banking activities	**Relevant indicator**			**Own funds requirements**	**Risk exposure amount**
		2021	**2022**	**2023**		
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	516	636	1,039	106	1,328
3	*Subject to TSA:*	516	636	1,039		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

14. Key Metrics

EU KM1 - Key metrics template

		a	b	c	d	e
		31/12/2023[1]	**30/09/2023[2,3]**	**30/06/2023[2]**	**31/03/2023[4]**	**31/12/2022[5]**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,798	1,565	1,598	1,438	1,540
2	Tier 1 capital	2,018	1,793	1,827	1,658	1,760
3	Total capital	2,318	2,093	2,127	1,958	2,060
	Risk-weighted exposure amounts					
4	Total risk exposure amount	10,341	10,264	10,257	10,164	10,114
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.39%	15.25%	15.58%	14.15%	15.23%
6	Tier 1 ratio (%)	19.51%	17.47%	17.81%	16.31%	17.40%
7	Total capital ratio (%)	22.42%	20.39%	20.73%	19.26%	20.37%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.08%	3.08%	3.08%	3.08%	3.26%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.73%*	*1.73%*	*1.73%*	*1.73%*	*1.83%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.31%*	*2.31%*	*2.31%*	*2.31%*	*2.45%*
EU 7d	Total SREP own funds requirements (%)	11.08%	11.08%	11.08%	11.08%	11.26%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.48%	0.04%	0.02%	0.02%	0.02%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.50%	1.50%	1.50%	1.50%	1.25%
11	Combined buffer requirement (%)	4.48%	4.04%	4.02%	4.02%	3.77%
EU 11a	Overall capital requirements (%)	15.56%	15.12%	15.10%	15.10%	15.03%
12	CET1 available after meeting the total SREP own funds requirements	11.15%	9.01%	9.35%	7.91%	8.90%

14. Key Metrics (continued)

EU KM1 - Key metrics template

		a	b	c	d	e
		31/12/2023[1]	30/09/2023[2,3]	30/06/2023[2]	31/03/2023[4]	31/12/2022[5]
		€million	€million	€million	€million	€million
	Leverage ratio					
13	Total exposure measure	26,389	26,160	25,555	25,216	25,155
14	Leverage ratio (%)	7.65%	6.85%	7.15%	6.57%	7.00%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	11,276	10,879	10,756	10,425	10,057
EU 16a	Cash outflows - Total weighted value	3,919	3,949	3,934	3,878	3,762
EU 16b	Cash inflows - Total weighted value	416	410	400	398	397
16	Total net cash outflows (adjusted value)	3,503	3,539	3,534	3,480	3,365
17	Liquidity coverage ratio (%)	330%	316%	304%	300%	299%
	Net Stable Funding Ratio					
18	Total available stable funding	18,530	18,474	18,916	18,509	19,523
19	Total required stable funding	11,692	11,430	11,449	11,578	11,619
20	NSFR ratio (%)	158%	162%	165%	160%	168%

Notes:

1. Amounts and ratios include profits for the year ended 31 December 2023 and a deduction for a distribution in respect of 2023 earnings of €137 million, following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €112 million and in principle approval by the Board to undertake a share buyback of ordinary shares of the Company for an aggregate consideration of up to €25 million and in compliance with the terms of the ECB approval as disclosed in subsection 'Distributions' of Section 5.1 CRD Regulatory Capital.

2. Amounts and ratios include reviewed profits for the six months ended 30 June 2023 in line with the ECB Decision (EU) (2015/656) on the recognition of interim or year-end profits in CET1 capital in accordance with Article 26(2) of the CRR and an accrual for an estimated final dividend at a payout ratio of 50% of the Group's adjusted profitability for the period, which represents the top-end range of the Group's approved dividend policy, in line with the principles of Commission Delegated Regulation (EU) 241/2014) for foreseeable dividends and charges.

14. **Key Metrics** (continued)

3. Amounts and ratios as at 30 September 2023 presented above do not include quarterly profits for the three months ended 30 September 2023. Including the quarterly profits net of dividend accrual of 50% of the Group's adjusted profitability for the quarter, representing the top-end range of the Group's approved dividend policy, the CET1 ratio and Total Capital ratio stood at 15.8% and 21% respectively, on a transitional basis.

4. Amounts and ratios exclude interim profits.

5. Amounts and ratios include profits for the year ended 31 December 2022 (audited). The 2022 capital ratios as previously reported in the 2022 Pillar 3 Disclosures have been restated following the approval by the ECB for the payment of a dividend in April 2023, and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting held on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22.3 million.

During the year ended 31 December 2023, pre-provision income net of deduction for a distribution in respect of 2023 earnings following ECB approval as disclosed in subsection 'Distributions' of Section 5.1 CRD Regulatory Capital, had a positive impact on CET1 ratio, whereas provisions and impairments, other movements and increase in risk-weighted assets had a negative impact.

Additionally, during the first quarter of 2023, the CET1 ratio was negatively affected by the phasing in of IFRS 9 and other transitional arrangements on 1 January 2023 and positively affected by the €50 million dividend distributed to BOC PCL in February 2023 by the life insurance subsidiary following the adoption of IFRS 17 'Insurance Contracts' ('IFRS 17') resulting in a benefit in the equity of the life insurance subsidiary enabling the distribution to BOC PCL and enhancing Group CET1 ratio by approximately 50 basis points.

During the second quarter of 2023, the CET1 ratio was further negatively affected by the payment of AT1 coupon and AT1 refinancing costs.

During the third quarter of 2023, the CET1 ratio was negatively affected by the capital deduction of 0.33% in relation to the ECB prudential expectations for NPE.

As a result of the above, the CET1 ratio has increased by 216 bps during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group's Total Capital ratio increased by 205 bps.

The increasing trend of LCR is mainly due to an increase in HQLAs, as a result of the increase in customer deposits during 2023 (totalling to c.€339 million), the issuance of senior preferred notes, and the sale of properties.

As at 31 December 2023 the NSFR stood at 158% compared to 168% as at 31 December 2022.

During the year ended 31 December 2023, RWA increased mainly due to the increase in operational risk RWAs, the increase in the portfolio of investments, mainly assigned to lower risk weight classes (Central government, Covered bonds, Regional governments, MDB, PSEs, International Organizations) and the increase in placements with banks partly offset by decreases in other assets (such as the stock of property) and the IFRS 9 phasing in on 1 January 2023.

The increase in Tier 1 Capital has been the main driver for the increase in the leverage ratio which stands well above the regulatory minimum requirement of 3%.

15. Exposure to Interest Rate Risk on Positions in the Banking Book

15.1 Nature of the Interest Rate Risk and Key Assumptions

Interest Rate Risk in the Banking Book refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. Moreover, optionalities embedded in the Bank's products may give rise to interest rate risk.

In order to control/quantify/monitor the risk from changes in interest rates, the outcomes of two types of analysis are calculated on a monthly basis:

a. Impact on the NII – earnings measure
b. Impact on the EV – EV measure

In addition to the above two types of measures, interest rate risk for EUR (which consists of the bulk of the Group's balance sheet) is also measured using interest rate gap analysis where the assets, liabilities and off-balance sheet items are classified according to their remaining repricing period.

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. As per the analysis undertaken for the preparation/update of the Interest Rate Risk assumptions and methodologies, no prepayment models are used due to:

1. the immaterial amount of loans subject to prepayment risk. 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 amount to around 0.01% of total loan portfolio. Thus, the analysis indicates that no prepayment modelling is required. Prepayment of fixed rate loans will be assessed for modelling only if the percentage of loans (not in Recoveries) for which no penalty can be charged over the total loans is greater than 5% of total assets in line with Article 8 of EBA/RTS/2022/09.

2. the low level of fixed deposits that allow withdrawals without a penalty charge. Based on the latest analysis, the amount of the deposits with early withdrawal option amounted to 0.14% of total deposits. Thus, no early withdrawal modelling is required.

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 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* 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 EBA guidelines.

*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.

15.1 Nature of the Interest Rate Risk and Key Assumptions (continued)

Maturity profile assumptions vary according to depositor characteristics (e.g. retail, wholesale non financial, wholesale financial) and accounts characteristics (e.g. transactional or non-transactional).

The longest repricing maturity assigned to NMDs is 10 years whereas the average repricing maturity is estimated to be less than the 5-year cap.

Floor on Deposits

All deposit categories are assumed to have a 0% interest rate floor, given that it would be unlikely for the Bank to offer negative deposit rates. However, during the negative interest rate period, the Bank charged a liquidity fee to certain legal entities. As a result, even though all deposit categories were assumed to have a 0% floor, there was NII benefit in case of decrease in rates arising from accounts in which the liquidity fee was applicable. Given the increasing interest rate environment leading to positive interest rates, liquidity fee is no longer charged.

Notice Accounts

In the case of decrease in rates, notice accounts, are assumed to have a time lag due to the requirement by PSD to give a 75 days notice to its clients. This means that the impact of interest rate of these accounts is delayed due to this time lag.

Beta of Bank Base Rate Loans, Fixed Deposits and Notice accounts

It is noted that the EUR Bank base rate loans (referenced to the CBC deposit index) have high correlation to the changes of the fixed deposits and notice account rates. It is noted that Bank base rate loans reprice 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 80% 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, Treasury and Finance Division.

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 loans 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 interest rates shifts
2. Changes in the yield curve shape (flattening, steepening, short up and down etc.)

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.

15.1 Nature of the Interest Rate Risk and Key Assumptions (continued)

Stress Testing and standardised interest rate shock scenarios as specified in Basel Committee on Banking Supervision are performed on a quarterly basis. The standard regulatory shock which involves sudden +/- 200 basis points change of the yield curve is calculated on a monthly basis.

Internal scenarios are performed on a monthly basis and are subject to internal limits. The market rate shocks for Euro and USD, which are the currencies corresponding to the bulk of the Bank's balance sheet items are indicated below:

EUR:
Parallel UP: + 140 bps Parallel DN: - 120 bps,
Steepening: 1 day:-120 bps & 360 mons: 140 bps,
Flattening: 1 day: +140 bps & 360 mons: -120 bps,
Short UP: 1 day: +140 bps & 360 mons: 0 bps,
Short DN: 1 day: -120 bps & 360 mons: 0 bps.
USD:
Parallel UP: +170 bps,
Parallel DN: -110 bps,
Steepening: 1 day:-110 bps & 360 mons: 170 bps,
Flattening: 1 day: +170 bps & 360 mons: -110 bps,
Short UP: 1 day: +170 bps & 360 mons: 0 bps,
Short DN: 1 day: -110 bps & 360 mons: 0 bps.

The above shocks were calculated using statistical analysis of historical interest rates.

A floor of 0% to all loans with a contractual floor agreement and to all deposits is applied to all scenarios.

15.2 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, which are then approved by the Board through its RC. The exposure is described below.

The aggregation of exposures for all material currencies is done by adding together any negative and 50% of any positive EVE changes as per EBA guidelines.

Movements in interest rates affect the Bank's banking book positions and can pose a risk to the Bank's EVE and NII. When interest rates change, the present value and level of future cash flows change. This in turn changes the underlying value of a Bank's assets, liabilities and off-balance sheet items and hence its EVE. Changes in interest rates also affect a Bank's NII by altering interest rate-sensitive income and expenses. The NII and EVE measures are considered of complementary nature (a transaction subject to interest rate risk cannot stabilize both NII and EVE at the same time). The bulk of the Bank's EVE and NII exposure arises mainly from the customer advances, customer deposits and Central Bank Balances. The variations identified in ΔEVE and ΔNII under the various supervisory interest rate scenarios compared to the previous disclosure reference date arising mainly from the increased market interest rates and the revised approved assumptions on IRRBB.

15.2. Impact of Downward and Upward Rate Shocks (continued)

EU IRRBB1 - Interest rate risks of non-trading book activities

		a	b	c	d
Supervisory shock scenarios		**Changes of the economic value of equity**		**Changes of the net interest income**	
		31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
		€ million	**€ million**	**€ million**	**€ million**
1	**Parallel up**	89	76	210	228
2	**Parallel down**	(140)	(155)	(225)	(265)
3	**Steepener**	6	10		
4	**Flattener**	(7)	(109)		
5	**Short rates up**	26	71		
6	**Short rates down**	(58)	(141)		

16. Securitisation

Securitisation results from a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is tranched having both of the following characteristics: payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

"Tranche" means a contractually established segment of the credit risk associated with an exposure or a number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

During 2019, the Group disposed a portfolio of loans and advances to customers with a gross book value of €2.8 billion (of which €2.7 billion related to non-performing loans) (the Portfolio) and stock of property with carrying value amounting to €109 million (the Portfolio) and stock of property (known as 'Project Helix' or the 'Transaction') through the transfer of the Portfolio by BOC PCL to a licensed Cypriot Credit Acquiring Company (the 'CyCAC'). The shares of the CyCAC were subsequently acquired by certain funds affiliated with Apollo Global Management LLC (together with its consolidated subsidiaries 'Apollo', the purchaser of the Portfolio). Funds managed by Apollo provided equity capital in relation to the financing of the purchase of the Portfolio.

BOC PCL received consideration of c€1,186 million on completion, reflecting adjustments resulting from, inter alia, loan repayments received on the Portfolio since the reference date of 31 March 2018, of which €45 million concern the BOC PCL participation in the senior debt issued to finance the transaction, representing c4% of the total acquisition funding. Other than the above, BOC PCL held no other securitisation positions. This transaction had been classified as a Traditional Securitisation. In June 2019 the Group has derecognised the disposed portfolio relating to Project Helix.

The Group does not have any material retained positions and there is no need for hedging. No re-securitisations are applied.

Securitisation activities of the Group are accounted for in accordance with IFRS 9.

BOC PCL, being the originator to the securitisation position held, applied the Standardised Approach for Securitisation Positions (SEC-SA). The look-through approach was used in calculating the RWA and capital requirements for the position held in traditional and non-STS securitisation under article 261 of the EU Regulation 2017/2401 amending the CRR. No ECAIs were applied in its securitisation position. Analyses on the securitisation position held by the Group and its underlying securitised assets are illustrated in the following tables.

The BOC PCL participation in the senior debt issued to finance the transaction has been repaid during 2023 and therefore only related information concerning the year 2022 is disclosed below.

16. **Securitisation** (continued)

EU-SEC1 - Securitisation exposures in the non-trading book

31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	-	-	12	12	-	-	12	-	-	-	-	-	-	-	-
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	12	12	-	-	12	-	-	-	-	-	-	-	-
8	Loans to corporates	-	-	12	12	-	-	12	-	-	-	-	-	-	-	-
9	Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Other Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

16. **Securitisation** (continued)

EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
31 December 2022		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1,250 % RW	1,250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	**Total exposures**	-	-	-	12	-	-	-	12	-	-	-	12	-	-	-	1	-
2	Traditional transactions	-	-	-	12	-	-	-	12	-	-	-	12	-	-	-	1	-
3	Securitisation	-	-	-	12	-	-	-	12	-	-	-	12	-	-	-	1	-
4	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	*Of which STS*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	12	-	-	-	12	-	-	-	12	-	-	-	1	-
7	*Of which STS*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

16. Securitisation (continued)

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

31 December 2022		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		**Total amount of specific credit risk adjustments made during the period**
			Of which exposures in default	
		€ million	**€ million**	**€ million**
1	**Total exposures**	5,594	5,566	25
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	5,594	5,566	25
8	loans to corporates	5,594	5,566	25
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

17. Environmental, Social and Governance Risks

17.1 Environmental risk

17.1.1 Business strategy and processes

17.1.1.1 Business strategy to integrate environmental factors and risks

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

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

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

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

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

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

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

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

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

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

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

17.1.1.1 Business strategy to integrate environmental factors and risks (continued)

Apart from the strategy to reduce GHG emissions associated with its own operations, BOC PCL should design the strategy to reduce GHG emissions associated with its loan portfolio (i.e. customers) and investment portfolio which effectively will lead to less exposure to C&E risks. Therefore, BOC PCL became a member of the PCAF and estimated GHG emissions derived from its loan, investment and insurance portfolio based on PCAF standard and proxies. BOC PCL is integrating C&E risks into its Business Strategy through the following:
1. Sector limits;
2. Decarbonisation targets;
3. Green/Transition Lending;
4. ESG and Climate considerations in loan pricing.

Sector Limits

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

Decarbonization targets

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

The Group is also examining to set decarbonisation target on Commercial Real Estate ('CRE') asset class as well as on Transportation and Storage business loan sector of loan portfolio, within 2024.

Green/Transition Lending

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

17.1.1.1 Business strategy to integrate environmental factors and risks (continued)

c.10% of total new lending projections for 2024 of Corporate & SME Division. Green / Transition new lending is expected to increase in the upcoming years given the maturity of the market in climate spectrum.

In addition, BOC PCL offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. For example, a number of loan products are offered under the Fil-eco Product Scheme. BOC PCL offers Environmentally friendly Car Hire Purchase addressed to anyone who wants to buy a new hybrid or electric car, providing its customers the opportunity to buy a new electric vehicle and to move away from transport options reliant on fossil fuels. Moreover, an environmentally friendly loan for home renovation is offered to customers who want to renovate and upgrade the energy efficiency of their privately owned primary residence or holiday home and achieve a higher energy efficiency rating. Further, the customers may benefit from an Energy Loan for the installation of energy saving systems for home use. This product is addressed to customers who seek financing for the installation of photovoltaic systems for home use and other home energy-saving systems. At the end of 2023, BOC PCL launched the "Green Housing" product, aligned with GLPs of LMA, in order to support the decarbonisation of residential properties in Cyprus, ensure the feasibility of the decarbonization target and effectively being exposed to lower level of transition risks. Looking forward, in 2024 the Group will continue to build out its green product offering further.

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

ESG and Climate considerations in loan pricing

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

<u>Transition phase:</u>

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

<u>Long-term phase:</u>

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

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

17.1.1.1 Business strategy to integrate environmental factors and risks (continued)

b. Preparation: the objectives are to undertake a feasibility analysis in relation to which pricing components are the most prominent to analyse in terms of adjusting them to reflect any ESG and climate considerations as well as to further specify the roles and responsibilities of each unit for ESG and climate integration in loan pricing.
c. Development: The Development phase of the ESG and climate pricing strategy plan is divided into two parts: the Risk View and the Strategic View. Under the Risk View, the Bank aims to conduct analysis and assessment of various ESG and climate factors to determine their relevance and importance and prioritize them for inclusion in the pricing framework, in conjunction with the outcome of the feasibility analysis. Under the Strategic View, BOC PCL aims to start defining pre-requisites that will allow, upon a more mature state, to enhance its approach on strategic view to be more holistic than the one implemented on Transition phase.
d. Implementation: the objective is to perform the necessary actions to implement the selected approach of incorporating ESG and climate considerations in pricing components so to become business-as-usual.

Principles for Responsible Banking (PRB)

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

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

Under the Principles, BOC PCL should identify and measure the environmental and social impact resulting from its business activities, set and implement targets where it has the most significant impact, and regularly report publicly on their progress. BOC PCL has already measured its environmental and social impact by voluntarily applying the PRB's impact analysis tools in order to identify and report on the material impacts arising from its business activities (i.e. loan portfolio). The material impacts identified have been reported in the Sustainability report of 2022. The next step for BOC PCL is to set at least two targets associated with the PRB's impact areas which can have the most significant impact. For BOC PCL the two key impact areas are Climate Stability and availability, accessibility, affordability & quality of resources and services. BOC PCL has set, in 2023, a decarbonization target on Mortgage portfolio which reflects the first SMART target set on loan portfolio for the Climate stability impact area. For the performance against the decarbonization target on Mortgage refer to Section 17.1.1.2 Objective, targets and limits. BOC PCL is expected to set SMART target on availability, accessibility, affordability & quality of resources and services impact area in 2024.

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

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

17.1.1.1 Business strategy to integrate environmental factors and risks (continued)

BOC PCL is committed to the following principles:

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

As a means to enhance not only its ESG and climate risk framework but also its ability to identify future opportunities BOC PCL has introduced new ESG questionnaires within its credit granting process. For more details on ESG questionnaires refer to Section 17.1.3 Risk Management.

Group Financial and Business Plan

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

Business Environment Scan (BES)

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

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

17.1.1.1 Business strategy to integrate environmental factors and risks (continued)

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

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

The preliminary impact assessment of key updates and developments on risk profile and strategy is conducted and reported to the Sustainability Committee and Executive Committee on a quarterly basis. The final impact assessment of key updates and developments on risk profile and strategy is conducted and presented to the Sustainability Committee, Executive Committee, Nominations and Corporate Governance Committee and Risk Committee on an annual basis.

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

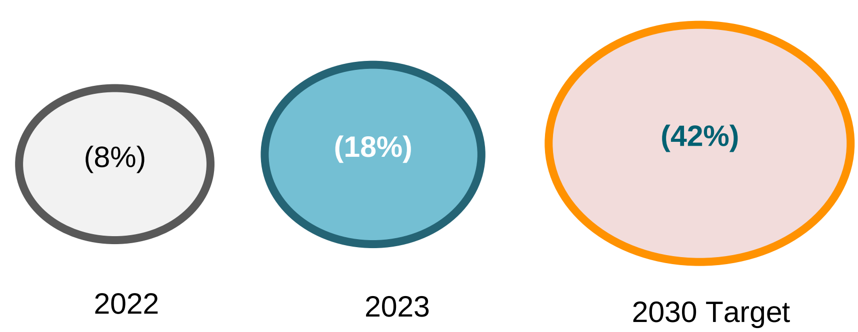
17.1.1.2 Objectives, targets and limits

The Group in its ESG Strategy focus on the following key objectives:

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

The Group has estimated the Scope 1 and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. For the Group to meet the carbon neutrality target, the Scope 1 and Scope 2 GHG emissions should be reduced by 42% (absolute target) by 2030. The absolute reduction target has been set following the International Energy Agency's Below 2 Degree Scenario (IEA B2DS). BOC PCL in 2022, designed the plan of actions to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. The Group is designing the decarbonization strategy for the reduction of Scope 1 and Scope 2 GHG emissions of its subsidiaries.

BOC PCL - Performance on Carbon Neutrality target against baseline of 2021



17.1.1.2 Objectives, targets and limits (continued)

BOC PCL's efforts in 2022 and 2023 lead to the reduction in Scope 1 and Scope 2 GHG emissions by 2,265 tCO_2e in 2023 compared to 2021 which represents c.18% reduction. The Bank should perform additional decarbonization actions to reduce Scope 1 and Scope 2 GHG emissions by c.24% to achieve the carbon neutrality target by 2030.

For the purpose of the calculation of the 2021, 2022 and 2023 Carbon footprint, the Group has set its organisational boundaries based on the operational control approach. The 2021, 2022 and 2023 carbon footprint for Scope 1 and Scope 2 GHG emissions was estimated based on the methodologies described in the Greenhouse Gas Protocol (GHG Protocol) and ISO14064-1:2019 standard. The Group's own carbon footprint will continue to be calculated on an annual basis which will enable comparisons to be made and progress against decarbonisation targets to be monitored.

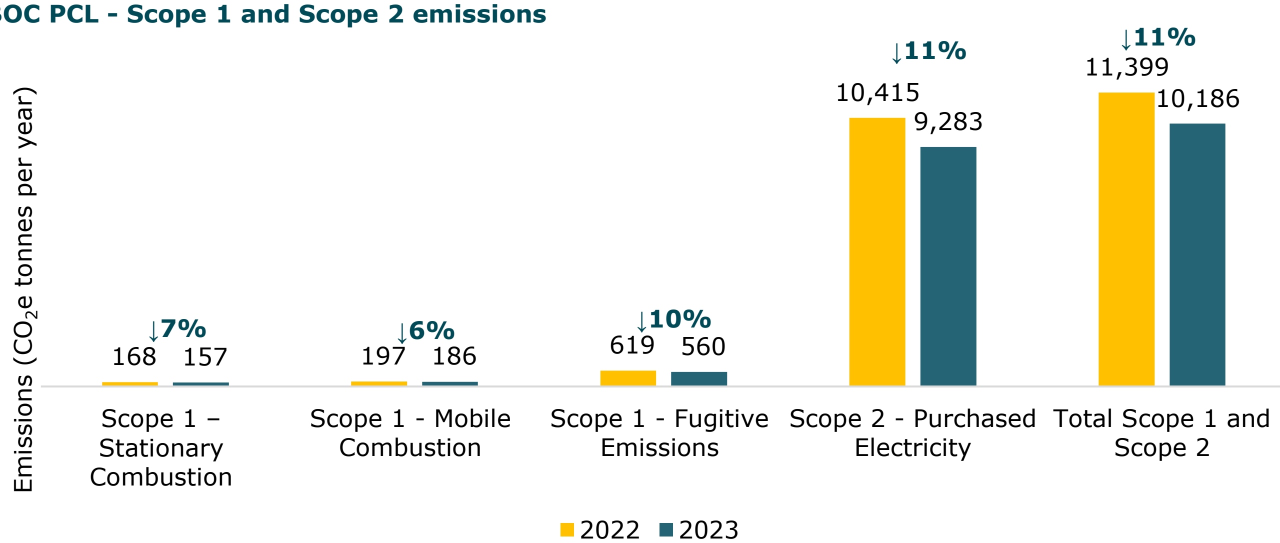
Following the implementation of energy efficiency actions in 2022 and 2023 the Group achieved c.16% reduction in Scope 1 and Scope 2 GHG emissions, in 2023 compared to 2021. At the end of 2022 and early in 2023, BOC PCL has installed solar panels to four owned buildings leading to reduction in Scope 2 GHG emissions in 2023. BOC PCL has formulated a plan of action to reduce Scope 1 and Scope 2 GHG emissions and meet carbon neutrality target by 2030 and plans to invest further in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. The Group expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Group is also considering several other actions aiming to a further reduction of c.30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022.

A number of carbon reduction initiatives are already underway and contribute to the reduction of carbon footprint in the immediate future. These energy and waste initiatives include:

i. implementation of Energy Management system;
ii. installation of electric chargers for cars;
iii. improvement of waste measurement;
iv. increase initiatives for waste recycling; and
v. reduction of paper use.

The Group has estimated Scope 1 and Scope 2 GHG emissions for 2023 in order to monitor the progress on carbon neutrality target:

BOC PCL - Scope 1 and Scope 2 emissions



(Note: The 2022 estimated Scope 1 and 2 GHG emissions presented here are slightly different to those reported in the 2022 ESG Disclosures due to the following factors: the overestimation of certain Global Warming Potentials (GWP) for Scope 1 Stationary Combustion, re-estimation of Scope 1 Fugitive GHG emissions to include all properties and reallocation of relevant GHG emissions between companies within the wider Group following revised ownership rights.)

17.1.1.2 Objectives, targets and limits (continued)

BOC PCL also aims to increase the utilisation of renewable energy in own operations year on year. The Bank, in 2023, following the installation of solar panels to four owned buildings produced and consumed 285,907 kwh, which are 65% higher compared to 173,583 kwh produced and consumed in 2022.

The Bank being aligned with its ambition to reduce paper consumption achieved 16% reduction in number of papers printed in 2023 compared to 2022.

The Group joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions. The Group has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies for 2022 and 2023. The PCAF Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. In addition, PCAF provides a data quality ranking for the estimation of Financed Scope 3 GHG emissions based on data applied in the estimation for each asset class. The scale is between 1-5 with 1 being the highest quality and 5 being the lowest quality.

The Group aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire has been launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. BOC PCL has already established a policy in the loan origination process to gather Energy Performance Certificates (ratings and GHG emissions per square meters) for the financed properties and collateral properties. Additional data gathering actions will be performed during 2024 in line with the established ESG and Climate Data Gap & Strategy.

For the estimation of Financed Scope 3 GHG emissions relating to the lending portfolio, the loan portfolio was classified in the following PCAF asset classes which will facilitate the setting of decarbonisation targets in the future:

PCAF Asset class	Definition
Business loans	Business loans include all loans and lines of credit for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol) to businesses, non-profits, and any other structure of organisation that are not traded on a market and are on the balance sheet of the financial institution. Revolving credit facilities, overdraft facilities, and business loans secured by real estate such as Commercial Real Estate-secured lines of credit are also included. Any off-balance sheet loans and lines of credit are excluded.
Commercial Real Estate (CRE)	This asset class includes on-balance sheet loans for specific corporate purposes, namely the purchase and refinance of commercial real estate (CRE), and on-balance sheet investments in CRE. This definition implies that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. In all cases, the building owner or investor leases the property to tenants to conduct income-generating activities.
Mortgages	This asset class includes on-balance sheet loans for specific consumer purposes namely the purchase and refinance of residential property, including individual homes and multifamily housing with a small number of units. This definition implies that the property is used only for residential purposes and not to conduct income-generating activities.
Motor vehicles	This asset class refers to on-balance sheet loans and lines of credit for specific (corporate or consumer) purposes to businesses and consumers that are used to finance one or several motor vehicles. Corporate loans for acquisition of vehicles for trade purposes were classified as ‘Business Loans’.

17.1.1.2 Objectives, targets and limits (continued)

The Financed Scope 3 GHG emissions are disclosed in ESG Template 1 - Climate change transition risk section.

The Group by taking into account the GHG emissions estimated for loan portfolio, the most significant loan exposures and the MA on C&E risks, it has decided to set a decarbonization target on Mortgage portfolio. To limit global warming to 1.5°C above preindustrial levels (Paris Agreement and EU Green Deal), all sectors of society need to decarbonize and collectively reach net-zero emissions by 2050. The transition to low carbon economy triggers transition risks, therefore BOC PCL has set decarbonization target on Mortgage portfolio in order to be aligned with its Net Zero ambition and manage transition risk by directing its lending to more energy efficient residential buildings.

The Group has estimated the GHG emissions per square meter, as at 31 December 2023, for the properties financed under its Mortgage portfolio using the PCAF methodology and proxies. Then Group utilised the Science Based Target Initiative's tools in order to estimate the decarbonization pathway that the Mortgage portfolio should follow to be aligned with the IEA B2DS. The Group decided to align the Mortgage portfolio with IEA B2DS due to the following reasons:

i. the scenario is consistent with Global warming projections (International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC)) and is considered a widely acceptable scenario.
ii. The scenario is considered more plausible compared to the International Energy Agency's Net Zero Scenario given the fact that Cyprus market is pre-mature in the climate field. Therefore, BOC PCL considers reasonable to initiate its efforts based on a less intense scenario and then intensify its efforts when the overall Cyprus market is more mature in the field.
iii. Lack of data, enhances the risk of not having a solid baseline, so BOC PCL considers that is more prudent to initiate its efforts based on a less optimistic scenario until data availability and quality is enhanced.
iv. The scenario is more straightforward to obtain and use as it is aligned with Science Based Target Initiate's available tools.

In order to ensure the feasibility of the interim decarbonisation target and derive the decarbonisation strategy of Mortgage portfolio, BOC PCL has projected the GHG emissions per square meter for the properties financed under its Mortgage portfolio as at 31 December 2030. In order to project the Mortgage portfolio as at 31 December 2030, BOC PCL used various assumptions such as:

i. Projected new lending on Mortgage portfolio between 2024-2030;
ii. Projected square meters of each property financed under projected Mortgage new lending;
iii. Allocation of new lending on Mortgages to EPC classifications;
iv. PCAF proxies on GHG emissions per financed residential property;
v. Cyprus Government targets on the reduction of GHG emissions as well as the utilisation of renewable energy on residential buildings by 2030;
vi. Expiration of Mortgage exposures between 2024-2030.

The Group performed several sensitivities on the assumptions used to project Mortgage portfolio as at 31 December 2030 in order to ensure the feasibility of the target. Under all scenarios (sensitivities) the decarbonisation target on Mortgage on 2030 is achieved. In addition, sensitivities were performed to the baseline of 2022, given the lack of sufficient data, in order to ensure that when data quality of the estimation is improved in the upcoming years the adjusted decarbonisation target will be met. The decarbonisation target on Mortgage is also achieved after the increase / decrease of baseline by 10%, under all scenarios.

At the end of 2023, the Group launched the "Green Housing" product, aligned with GLP of LMA, which drives the decarbonisation strategy of Mortgage portfolio. In 2024, BOC PCL will continue to build its green product offering under the Mortgage portfolio to strengthen its decarbonisation strategy. The feasibility of the target is also enhanced by taking into account that Cyprus legislation imposes residential properties to have an EPC A so to issue a building permit after 1 July 2020.

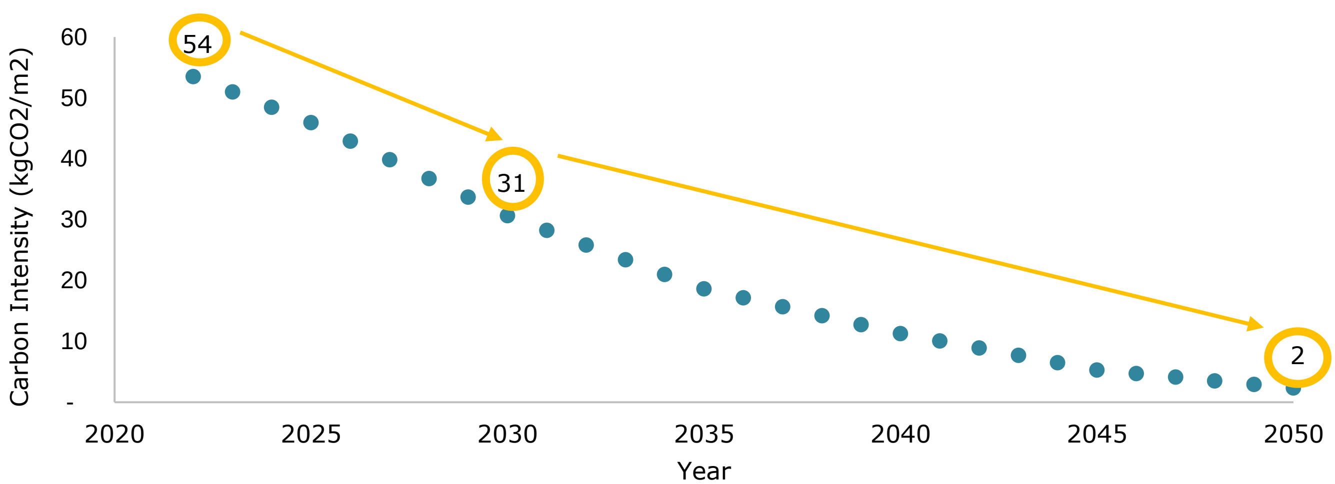
17.1.1.2 Objectives, targets and limits (continued)

The decarbonization target set on Mortgage portfolio is summarized on the table below:

Metric	Emissions Scope	2022 Base line	Target year	Target	Target reduction	Performance as at 31 December 2023	Figure as at 31 December 2023	Methodology
$kgCO_2/m^2$	S1 & S2	53.50	2030	30.65	(43%)	(5%)	50.73	PCAF/SBTi
$kgCO_2/m^2$	S1 & S2	53.50	2050	2.34	(96%)	(5%)	50.73	PCAF/SBTi

The Group aims to reduce by 43% the kilograms of GHG emissions financed per square metre ($kgCO_2e/m^2$) under the Mortgage portfolio, by 2030 compared to 2022 baseline. The Mortgage portfolio as at 31 December 2023 produced 50.73 $kgCO_2e/m^2$ which is 5% lower compared to the baseline due to increased installation of solar panels in residential properties in Cyprus in 2023 leading to the reduction in the average proxy variable.

Carbon Intensity Target – Mortgage Portfolio



The Group's Mortgage portfolio should be aligned with the abovementioned graph in order to be aligned with the climate scenario of IEA B2DS and being exposed to lower transition risks. BOC PCL following the abovementioned analysis determined its new Mortgage lending strategy to meet the decarbonization target on Mortgage.

BOC PCL monitors the performance against new lending target in order to take remedial action on time:

i. By the SC, EXCO and NCGC through the Sustainability Performance Report (Quarterly)
ii. By the SC, EXCO and RC through the Climate Risk Report (Quarterly)
iii. By EXCO through the monthly performance pack (Quarterly)
iv. By BDC on a monthly basis.

BOC PCL is taking into account the annual MA on C&E risks, the BES annual impact assessment and the loan portfolio's annual impact assessment based on UNEP FI tools, so to decide which sectors and asset classes should approach in order to set additional decarbonisation targets. Furthermore, the data availability, the estimation of Financed Scope 3 GHG emissions and decarbonisation target methodology availability are also considerations taken into account to determine which sectors and asset classes to focus for target setting. The Group is examining to set decarbonisation target on CRE asset class as well as Transportation and Storage sector of business loan portfolio within 2024 as those are considered sectors exposed to transition risks following the estimation of GHG emissions.

17.1.1.3 Activities towards environmental objectives and EU Taxonomy-aligned activities

BOC PCL's current Green Lending Policy is based on the Loan Market Association's Green Loan Principles. The policy provides the basis for developing green products through a set of criteria that include the attainment of a specific environmental objective, the management of proceeds to ensure that the funds are only used for the specified purpose and appropriate reporting to support the attainment of the objective. BOC PCL aims to enhance further its policy and is also in the process of considering the EU Taxonomy and looking for ways to implement it going forward on a best effort basis.

17.1.1.4 Engagement with new or existing counterparties

For the description of the engagement with customers and the actions taken to mitigate risks refer to Section 17.1.3 Risk Management.

ESG Template 1 - Climate change transition risk

The below table discloses information on exposures (loans and advances, debt securities and equity instruments) towards non-financial corporates operating in carbon-related sectors, and on the quality of those exposures, including non-performing status, stage classification, and related provisions as well as maturity buckets and on scope 1, 2 and 3 emissions of their counterparties.

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
1	**Exposures towards sectors that highly contribute to climate change**	4,492	98	-	739	122	(73)	(13)	(46)	1,762,263	752,446	98%	1,716	1,454	1,319	3	6.9
2	**A - Agriculture, forestry and fishing**	42	-	-	7	1	-	-	-	66,983	24,301	100%	20	13	8	1	5.8
3	**B - Mining and quarrying**	8	-	-	-	-	-	-	-	4,161	2,827	100%	4	4	-	-	4.2
4	B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	B.07 - Mining of metal ores	-	-	-	-	-	-	-	-	1	-	100%	-	-	-	-	-
7	B.08 - Other mining and quarrying	8	-	-	-	-	-	-	-	3,931	2,703	100%	4	4	-	-	4.2
8	B.09 - Mining support service activities	-	-	-	-	-	-	-	-	229	124	100%	-	-	-	-	3.0
9	**C - Manufacturing**	441	-	-	24	3	(3)	(2)	(1)	259,504	159,319	82%	240	161	40	-	4.2
10	C.10 - Manufacture of food products	107	-	-	15	2	(1)	(1)	(1)	117,604	78,452	95%	57	36	14	-	4.6
11	C.11 - Manufacture of beverages	20	-	-	-	-	-	-	-	1,630	1,293	51%	15	2	3	-	3.1
12	C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	4	1	100%	-	-	-	-	-
13	C.13 - Manufacture of textiles	1	-	-	-	-	-	-	-	328	204	100%	1	-	-	-	3.4
14	C.14 - Manufacture of wearing apparel	7	-	-	-	-	-	-	-	247	189	28%	1	6	-	-	5.8
15	C.15 - Manufacture of leather and related products	1	-	-	-	-	-	-	-	216	146	100%	1	-	-	-	1.2

ESG Template 1 - Climate change transition risk (continued)

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	6	-	-	1	-	-	-	-	2,203	1,316	100%	3	2	1	-	6.8
17	C.17 - Manufacture of pulp, paper and paperboard	6	-	-	2	-	-	-	-	5,401	2,180	100%	4	1	1	-	3.7
18	C.18 - Printing and service activities related to printing	10	-	-	1	-	-	-	-	7,538	2,691	100%	5	2	3	-	5.5
19	C.19 - Manufacture of coke oven products	2	-	-	2	-	(1)	(1)	-	1,414	495	100%	-	2	-	-	5.3
20	C.20 - Production of chemicals	34	-	-	1	-	-	-	-	6,849	3,919	41%	22	12	-	-	3.4
21	C.21 - Manufacture of pharmaceutical preparations	102	-	-	-	-	(1)	-	-	23,971	21,296	80%	50	49	3	-	3.8
22	C.22 - Manufacture of rubber products	28	-	-	-	-	-	-	-	10,531	9,413	100%	18	7	3	-	3.4
23	C.23 - Manufacture of other non-metallic mineral products	15	-	-	1	1	-	-	-	35,012	4,491	100%	7	6	2	-	5.2
24	C.24 - Manufacture of basic metals	3	-	-	-	-	-	-	-	3,477	1,754	80%	1	1	1	-	7.5
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	18	-	-	-	-	-	-	-	8,080	6,526	100%	8	4	6	-	6.4
26	C.26 - Manufacture of computer, electronic and optical products	20	-	-	-	-	-	-	-	451	346	2%	20	-	-	-	1.4
27	C.27 - Manufacture of electrical equipment	1	-	-	-	-	-	-	-	821	577	100%	-	1	-	-	6.9
28	C.28 - Manufacture of machinery and equipment n.e.c.	12	-	-	-	-	-	-	-	2,891	2,524	100%	3	9	-	-	5.0
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1	-	-	-	-	-	-	-	1,238	1,117	100%	1	-	-	-	2.5

ESG Template 1 - Climate change transition risk (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31 December 2023	**Gross carrying amount**					**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**			**GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty)**		**GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting**	**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	**Of which environmentally sustainable (CCM)****	**Of which stage 2 exposures**	**Of which non-performing exposures**		**Of which Stage 2 exposures**	**Of which non-performing exposures**		**Of which Scope 3 financed emissions**						
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**tons of CO2 equivalent**	**tons of CO2 equivalent**	**%**	**€ million**	**€ million**	**€ million**	**€ million**	**Years**
30	C.30 - Manufacture of other transport equipment	-	-	-	-	-	-	-	-	11	10	100%	-	-	-	-	-
31	C.31 - Manufacture of furniture	7	-	-	1	-	-	-	-	3,332	2,121	100%	3	2	2	-	6.6
32	C.32 - Other manufacturing	31	-	-	-	-	-	-	-	20,684	14,332	100%	14	16	1	-	4.3
33	C.33 - Repair and installation of machinery and equipment	9	-	-	-	-	-	-	-	5,571	3,926	100%	6	3	-	-	4.3
34	**D - Electricity, gas, steam and air conditioning supply**	87	25	-	1	-	(2)	-	-	85,967	18,881	100%	8	36	43	-	9.3
35	D35.1 - Electric power generation, transmission and distribution	57	25	-	1	-	(1)	-	-	12,356	10,829	100%	3	12	42	-	11.2
36	D35.11 - Production of electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	30	-	-	-	-	(1)	-	-	8,944	7,845	100%	5	24	1	-	5.8
38	D35.3 - Steam and air conditioning supply	-	-	-	-	-	-	-	-	64,667	207	100%	-	-	-	-	7.3
39	**E - Water supply; sewerage, waste management and remediation activities**	5	-	-	-	-	-	-	-	1,823	1,118	100%	2	2	1	-	6.2
40	**F - Construction**	485	-	-	259	25	(9)	(4)	(3)	120,766	103,850	100%	243	206	36	-	4.8
41	F.41 - Construction of buildings	414	-	-	246	24	(7)	(3)	(2)	95,722	84,552	100%	200	188	26	-	4.8
42	F.42 - Civil engineering	24	-	-	7	-	(1)	(1)	-	8,199	7,175	100%	14	10	-	-	4.0
43	F.43 - Specialised construction activities	47	-	-	6	1	(1)	-	(1)	16,845	12,123	100%	29	8	10	-	5.0
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	881	54	-	112	39	(24)	(6)	(15)	391,991	338,364	99%	579	220	81	1	3.7

ESG Template 1 - Climate change transition risk (continued)

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
45	**H - Transportation and storage**	345	19	-	6	-	(1)	-	-	765,281	53,507	100%	222	120	3	-	4.2
46	H.49 - Land transport and transport via pipelines	46	-	-	2	-	(1)	-	-	27,676	135	100%	7	38	1	-	7.0
47	H.50 - Water transport	250	-	-	1	-	-	-	-	734,000	50,785	100%	176	74	-	-	4.0
48	H.51 - Air transport	-	-	-	-	-	-	-	-	209	72	100%	-	-	-	-	1.1
49	H.52 - Warehousing and support activities for transportation	47	19	-	2	-	-	-	-	3,083	2,238	100%	38	8	1	-	2.1
50	H.53 - Postal and courier activities	2	-	-	1	-	-	-	-	313	277	100%	1	-	1	-	9.3
51	**I - Accommodation and food service activities**	1168	-	-	245	14	(10)	-	(7)	32,707	25,219	100%	172	318	678	-	10.5
52	**L - Real estate activities**	1030	-	-	85	40	(24)	(1)	(20)	33,080	25,060	99%	226	374	429	1	8.7
53	**Exposures towards sectors other than those that highly contribute to climate change**	562	-	-	45	33	(19)	(2)	(14)	-	-	-	211	214	136	1	6.8
54	**K - Financial and insurance activities**	-	-	-	-	-	-	-	-				-	-	-	-	-
55	**Exposures to other sectors (NACE codes J, M - U)**	562	-	-	45	33	(19)	(2)	(14)				211	214	136	1	6.8
56	**Total**	**5,054**	**98**	**-**	**784**	**155**	**(92)**	**(15)**	**(60)**	**1,762,263**	**752,446**	**98%**	**1,927**	**1,668**	**1,455**	**4**	**6.9**

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

** Please refer to section ESG Template 6 - Summary of KPIs on the Taxonomy - aligned exposures for the limitation in data reporting

ESG Template 1 - Climate change transition risk (continued)

	31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) ***		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
1	**Exposures towards sectors that highly contribute to climate change**	**4,597**	**54**	**-**	**1,159**	**84**	**(65)**	**(15)**	**(39)**	**1,711,106**	**791,335**	**99%**	**1,805**	**1,357**	**1,422**	**3**	**7.1**
2	**A - Agriculture, forestry and fishing**	47	-	-	11	2	(2)	-	(1)	81,749	29,643	100%	28	13	6	-	4.8
3	**B - Mining and quarrying**	12	-	-	1	-	-	-	-	6,461	4,282	100%	6	6	-	-	4.4
4	B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	B.07 - Mining of metal ores	1	-	-	1	-	-	-	-	640	374	100%	1	-	-	-	-
7	B.08 - Other mining and quarrying	11	-	-	-	-	-	-	-	5,552	3,786	100%	5	6	-	-	4.6
8	B.09 - Mining support service activities	-	-	-	-	-	-	-	-	269	123	-	-	-	-	-	-
9	**C - Manufacturing**	443	-	-	23	9	(4)	(1)	(2)	304,831	174,719	89%	239	154	50	-	4.7
10	C.10 - Manufacture of food products	108	-	-	16	5	(4)	(1)	(2)	130,163	83,831	99%	51	34	21	-	5.2
11	C.11 - Manufacture of beverages	21	-	-	1	-	-	-	-	1,747	1,407	53%	16	2	3	-	3.6
12	C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	13	3	-	-	-	-	-	-
13	C.13 - Manufacture of textiles	2	-	-	-	-	-	-	-	349	245	100%	1	1	-	-	3.2
14	C.14 - Manufacture of wearing apparel	2	-	-	-	-	-	-	-	274	213	100%	1	1	1	-	5.6
15	C.15 - Manufacture of leather and related products	1	-	-	-	-	-	-	-	277	199	100%	1	-	-	-	1.5

ESG Template 1 - Climate change transition risk (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31 December 2022	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) ***		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	6	-	-	-	-	-	-	-	2,258	1,333	100%	3	2	2	-	7.1
17	C.17 - Manufacture of pulp, paper and paperboard	9	-	-	1	-	-	-	-	7,682	3,135	100%	6	2	1	-	3.5
18	C.18 - Printing and service activities related to printing	11	-	-	2	1	-	-	-	8,457	3,016	100%	6	2	3	-	5.7
19	C.19 - Manufacture of coke oven products	2	-	-	-	2	-	-	-	1,635	573	100%	-	2	-	-	6.6
20	C.20 - Production of chemicals	20	-	-	1	-	-	-	-	6,880	4,139	76%	17	3	-	-	2.3
21	C.21 - Manufacture of pharmaceutical preparations	107	-	-	-	-	-	-	-	27,097	24,032	86%	47	57	3	-	4.5
22	C.22 - Manufacture of rubber products	29	-	-	-	-	-	-	-	10,926	9,771	100%	19	9	2	-	3.2
23	C.23 - Manufacture of other non-metallic mineral products	23	-	-	1	1	-	-	-	55,064	6,581	100%	10	9	3	-	5.4
24	C.24 - Manufacture of basic metals	4	-	-	-	-	-	-	-	6,216	3,155	100%	2	1	1	-	6.0
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	19	-	-	-	-	-	-	-	8,354	6,677	100%	8	6	5	-	6.3
26	C.26 - Manufacture of computer, electronic and optical products	20	-	-	-	-	-	-	-	585	498	3%	20	-	-	-	2.3
27	C.27 - Manufacture of electrical equipment	2	-	-	1	-	-	-	-	1,049	737	100%	1	1	-	-	6.6
28	C.28 - Manufacture of machinery and equipment n.e.c.	3	-	-	-	-	-	-	-	688	607	100%	2	-	-	-	3.1
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1	-	-	-	-	-	-	-	1,368	1,232	100%	1	1	-	-	3.1

ESG Template 1 - Climate change transition risk (continued)

	31 December 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) ***		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
30	C.30 - Manufacture of other transport equipment	-	-	-	-	-	-	-	-	12	11	-	-	-	-	-	-
31	C.31 - Manufacture of furniture	7	-	-	-	-	-	-	-	3,549	2,275	100%	3	2	3	-	8.4
32	C.32 - Other manufacturing	33	-	-	-	-	-	-	-	22,265	15,466	100%	15	16	2	-	4.9
33	C.33 - Repair and installation of machinery and equipment	13	-	-	-	-	-	-	-	7,922	5,582	100%	9	3	-	-	4.9
34	**D - Electricity, gas, steam and air conditioning supply**	49	-	-	-	-	(1)	-	-	106,315	13,306	100%	7	35	7	-	7.7
35	D35.1 - Electric power generation, transmission and distribution	21	-	-	-	-	-	-	-	6,437	5,606	100%	5	10	6	-	8.4
36	D35.11 - Production of electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	28	-	-	-	-	(1)	-	-	8,451	7,406	100%	2	25	1	-	7.2
38	D35.3 - Steam and air conditioning supply	-	-	-	-	-	-	-	-	91,427	293	-	-	-	-	-	-
39	**E - Water supply; sewerage, waste management and remediation activities**	6	-	-	3	-	-	-	-	1,127	531	100%	2	3	1	-	6.7
40	**F - Construction**	550	-	-	326	10	(12)	(5)	(5)	127,633	110,399	100%	304	213	31	-	5.0
41	F.41 - Construction of buildings	486	-	-	306	8	(10)	(4)	(5)	103,418	93,371	100%	270	197	19	-	4.9
42	F.42 - Civil engineering	28	-	-	8	1	(1)	(1)	-	11,084	8,368	100%	16	8	3	-	4.4
43	F.43 - Specialised construction activities	36	-	-	12	1	(1)	-	-	13,131	8,660	100%	18	8	9	-	6.3
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	914	49	-	147	21	(16)	(5)	(8)	412,774	357,710	99%	599	219	86	1	3.7

ESG Template 1 - Climate change transition risk (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31 December 2022	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) ***		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks *	Of which environmentally sustainable (CCM)**	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	tons of CO2 equivalent	tons of CO2 equivalent	%	€ million	€ million	€ million	€ million	Years
45	**H - Transportation and storage**	292	5	-	5	-	(1)	-	-	597,091	44,613	100%	205	82	5	-	3.9
46	H.49 - Land transport and transport via pipelines	18	-	-	2	-	(1)	-	-	7,123	117	100%	7	8	5	-	6.0
47	H.50 - Water transport	199	5	-	3	-	-	-	-	585,011	40,497	100%	138	61	-	-	3.8
48	H.51 - Air transport	-	-	-	-	-	-	-	-	245	79	-	-	-	-	-	-
49	H.52 - Warehousing and support activities for transportation	73	-	-	-	-	-	-	-	4,330	3,583	100%	59	13	1	-	3.3
50	H.53 - Postal and courier activities	2	-	-	-	-	-	-	-	381	337	100%	1	-	1	-	8.4
51	**I - Accommodation and food service activities**	1165	-	-	466	21	(10)	(1)	(8)	35,426	27,275	100%	177	275	712	1	10.9
52	**L - Real estate activities**	1119	-	-	177	21	(19)	(3)	(15)	37,699	28,857	99%	238	357	524	1	9.1
53	**Exposures towards sectors other than those that highly contribute to climate change**	621	-	-	72	58	(33)	(1)	(28)	-	-	98%	230	243	153	1	7.6
54	**K - Financial and insurance activities**	-	-	-	-	-	-	-	-			-	-	-	-	-	-
55	**Exposures to other sectors (NACE codes J, M - U)**	621	-	-	72	58	(33)	(1)	(28)			98%	230	243	153	1	7.6
56	**Total**	**5,219**	**55**	**-**	**1,231**	**142**	**(98)**	**(16)**	**(67)**			**98%**	**2,035**	**1,600**	**1,575**	**4**	**7**

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

** Applicable as of end 2023

*** The estimation of GHG Financed emissions Scope 3 associated with loan portfolio has been restated following revision of PCAF's database and methodology.

ESG Template 1 - Climate change transition risk (continued)

BOC PCL joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 emissions. BOC PCL has estimated Financed Scope 3 emissions relating to the loan portfolio based on PCAF standard and proxies. The PCAF Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. In addition, PCAF provides a data quality ranking for the estimation of Financed Scope 3 emissions based on data applied in the estimation for each asset class. The scale is between 1-5 with 1 being the highest quality and 5 being the lowest quality. BOC PCL aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire has been launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. BOC PCL has already established a policy in the loan origination process to gather Energy Performance Certificates (ratings and GHG emissions per square meters) for the financed properties and collateral properties. Additional data gathering actions will be performed during 2024 based on the ESG and Climate Data Gap & Strategy.

BOC PCL has identified a number of transition risks, their potential impact and the transmission mechanisms to traditional risks. Whilst credit risk is one of the risks thought to be most impacted by climate change, potential impacts on liquidity, market, operational and reputational risks were also identified as per Section 17.1.3.3.

ESG Template 2 - Climate change Transition risk: Loans collateralised by immovable property collateral – Energy efficiency of the collateral

The table below shows gross carrying amounts of loans collateralised with commercial and residential immovable property and of repossessed real estate collaterals for all counterparty sectors, including non-financial corporates and households.

Total gross carrying amount amount (column a):
Exposures secured with "Land" as collateral are included only in column a.

Energy efficiency (column b-g):
Where possible, the level of energy efficiency has been estimated. The energy efficiency was estimated utilizing data from the Ministry of Energy and Commerce. The source used literature from academia to derive tables of energy efficiency per property per year built. The Bank, since the year built was not available for the majority of the properties, used an average for the total time period referenced i.e. 1981-2023. Where the loan is covered multiple property types the most prevalent (in terms of property value) was used for the estimation of energy efficiency. Land properties were excluded from the analysis.

EPC label of collateral (column h-n):
The process has been set to gather information on EPCs, however as the end of year 2023 and 2022 limited data were available (only for a small portion of repossessed assets). For Cyprus specifically, buildings with a building permit after July 2020 have an EPC label A, in accordance with national building standards.

The EP Score was estimated for all the properties with EPCs.

ESG Template 2 - Climate change Transition risk: Loans collateralised by immovable property collateral – Energy efficiency of the collateral (continued)

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%
1	**Total EU area**	9,943	1,924	4,524	-	2,768	-	727	33	8	14	24	9	8	3	9,844	100%
2	*Of which Loans collateralised by commercial immovable property* [1]	4,767	1,291	586	-	2,327	-	563	5	-	-	-	-	-	-	4,762	100%
3	*Of which Loans collateralised by residential immovable property* [1]	4,616	295	3,893	-	317	-	111	28	3	1	-	-	-	-	4,584	100%
4	*Of which Collateral obtained by taking possession: residential and commercial immovable properties* [1]	560	338	45	-	124	-	53	-	5	13	24	9	8	3	498	100%
5	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	8,995	1,893	4,034	-	2,452	-	616								8,995	100%
6	**Total non-EU area**	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1	100%
7	*Of which Loans collateralised by commercial immovable property*	1	1	-	-	-	-	-	-	-	-	-	-	-	-	1	100%
8	*Of which Loans collateralised by residential immovable property*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	*Of which Collateral obtained by taking possession: residential and commercial immovable properties*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	1	1	-	-	-	-	-								1	100%

1. €1,187 million in row 2, €264 million in row 3 and €308 million in row 4 under column a concerns Land

ESG Template 2 - Climate change Transition risk: Loans collateralised by immovable property collateral – Energy efficiency of the collateral (continued)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount															
	31 December 2022		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	%
1	**Total EU area**	10,508	2,036	4,775	-	2,978	-	719	-	1	4	12	8	9	2	10,472	100%
2	*Of which Loans collateralised by commercial immovable property* [1]	5,007	1,331	678	-	2,499	-	499	-	-	-	-	-	-	-	5,007	100%
3	*Of which Loans collateralised by residential immovable property* [1]	4,769	263	4,038	-	370	-	98	-	-	-	-	-	-	-	4,769	100%
4	*Of which Collateral obtained by taking possession: residential and commercial immovable properties* [1]	732	442	59	-	109	-	122	-	1	4	12	8	9	2	696	100%
5	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	7,491	81	4,206	-	2,583	-	621								7,491	100%
6	**Total non-EU area**	2	-	2	-	-	-	-	-	-	-	-	-	-	-	2	100%
7	*Of which Loans collateralised by commercial immovable property*	1	-	1	-	-	-	-	-	-	-	-	-	-	-	1	100%
8	*Of which Loans collateralised by residential immovable property*	1	-	1	-	-	-	-	-	-	-	-	-	-	-	1	100%
9	*Of which Collateral obtained by taking possession: residential and commercial immovable properties*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	2	-	2	-	-	-	-								2	100%

1. €1,250 million in row 2, €247 million in row 3 and €383 million in row 4 under column a concerns Land

ESG Template 4: Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

The Bank assesses its loan portfolio based on various accurate and publicly available providers' information and sources. With regards to the database used to consider the top 20 carbon-intensive firms the following sourced were used, including the Climate Accountability Institute's list which was released in December 2020 and the Carbon Disclosure Project (CDP), as well as Thomson Reuters.

The Group has not granted any exposures towards the most carbon intensive counterparties in the world during 2023 and 2022, and therefore does not disclose Template 4 - Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms.

ESG Template 5 - Banking book - Climate change physical risk: Exposures subject to physical risk

The below table discloses information on exposures in the banking book (including loans and advances, debt securities and equity instruments), towards non-financial corporates, on loans collateralized with immovable property and on repossessed real estate collaterals, exposed to chronic and acute climate-related hazards, with a breakdown by sector of economic activity (NACE classification) and by geography of location of the activity of the counterparty or of the collateral, for those sectors and geographical areas subject to climate change acute and chronic events.

ESG Template 5 - Banking book - Climate change physical risk: Exposures subject to physical risk (continued)

31 December 2023		b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events[1]	of which exposures sensitive to impact from acute climate change events[1]	of which exposures sensitive to impact both from chronic and acute climate change events[1]	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10	> 10 year <= 2	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
		€ million	€ million	€ million	€ million	€ million	Years	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1	A - Agriculture, forestry and fishing	42	4	2	2	-	5	-	7	-	1	-	-	-	-
2	B - Mining and quarrying	8	-	-	-	-	7	-	-	-	-	-	-	-	-
3	C - Manufacturing	441	18	13	4	-	4	-	35	-	2	1	(1)	-	-
4	D - Electricity, gas, steam and air conditioning supply	87	-	1	-	-	7	-	1	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	5	-	-	-	-	7	-	-	-	-	-	-	-	-
6	F - Construction	485	49	61	11	-	5	-	121	-	79	1	(4)	(3)	(1)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	881	57	35	12	-	5	-	104	-	14	2	(4)	(1)	(2)
8	H - Transportation and storage	345	1	3	-	-	6	-	4	-	-	-	-	-	-
9	L - Real estate activities	1,030	73	93	126	-	9	-	292	-	50	24	(17)	-	(17)
10	Loans collateralised by residential immovable property	4,616	97	188	345	318	16	-	948	-	128	45	(22)	(6)	(14)
11	Loans collateralised by commercial immovable property	4,767	299	338	356	69	9	-	1,061	-	204	37	(35)	(8)	(23)
12	Repossessed colalterals	560	-	-	-	-	-	-	106	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	1,168	45	63	103	-	9	-	211	-	12	1	(1)	-	-
14	I - Accomodation and food service activities	1,168	45	63	103	-	9	-	211	-	12	1	(1)	-	(1)

1. To identify climate specific hazards for Cyprus the Bank has obtained geolocation-based data from an external vendor. Focussing on the hazards considered as having impact on immovable properties, namely, wildfire, landslide, wind gust, flood and sea level rise, the Bank is reporting those exposures collateralised by immovable property and the repossessed real estate collaterals, that have been assessed as "Very High" for any of the aforementioned hazards. The different source of data used for the current disclosures as compared with the previous reporting period accounts for the difference in the climate specific hazards reported.

ESG Template 5 - Banking book - Climate change physical risk: Exposures subject to physical risk (continued)

		b	c	d	e	f	g	h	i	j	k	l	m	n	o
31 December 2022		**Gross carrying amount**													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					**of which exposures sensitive to impact from chronic climate change events[1]**	**of which exposures sensitive to impact from acute climate change events[1]**	**of which exposures sensitive to impact both from chronic and acute climate change events[1]**	**Of which Stage 2 exposures**	**Of which non-performing exposures**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		
			<= 5 years	**> 5 year <= 10**	**> 10 year <= 2**	**> 20 years**	**Average weighted maturity**							**of which Stage 2 exposures**	**Of which non-performing exposures**
		€ million	**€ million**	**€ million**	**€ million**	**€ million**	**Years**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
1	A - Agriculture, forestry and fishing	47	20	10	5	-	5	1	35	1	6	-	(1)	-	-
2	B - Mining and quarrying	12	2	1	-	-	4	-	3	-	-	-	-	-	-
3	C - Manufacturing	443	85	62	32	-	5	59	127	12	13	5	(2)	-	(1)
4	D - Electricity, gas, steam and air conditioning supply	49	1	3	4	-	10	-	8	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	6	1	-	1	-	8	-	2	-	-	-	-	-	-
6	F - Construction	550	180	172	15	-	5	111	280	91	266	4	(4)	(3)	(1)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	914	185	117	39	-	5	173	232	103	46	9	(6)	(1)	(3)
8	H - Transportation and storage	292	33	5	2	-	3	8	33	1	3	-	-	-	-
9	L - Real estate activities	1,119	64	164	152	1	9	311	112	64	104	3	(5)	(1)	(3)
10	Loans collateralised by residential immovable property	4,769	321	508	762	733	15	758	1,652	205	544	123	(36)	(6)	(27)
11	Loans collateralised by commercial immovable property	5,007	681	713	663	158	9	922	1,466	338	662	51	(31)	(6)	(18)
12	Repossessed collaterals	732	-	-	-	-	-	50	421	50	-	-	-	-	-
13	Other relevant sectors	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1. The source used to identify climate specific hazards for Cyprus was the database of Think Hazard. This database provides information for hazards on a district level and not on a geolocation basis. The Hazards selected are those found to be considered as "High" for Cyprus as per the database. These are the "Coastal Flood / Sea Level Rise" and "Wildfire". Wildfire is considered as an acute risk whilst Coastal Flood / Sea Level Rise as chronic. As per the database, Wildfire is prevalent across the island and as such all exposures relating to all districts of the island were identified as been subject to this risk with the exclusion of urban areas. On the other hand, Coastal Flood / Sea Level Rise is prevalent in the Limassol district and as such all exposures relating to the coastal municipalities were identified as being subject to this risk. It is noted that exposures analysed are those that are collateralised by immovable property.

ESG Template 6 – Summary of KPIs on the Taxonomy-aligned exposures

The below table provides an overview of the KPIs as at 31 December 2023 calculated on the basis of ESG Templates 7 and 8, including the green asset ratio (GAR).

31 December 2023	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	0.00%	0.00%	0.00%	30%
GAR flow	0.00%	0.00%	0.00%	46%

* % of assets covered by the KPI over banks´ total assets

As companies' transparency in line with the EU Taxonomy increases, it will enable expanded reporting against the Taxonomy. The adoption of CSRD and European Sustainability Reporting Standards (‘ESRS’) will support further implementation of the EU Taxonomy Regulation into our business strategy, systems, and investment and lending processes. Limitations in data when assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial undertakings, actual published information provided by counterparties is required. However, a complete data collection has been limited as published reporting on Taxonomy-alignment KPIs from financial and non-financial undertakings is not yet available at the reporting date. It should be noted that for this first round of disclosures we have taken a conservative application of the qualifying criteria underpinning the GAR based on the guidance provided to date and currently available data. Due to these current limitations across the industry changes in this ratio in future reporting periods will be driven in part by increased data availability.

Limitation in data reporting:

i. When assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial counterparties, actual information published by counterparties is required:
    a. published reporting on Taxonomy-alignment KPIs from financial undertakings is not available at the reporting date;
    b. non-financial undertakings have not yet published data for the year ended 31 December 2023; consequently, the Taxonomy reporting of eligibility and alignment for non-financial undertakings is based on published data for the year ended 31 December 2022;
    c. exposure to non-financial counterparties in the Group’s corporate lending portfolio currently considered taxonomy eligible is limited due to the eligibility criteria requiring counterparties to be large companies publicly listed in the EU.

ii. When assessing Taxonomy-eligible and Taxonomy-aligned activities for lending to households, other data limitations impact reporting:
    a. Hybrid and Electric Vehicles lending exposures originated since the beginning of 2023 are considered eligible per taxonomy criteria. However, they are not classified as aligned due to the lack of available information in the industry to assess the vehicles against the Taxonomy DNSH (Do No Significant Harm) criteria.

Considering lack of available data in the market, BOC PCL has not identified any exposures that are considered Taxonomy-eligible or Taxonomy-aligned to climate change adaptation environmental objective. Climate change adaptation refers adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets. Eligibility and alignment of economic activities to Climate change adaptation is considered a challenging exercise with limited published available data. Due to these current limitations across the industry changes in this ratio in future reporting periods will be driven in part by increased data availability.

Template 7 - Mitigating actions: Assets for the calculation of GAR

The below table discloses information on gross carrying amount of institutions' loans and advances, debt securities and equity instruments on banking book, with a breakdown of the information by type of counterparty, including financial corporations, non-financial corporations, households, local governments as well as real estate lending towards households, and the taxonomy eligibility and taxonomy alignment of the exposures with regards to the environmental objectives of climate change mitigation and climate change adaptation as defined in Article 9, points (a) and (b) of Regulation (EU) 2020/852.

	31 December 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments	7,249	3,881	-	-	-	-	-	-	-	-	-	3,881	-	-	-	-
2	**Financial corporations**	2,279	148	-	-	-	-	-	-	-	-	-	148	-	-	-	-
3	Credit institutions	1,971	146	-	-	-	-	-	-	-	-	-	146	-	-	-	-
4	Loans and advances	505	5	-	-	-	-	-	-	-	-	-	5	-	-	-	-
5	Debt securities, including UoP	1,465	141	-	-	-	-	-	-	-	-	-	141	-	-	-	-
6	Equity instruments	1	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	308	2	-	-	-	-	-	-	-	-	-	2	-	-	-	-
8	of which investment firms	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	2	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	154	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	4,781	3,732	-	-	-	-						3,732	-	-	-	-
25	of which loans collateralised by residential immovable property	3,726	3,726	-	-	-	-						3,726	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-						-	-	-	-	-
27	of which motor vehicle loans	139	6	-	-	-	-						6	-	-	-	-
28	**Local governments financing**	35	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
29	Housing financing	1	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
30	Other local governments financing	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and	560	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS**	7,809	3,881	-	-	-	-	-	-	-	-	-	3,881	-	-	-	-
	Assets excluded from the numerator for GAR calculation																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	4,576															
34	Loans and advances	4,565															
35	Debt securities	-															
36	Equity instruments	11															
37	**Non-EU Non-financial corporations (not subject to NFRD**	324															
38	Loans and advances	324															
39	Debt securities	-															
40	Equity instruments	-															
41	Derivatives	49															
42	On demand interbank loans	275															
43	Cash and cash-related assets	93															
44	Other assets (e.g. Goodwill, commodities etc.)	1,371															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	14,497															
	Other assets excluded from both the numerator and denominator	-															
46	Sovereigns	1,920															
47	Central banks exposure	9,522															
48	Trading book	2															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	11,444															
50	**TOTAL ASSETS**	25,941															

ESG Template 8 – GAR (%)

The below table discloses information to show to what extend credit institutions' activities qualify as environmentally sustainable in accordance with Articles 3 and 9 of Regulation (EU) 2020/852 so that stakeholders can understand the actions put in place by the institutions to mitigate climate change transition and physical risks.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31 December 2023	KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	**GAR**	27%	-	-	-	-	-	-	-	-	-	27%	-	-	-	-	30%
2	Loans and advances, debt securities and equity instruments not HfT eligible	54%	-	-	-	-	-	-	-	-	-	54%	-	-	-	-	28%
3	Financial corporations	6%	-	-	-	-	-	-	-	-	-	6%	-	-	-	-	9%
4	Credit institutions	7%	-	-	-	-	-	-	-	-	-	7%	-	-	-	-	8%
5	Other financial corporations	1%	-	-	-	-	-	-	-	-	-	1%	-	-	-	-	1%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Households	78%	-	-	-	-						78%	-	-	-	-	18%
11	of which loans collateralised by residential immovable property	100%	-	-	-	-						100%	-	-	-	-	14%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	4%	-	-	-	-						4%	-	-	-	-	1%
14	Local government financing	2%	-	-	-	-						2%	-	-	-	-	-
15	Housing financing	100%	-	-	-	-						100%	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

ESG Template 8 – GAR (%) (continued)

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
	31 December 2023	KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant					Proportion of new eligible assets funding taxonomy relevant					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	**GAR**	18%	-	-	-	-	-	-	-	-	-	18%	-	-	-	-	46%
2	Loans and advances, debt securities and equity instruments not HfT eligible	30%	-	-	-	-	-	-	-	-	-	30%	-	-	-	-	45%
3	Financial corporations	4%	-	-	-	-	-	-	-	-	-	4%	-	-	-	-	24%
4	Credit institutions	4%	-	-	-	-	-	-	-	-	-	4%	-	-	-	-	22%
5	Other financial corporations	2%	-	-	-	-	-	-	-	-	-	2%	-	-	-	-	2%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Households	64%	-	-	-	-						64%	-	-	-	-	20%
11	of which loans collateralised by residential immovable property	100%	-	-	-	-						100%	-	-	-	-	13%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	12%	-	-	-	-						12%	-	-	-	-	1%
14	Local government financing	-	-	-	-	-						-	-	-	-	-	-
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	1%

ESG Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e	f
31 December 2023	**Type of financial instrument**	**Type of counterparty**	**Gross carrying amount** **€ million**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	n/a	n/a	
2		Non-financial corporations	-	n/a	n/a	
3		*Of which Loans collateralised by commercial immovable property*	-	n/a	n/a	
4		Other counterparties	-	n/a	n/a	
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	n/a	n/a	
6		Non-financial corporations	17	Yes	No	Majority of green loans issued have to do with renewable energy installations (solar) for residential buildings and SMEs, and low carbon vehicles.
7		*Of which Loans collateralised by commercial immovable property*	*14*	*Yes*	*No*	
8		Households	7	Yes	No	
9		*Of which Loans collateralised by residential immovable property*	-	*n/a*	*n/a*	
10		*Of which building renovation loans*	-	*n/a*	*n/a*	
11		Other counterparties	-	n/a	n/a	

ESG Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (continued)

31 December 2022	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount € million	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	n/a	n/a	
2		Non-financial corporations	-	n/a	n/a	
3		*Of which Loans collateralised by commercial immovable property*	-	*n/a*	*n/a*	
4		Other counterparties	-	n/a	n/a	
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	n/a	n/a	
6		Non-financial corporations	18	Yes	No	Majority of green loans issued have to do with renewable energy installations (solar) for residential buildings and SMEs, and low carbon vehicles.
7		*Of which Loans collateralised by commercial immovable property*	*17*	*Yes*	*No*	
8		Households	3	Yes	No	
9		*Of which Loans collateralised by residential immovable property*	-	*n/a*	*n/a*	
10		*Of which building renovation loans*	-	*n/a*	*n/a*	
11		Other counterparties	-	n/a	n/a	

The Group is working towards implementing the EU Taxonomy on a best effort basis to facilitate green lending and will issue green products based on the Loan Market Association's Green Loan Principles within 2023.

17.1.2 Governance

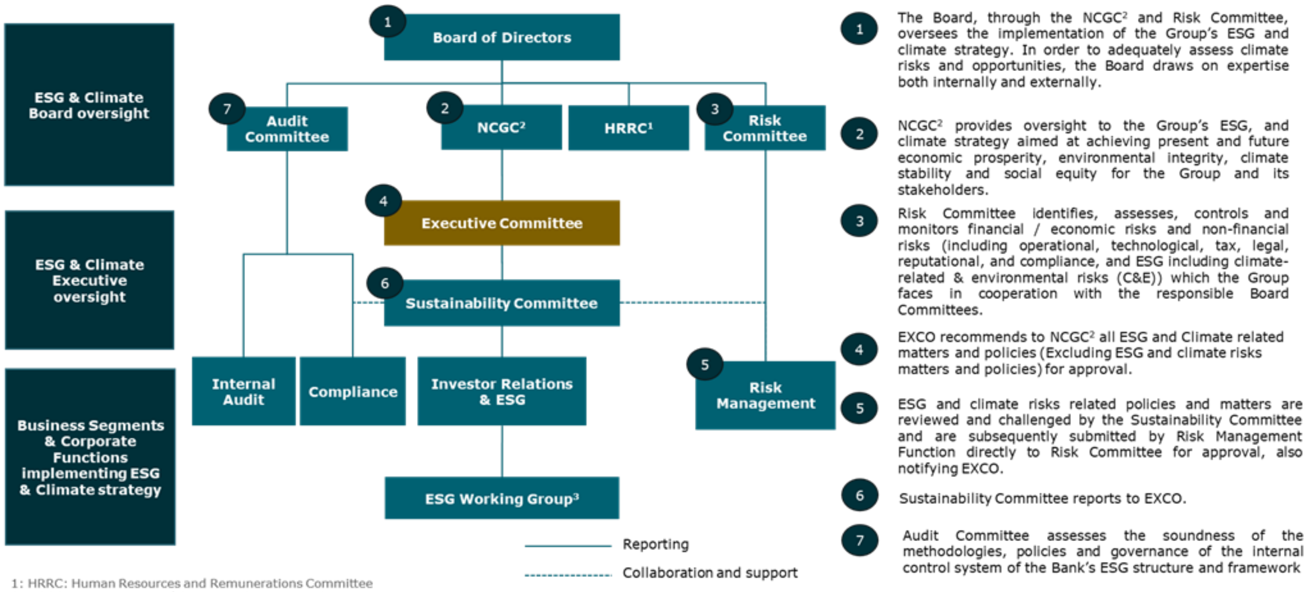
17.1.2.1 Responsibilities of the management body for setting the risk framework

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

The SC is responsible for the following:

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

17.1.2.1 Responsibilities of the management body for setting the risk framework (continued)



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

The Role of the Risk Committee

The RC has been delegated authority by the Board and consists of 3 independent non-executive members of the Board, who possess appropriate knowledge, skills and expertise to understand and monitor the strategy regarding the risk appetite of the Group.

The main purpose of the RC is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and ensure both Risk Profile and Risk Appetite remain appropriate.

The RC is responsible for the following:

i. Oversee the identification, assessment, control and monitor of financial/economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance, and ESG including C&E risks) which the Group faces in cooperation with the responsible Board Committees.
ii. Ensure that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, any key issues and themes impacting the Group and the internal control environment.
iii. Ensure effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.
iv. Report to the Board any current or emerging topics relating to ESG risks and matters, including C&E risks and matters, that are expected to materially affect the business, operations, performance, or public image of the Group or are otherwise pertinent to it and its stakeholders and if appropriate, detail actions taken in relation to the same.
v. Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies.
vi. Review and monitor key enterprise wide ESG including C&E metrics, targets, KPIs, KRIs and related goals and monitor the progress towards achieving targets and benchmarks.
vii. Receive and review periodic reports from management on ESG and climate trends, issues, and risks, including developments in applicable regulations, as well as the corresponding mitigation initiatives and controls.

17.1.2.1 Responsibilities of the management body for setting the risk framework (continued)

The role of Nomination and Corporate Governance Committee
The Nominations and Corporate Governance Committee ('NCGC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to provide oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders.

The NCGC is responsible for the following:

i. Develop a strategy for ESG including C&E matters focusing on Environmental, Climate, Ethical, Social, and Economic pillars and ensure it is embedded throughout the operations of the Group.
ii. Advise, support and guide the Chief Executive Officer ('CEO') and Executive Management Team in formulating and implementing a business strategy geared to the sustainable development of the Group taking into account ESG including C&E impacts.
iii. Oversee the SC's implementation and progress regarding the ESG working plan.
iv. Review the institution's response and plan of action to the objectives set out under international agreements.
v. Review and approve the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance.
vi. Review and approve the non-financial disclosures presented by the SC.
vii. Review and approve the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds.

The process through which the Board Committees are informed on environmental and climate-related issues is presented below:

i. The SC reviews policies relating to ESG matters, including C&E matters, to ensure that they are in line with the needs of the Group and the Group's ESG strategy and that they comply with applicable legal and regulatory requirements. The SC recommends approval of policies to EXCO (excluding ESG and C&E risks related policies). Following EXCO's approval, the policies relating to ESG including C&E matters (excluding ESG and C&E risks related policies) are recommended to NCGC for approval.
ii. The SC reviews and challenge the RMD regarding ESG and C&E risks related matters and policies, such as ESG and C&E risks identification, quantification, materiality assessment and establishment of ESG and C&E criteria in the loan origination process. The RMD then submits to the RC for approval the ESG and C&E risks related matters and policies, also notifying the EXCO.
iii. The SC reviews the institution's response and plan of action towards the objectives set out under international agreements and makes recommendation of the plan of actions for approval to the EXCO. Following EXCO approval and recommendation the plan of actions is submitted to NCGC for approval.
iv. The SC monitors and reviews the development of the Group's ESG strategy for managing ESG, including C&E risks, and recommends to EXCO for approval. Following EXCO approval and recommendation it is submitted to NCGC for approval.
v. The SC reviews BOCH's annual non-financial disclosures including, but not limited to the TCFD, relevant ESG disclosures in Pillar 3 and the annual Sustainability Report and recommends to NCGC for approval, also notifying the EXCO.
vi. The SC reports to the EXCO. The NCGC and RC are updated of the progress of ESG working plan on a regular basis.

17.1.2.2 Integration of measures to manage environmental factors and risks in internal governance arrangements

The Group has dedicated resources for the handling of ESG issues. Beyond the governance arrangements described above, ESG accountabilities have been set across various divisions of the Group.

Investor Relations and ESG Department (IR&ESG)

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

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

Risk Management Division

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

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

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

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

17.1.2.2 Integration of measures to manage environmental factors and risks in internal governance arrangements (continued)

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

Three Lines of Defence
As per the three lines of defence model established by the Group, Control Functions have defined responsibilities in terms of ESG risks.

Business Lines:

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

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

Compliance Division:

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

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

Internal Audit Division:

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

17.1.2.2 Integration of measures to manage environmental factors and risks in internal governance arrangements (continued)

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

Furthermore:

i. IA ensures the existence of adequate and appropriate resources for all audit engagements included in the AAP, through the calculation of the estimated hours needed on the basis of engagement scope and complexity, while also considering the assigned staff's knowledge, skills and other competencies in the area. Through the use of timesheets, the actual hours spent are recorded and compared with the estimated hours, with deviations investigated and if necessary relevant actions being taken.

ii. The knowledge and skills of the IA staff is assessed on an annual basis, in accordance with its Competency Framework. Based on this assessment, IA takes necessary actions and prepares specific development plans, in order to ensure that its staff possesses the necessary skills and knowledge for the performance of their duties (including for C&E related topics, if required).

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

17.1.2.3 Lines of Reporting

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

i. Progress updates on the ESG Working Plan: this takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC.

ii. Climate Risk Report: the report was introduced during 2023 and was submitted to the RC through the SC and EXCO. The report updates the committees on:
   - The progress made on the ESG Working Plan focusing on risk management related activities.
   - The level of several KRIs and KPIs relating to transition and physical risks, Financed scope 3 GHG emissions and environmentally friendly lending.
   - The report has been included as part of the above Committees agendas and will be produced on a regular basis.

iii. Risk Appetite Framework (RAF) dashboard reporting: a dedicated RAF report (Risk Profile) is produced on a quarterly basis. The report includes all RAS indicators, including the ones related to climate risk, and is submitted to the EXCO, RC and the Board. Any interim breaches are assessed with respect to their Tier and breach severity and are reported and / or escalated to the appropriate committee.

iv. Additional monitoring reports have been established in 2023:
   - Sustainability Performance Report: aims to facilitate the monitoring of decarbonization targets (Scope 1, Scope 2 and Scope 3), Green/Transition lending targets (Retail, Corporate and SME) and Other wider ESG targets (Renewable energy, paper consumption, Sustainable Bonds Investments etc.).
   - Business environment scan (BES) monthly update report: the report provides update to the BES Working Group on the key updates and developments on C&E area that might impact C&E risks and the Business Strategy.
   - Business environment scan (BES) impact report: the report is produced on a quarterly basis summarizing the impact of key updates and development on the C&E risks and the mapping to the traditional risk categories and the Business Strategy per time horizon. In addition, the updates and developments arising from the BES are further linked to sectors and relevant products. The quarterly impact assessment (preliminary impact assessment) is presented to the SC and EXCO, on a quarterly basis. The final impact assessment is presented and discussed at the SC, EXCO, RC and NCGC.

17.1.2.4 Alignment of the remuneration policy with institution’s environmental risk-related objectives

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

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

Group wide performance relating to ESG and climate targets are included in the performance scorecard of any applicable Long-Term Plan, at the time of the design and approval of each Plan. The long-term incentive plan (LTIP) that has been approved by the Company’s shareholders, incorporates measurement of performance against an evaluation scorecard consistent with the Group’s Medium-Term Strategic Targets, which include Environmental, Social and Governance (“ESG”) targets. The evaluation scorecards used in the abovementioned scheme includes KPIs on External ESG ratings. External ESG ratings are granted based on an external assessment performed on Environmental, Social and Governance aspects of the Group.

17.1.3 Risk Management

17.1.3.1 Timeframes

Due to the longer timeframes associated with C&E risks, the Group has defined the expected materialisation horizons of the different risks identified. The logic of this is explained below:

Time horizon	***Start Year***	***End Year***	***Explanation for why the firm chose that specific time frame***
Short-term (1-3 years)	2023	2026	The Corporate Sustainability Reporting Directive (CSRD) is expected to be a major disruption and a milestone for climate change activation. As CSRD will first be applied in January 2025 (for FY 2024) for EU listed companies, and every year thereafter up until 2028 to include certain SMEs and large companies (Years 1-3), the Group considers the first three years as its first time horizon. Furthermore, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions from own operations. The Group has focused its main decarbonisation actions in the short-term up to 2026 in order to lead the decarbonisation efforts, lead by example and also to benefit from any government subsidies that will be announced as part of the Recovery and Resilience Facility (RRF) of the European Union. As a result, the risk horizon the Group focuses for short term is between 1-3 years.
Medium-term (4-7 years)	2027	2030	As 2030 is the year set by the EU for the goal of 'Fit for 55' (i.e., a 55% reduction of GHG emissions below 1990 levels), the Group has also set 2030 as the medium-term risk horizon for the identification of C&E risks and opportunities. Therefore, the time horizon for medium term is between 4-7 years. In addition, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions by 2030, therefore C&E risks should be identified and managed in a horizon of 4-7 years in order to achieve the target set.
Long-term (8-27 years)	2031	2050	The Group considers a time horizon of over 8 years for chronic physical risks to manifest. Additionally, the Group has set a target to become net zero by 2050, following its commitment to the Paris Agreement, which indicates that Scope 1, Scope 2 and Scope 3 GHG emissions should be reduced by 2050 to zero. For Scope 1 and Scope 2 own operations the reduction target is relevant for all time horizons. However, the climate related risks associated with Financed Scope 3 GHG emissions depend also on the useful life of the assets, which for the majority of the current loan portfolio of the Group this translates to a maturity beyond 8 years. As such a long-term time horizon has been set to 8–27 years to cover both the risks as well as the strategic aspects of climate related risks within the organisation.

17.1.3.2 Definitions and methodologies

BOC PCL has aligned its definitions of C&E risks with the requirements set in the ECB's Guide on climate-related and environmental risks (November 2020), Good practices for climate-related and environmental risk management Observations from the 2022 thematic review (November 2022) and the EBA's report on management and supervision of ESG risks for credit institutions and investment firms (June 2021). BOC PCL has enhanced its Risk Identification and Materiality Assessment process (RIMA), and this analysis was also supported through the usage of the UNEP FI PRB's Impact Analysis Tool as well as several resources through literature and other reports. Furthermore, BOC PCL has implemented the use of Network for Greening the Financial System scenarios (NGFS) in the development of its stress testing framework that took place in 2023. More details on these methodologies and the outcome of the analysis are provided in the sections that follow.

17.1.3.3 Processes to identify, measure and monitor activities and exposures

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

In 2023, BOC PCL has refined its Materiality Assessment (MA) of C&E risks as drivers of existing financial and non-financial risks, namely Credit risk, Liquidity risk, Market risk, Operational risk, Strategic risk as well as Reputational and Legal risk, taking into consideration its business profile and loan portfolio composition.
As part of the RIMA process, BOC PCL has enhanced the following steps to ensure a comprehensive and structured MA process, having due consideration on the specificities of its business model, operating environment and risk profile:

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

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

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

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

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

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

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

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

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

C&E risks are recognized as drivers of the existing risks (Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Reputational Risk, Strategic Risk and Legal Risk) and may impact BOC PCL directly or indirectly through counterparties, assets (microeconomic channels) or the broader economy in which the relevant clients and BOC PCL operates (macroeconomic channels). BOC PCL has defined the transmission channels through which the C&E risks can influence each of its existing risk categories. A more detailed description of each of the C&E risk transmission channels with regard to the principal risks and the arising impact on BOC PCL is provided in the Table 1 below.

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks*

* Including Counterparty risk, Settlement risk, Issuer risk, Concentration risk and Country risk.
** Including Interest rate risk, FX risk, Real Estate risk, Credit Spread risk and Equity risk.
*** Including Liquidity risk and Funding risk.

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

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

a. Quantitative Geographic Assessment

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

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

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

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

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

b. Quantitative Country and Industry Heatmaps

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

Country climate transition risk heat map
The heatmap was used to assess:

i. Liquidity risk: deposits held by non-Cyprus residents (foreign deposit amounts)
ii. Market risk: HQLA Bond portfolio (corresponding CVaR)

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

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

Country climate physical risk heat map
The heatmap was used to assess:

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

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

Industry climate transition risk heat map
The heatmap was used to assess:

i. Credit Risk: Secured and unsecured credit exposures

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

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

c. Qualitative analysis based on Expert Judgement

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

d. Sectoral Analysis

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

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

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

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

e. Determination of materiality

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

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

f. UNEP FI Impact Analysis Tool

BOC PCL has voluntary employed the UNEP FI's Impact Analysis Tool which provides for a two-step process to understand and manage actual and potential positive and negative impacts of the financing it provides. As per the methodology underpinning the tool (UNEP FI's Holistic Impact Methodology) the impacts are analysed across the spectrum of the three pillars of sustainable development articulated by the SDGs:

i. Human needs (the social pillar – people)
ii. Environmental conditions or constraints (the environmental pillar – planet)
iii. Economic development (the economic pillar – prosperity)

The tool supports in the selection of the industries that BOC PCL has the biggest exposures to and following that, it maps which of them are particularly affected by sustainability trends.

For the Corporate portfolio, the impact analysis focussed on the fifty most important sub-sectors based on NACE codes for a total of ten sectors, analysing €4,5 billion of exposures out of a total of €10 billion gross loan book as at 31 December 2023. In terms of industries, Accommodation, Real Estate, Trade and Construction have the highest share in the Group's portfolio. Sectors that are of less importance in terms of financed exposure but are considered significant due to their impact on the SDGs, e.g., manufacturing, transportation and agriculture, were also analysed. For Consumer banking, the impacts of the most prevailing banking products were examined including credit cards, overdrafts, consumer loans, mortgage loans, student loans and vehicle loans.

Analysis

a) Corporate Portfolio

As a result of the analysis carried out, the most relevant impact areas of strategic importance were identified:

i. Employment, Wages and Social Protection (SDG 1 and SDG 8) - Social
ii. Health and Safety and Healthcare and Sanitation (SDG 3) - Social
iii. Healthy economies, Housing and Infrastructure (SDG 8, SDG 9 and SDG 11) – Social
iv. Climate Stability, Biodiversity and Healthy Ecosystems, Resource efficiency and Waste (SDG 6, SDG 12, SDG 13, SDG 14 and SDG 15) – Environmental

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

According to the analysis the biggest positive impact is in the following areas:

i. Employment, Wages and Social Protection which includes the overall financing in all areas of the economy. According to our Environmental and Social Policy, for all financing to Legal Entities above €100,000 a written confirmation is needed for proper business conduct, relevant licenses and work permits. In cases where the Legal Entity is categorised as medium or high risk (as per EBRD's E&S Risk Categorisation List) additional safeguards are in place, such as due diligence reports by external experts (i.e. professionals on the assessment of E&S risks). This contributes to the promotion of wellbeing and to decent work for everyone.
ii. Health and Safety and Healthcare and Sanitation, including financing in the areas of manufacture of medical products that contribute to health and wellbeing, as well as financing in the healthcare sector that facilitates access to the corresponding care.
iii. Healthy economies, Housing and Infrastructure. This positive impact stems from the fact that BOC PCL typically lends to sector wide small-medium-sized enterprises (SMEs) which are the cornerstones of a functional economy. SMEs account for the majority of companies in Cyprus and are responsible for a large portion of the private sector employment. In addition, Construction and Real estate financing can also contribute to the development of quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being.

Focusing on the negative impacts, the analysis indicates that all the activities of the financed portfolio can potentially affect the entire environmental pillar as expressed through the three distinct impact areas of:

i. Circularity,
ii. Biodiversity & healthy ecosystems, and
iii. Climate stability.

Activities from the most prevailing financed sectors of BOC PCL such as Construction and Real Estate are negatively associated with:

i. Biodiversity,
ii. Resource Intensity,
iii. Waste, and
iv. Climate Stability.

This is mainly due to the fact that these sectors are associated with the use of natural resources, produce waste during the construction/operation phase, affect the climate through the GHG emissions of the properties and in addition, the land/area they are built on may have adverse effects on the local ecosystems.

Similarly, the manufacturing and the transportation sectors are mainly associated with the consumption of fossil fuels and production of GHG emissions (through energy usage and mobility). Agriculture is a sector where it takes up a lot of land whereas livestock production causes the emission of fairly large amounts of GHG. The accommodation sector, which is of the largest sectors in of BOC PCL's loan portfolio, it is not considered a key sector by the UNEP FI tool. However, it is negatively associated with waste, pollution, and the cause of strain on land and local ecosystems.

Examining the potential negative impacts of the portfolio on the Social Pillar, these are mainly located in the areas of Health and Safety, Wages and Social Protection.

b) Consumer Banking - Households

The analysis indicated that all consumer banking products have a significant impact on Finance (SDG 8 and SDG 9), which relate to the provision of affordable credit for to all the consumers as to cover their everyday needs. Mortgage loans are positively associated with Housing (SDG 11) and negatively associated with Climate Stability and Resource Intensity mainly due to the consumption of energy (GHG emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their GHG emissions. Student loans help to promote education across the population and is thus positively associated the Education (SDG 4).

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

c) Next Steps

The Group is constantly monitoring results and working on policies as to target specific industries and sectors that will help it increase its positive impact (e.g., lending to renewable energy projects).

g. Business Environment Scan (BES)

BOC PCL, in 2023, established the BES process to monitor C&E developments / updates as already described in Section 17.1.1.1. The process is mainly used as a risk identification tool, that identifies C&E risks emerging from relevant developments and their association with existing risk categories. As part of this monthly scanning process, BOC PCL will gradually incorporate additional sources to monitor sector-specific developments and updates, and in particular monitor developments for industries that might have significant impact from C&E risks or new regulations that might heighten C&E transition risks. New developments identified within the BES are carefully analysed for their relevance and potential impact on BOC PCL's risk and strategic profile. This integrated approach enhances BOC PCL's ability to manage and control C&E risks effectively, thus, associated risks arising from C&E risks will be closely monitored and analysed on regular basis and feed into the MA.

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

h. Climate risk assessment at loan origination

During 2023, BOC PCL established an ESG Due Diligence process with the objective being to assess customers (existing and new) on their performance against various aspects around ESG and climate risks. The process involves the utilization of structured questionnaires applied at the individual company level and has been initially deployed to customers within the Corporate Division. The questionnaires focus more on the Environmental / Climate risk pillar and aim to assess various aspects of each customer touching upon matters around Governance, Training, Strategy & Business Planning, Energy metrics and other. The Social and Governance pillars are also assessed through several relevant dimensions such as Corporate and Social Responsibility, Human Rights, Board Composition etc.

The Due Diligence process is applied when granting new and/or reviewing existing credit facilities and is expected to be fully incorporated into the loan origination process by the end of the first quarter of 2024. At that stage, beyond the scoring of the customers, specific recommendations will be made to customers aiming to mitigate ESG risks.

Currently, the Bank is participating in a syndicated project across the Cypriot Banking system aiming to establish a common platform that will allow the assessment of customers' ESG factors. The platform will employ sector-based questionnaires that will be used by all banks, ensuring a harmonized assessment approach and a level-playing field. BOC PCL will re-adjust its internal processes to incorporate the new questionnaires and consider the deployment of questionnaires to other business lines as well.

i. Climate Risk Sensitivity and Stress Testing

i. Sensitivity Analysis

Scenario analysis and climate risk stress testing are methods which assist in evaluating and managing the possible effects of C&E risks, to the Group's business strategy and financial planning decisions.

To assess the potential impact of transition risks on the Business Model, a sensitivity analysis was carried out on portions of the corporate and mortgage portfolios that were identified as being exposed to transition risks as per the materiality assessment of March 2022. The analysis related to the Financial Plan for the period between 2023 – 2026 and reflected the potential impact of a short-term disorderly scenario according to which a set of climate related policies were implemented at the beginning of 2023.

17.1.3.3 Processes to identify, measure and monitor activities and exposures (continued)

Estimation of impact was done on a top-down basis considering the outcome of regulatory climate stress tests, and specifically the outcome of the Bank of England Climate Biennial Exploratory Scenario. Considering the specific composition of the BOC PCL's portfolio, such climate related policies would most likely affect customers in the Construction, Real estate and Accommodation sectors and customers with mortgage loans granted prior to 2009 implying thus a less-energy efficient property. The outcome of the analysis thus provided a magnitude of losses BOC PCL might face if both BOC PCL and its customers do not respond effectively to climate risks.

ii. Transition Risk Framework

BOC PCL developed a Framework to quantify transition risks. The framework addresses all sectors of the BOC PCL's portfolio, but dedicated models were created for those sectors that are more susceptible to transition risks, based on their inherent activities and their exposures. Such sectors include Construction, Hotels, Real Estate and Mortgages whilst the remainder of the BOC PCL's portfolio is catered through a generic model.

BOC PCL has executed an internal preliminary Stress-test exercise with Balance Sheet reference date 30 September 2023 with Corporate Ratings having a reference date of 31 December 2022. The projections, in terms of PD impact of the climate scenarios, were formed until 2050 on a counterparty level, with the outcome being aggregated to sector level to allow for Sectoral analysis. The results of the stress testing do not include Balance Sheet Projection values and impact of the Collaterals.

For the preliminary Stress Test run the following Network for Greening the Financial System (NGFS) scenarios have been selected:

i. NDCs – Nationally Determined Contributions, which for the case of Cyprus, almost coincides with the "Below 2°C" scenario given the EU Members' aspiration for climate Policies. "Below 2°C" scenario gradually increases the stringency of climate policies, giving a 67 % chance of limiting global warming to below 2°C.
ii. Current – Current Policies scenario assumes that only currently implemented policies are preserved, leading to high physical risks.
iii. Delayed Transition – Delayed Transition scenario is under the Disorderly scenario category. It assumes annual emissions do not decrease until 2030. In addition, it requires strong policies to limit warming to below 2°C and negative emissions are limited.

The PDs under the preliminary Stress Test on transition risks are substantially increased on the "Delayed Transition" scenario between 2031-2040 compared to the "Current" scenario.

iii. Physical Risks

In terms of physical risks, efforts were focussed on estimating the impact on property value from the potential materialisation of such risks. This is considered relevant to BOC PCL, given the concentration of clients in activities relating to immovable properties such as Construction, Accommodation & Food Service, Real Estate, Mortgages as well as the fact that a significant portion of BOC PCL's collaterals are real estate assets.

To that end, granular data were obtained from an external vendor, providing granular, location level information. For the purposes of the analysis which was also used as part of its RIMA process, the NGFS scenarios were employed and used as a reference. In particular, the following scenarios were used and projected up to 2050:

i. Orderly transition: assume that climate policies are introduced early and gradually become more stringent. Physical and transition risks are relatively small.
ii. Disorderly transition: explore higher transition risk due to delayed or divergent policies across countries and sectors,
iii. Hot House World: assume that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to halt significant global warming. These scenarios pose serious physical risks.

17.1.3.3 Processes to identify, measure and monitor activities and exposures. (continued)

The analysis of the data allowed BOC PCL to gain an understanding of the assets vulnerable to the various physical risks, their level of riskiness as well as potential concentrations across the island. Furthermore, following the identification of physical risks, the monetary impact (damage function) for each combination of property, hazard, scenario, and year was estimated. This monetary impact considered not only the geo-localisation features, but also the asset-specific characteristics, i.e., commercial, industrial, residential, other use. At the moment, the damage function measurement, for wildfire hazard, has been incorporated as part of the ICAAP process.

iv. ILAAP Updates

BOC PCL considered the C&E risks financial impact, and in particular transition risks, and how these might affect BOC PCL's counterparties efforts to meet any C&E requirements from the process of adjustment towards a lower carbon economy.

Stress testing analysis was used to assess the effects on BOC PCL's liquidity, focusing on sectors expected to be impacted by transition risks. Higher outflows were assumed for the deposits of economic sectors which are expected to be more vulnerable to C&E risks and more specifically to transition risk.

17.1.3.4 Mitigation measures

Changing regulatory and legal requirements, increased stakeholder concern, shifts in consumer preferences, and the mandates on and regulation of existing products and services are just a few ways that BOC PCL can be exposed to climate risk. BOC PCL periodically reviews the risks it faces and considers how they may affect its clients and its operations.

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

i. Progress updates on the ESG Working Plan: this takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC.
ii. Climate Risk Report: the report was introduced during 2023 and was submitted to the Risk Committee through the Sustainability Committee and EXCO. The report updates the committees on:
    a) The level of several KRIs and KPIs relating to transition and physical risks, Financed scope 3 GHG emissions and environmentally friendly lending
    b) The report has been included as part of the above Committees agendas and will be produced on a regular basis.
iii. RAF dashboard reporting: a dedicated RAF report (Risk Profile) is produced on a quarterly basis. The report includes all RAS indicators, including the ones related to climate risk, and is submitted to the EXCO, RC and the Board. Any interim breaches are assessed with respect to their Tier and breach severity and are reported and / or escalated to the appropriate committee.
iv. Establishment of the E&S policy to manage environmental impacts of new lending.
v. ESG Questionnaires aiming to identify C&E risks of counterparties and set mitigation action for risk reduction.
vi. Integration of transition risks in scenario analysis with regards to the repayment ability based on climate scenarios.
vii. Prescence of lending restrictions to carbon intensive sectors through both BOC PCL's Concentration and E&S policy.
viii. Setting of decarbonization targets in Mortgage asset class and other carbon concentrated sectors, where these targets will be incorporated into the Group's strategy and Financial Plan to reach Net-Zero by 2050.

17.1.3.4 Mitigation Measures (continued)

Green Lending Policy

As a further mitigation measure, BOC PCL has in place a Green Lending Policy which aims to provide the framework and the requirements BOC PCL will implement for the creation of green loans and to support borrowers in financing environmentally sound and sustainable projects. The Policy sets the criteria for a loan to be categorised as "green" which include, among others, clear environmental benefits, environmental sustainability objectives, the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant green project(s) etc. To fully operationalise the policy, BOC PCL is in the process of preparing the relevant guidelines, which will provide further guidance on the specific procedures to be followed.

17.1.3.5 Tools for identification, measurement and management of environmental risks

As already mentioned, MA, Business Environmental Scan and UNEP FI's Impact Analysis Tool are used by BOC PCL to identify and manage any potential environmental risks associated with the operations and the portfolio of BOC PCL. Refer to Section 17.1.1.1 for more details on BES. Refer to Section 17.1.3.3 for more details on UNEP FI's impact analysis tools. The Bank is currently developing a stress test framework to incorporate identified climate risks as described in the above Climate Risk Sensitivity and Stress testing section.

17.1.3.6 Results and outcome of the risk tools implemented

BOC PCL will consider the impact of climate-related, acute physical risks from its collateral portfolio in its 2023 ICAAP process and will further incorporate climate-related transition risks in future exercises. In terms of the top-down sensitivity analysis carried out in relation to transition risks, it indicated an immaterial impact on the Group's profitability for the period between 2024 – 2027.

BOC PCL considered the C&E risks financial impact, and in particular transition risks, and how these might affect the BOC PCL's counterparties efforts to meet any C&E requirements from the process of adjustment towards a lower carbon economy.

Stress testing analysis was used to assess the effects on BOC PCL's liquidity, specifically focusing on sectors expected to be impacted by transition risks. Higher outflows were assumed for the deposits of economic sectors which are expected to be more vulnerable to C&E risks and more specifically to transition risk.

Materiality Assessment Results per Risk

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

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

Credit Risk

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

17.1.3.6 Results and outcome of the risk tools implemented (continued)

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

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

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

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

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

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

17.1.3.6 Results and outcome of the risk tools implemented (continued)

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

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

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

17.1.3.6 Results and outcome of the risk tools implemented (continued)

The table 2 below shows the aggregated results of the MA, across the assessed time horizons, with regards to the C&E risks, along with the approach that was used to assess each type of principal risk.

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

Table 2: *Overview of the aggregated results of the C&E risk MA*

17.1.3.6 Results and outcome of the risk tools implemented (continued)

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

Table 2: *Overview of the aggregated results of the C&E risk MA (continued)*

17.1.3.7 Data availability, quality and accuracy, and efforts to improve aspects

BOC PCL determined to approach holistically the ESG and Climate Data, by developing an ESG and Climate Data Gap & Strategy. Specifically, BOC PCL

i. Established an ESG Data Working Group.
ii. Set up weekly catch-up calls for the ESG Data Working Group.
iii. Identified Data Gaps under various workstreams (Disclosures, Risk Management, Bank's Commitments, Business Strategy).
iv. Determined the strategy to close the Gaps.
v. Set indicative deadlines to close the gaps.
vi. Discussed with several third-party software providers on ESG and Climate Risk Management platform and Disclosure platform.
vii. Determined the follow up actions on the ESG and Climate Data Gap & Strategy.

BO PCL acknowledges that the ESG and Climate spectrum is extremely fast pacing, therefore the ESG and Climate Data Gap & Strategy is an ongoing process and further actions are expected to be performed in the future to further enhance the existing ESG and Climate Data Gap & Strategy. The ESG Data Gaps have been identified by focusing to the main ESG risks' workstreams run by BOC PCL as well as strategic priorities:

i. Task Force on Climate related Financial Disclosures (TCFD) requirements (Annual report) - Disclosures
ii. Pillar 3 Disclosures on ESG risks (Six monthly) - Disclosures
iii. Sustainability Performance Report (Monitoring Key Performance Indicators) – Business Objectives
iv. Climate Risk Report (Internal risk reporting) – Risk Management Needs
v. ESG Questionnaires for Due Diligence purposes - Risk Management Needs
vi. Physical Risks & Transition Risks assessment, quantification and management - Risk Management Needs
vii. Bank's Sustainable Finance Framework - Business Objectives
viii. Net Zero by 2050 – Bank's Commitments
ix. Financed Scope 3 GHG emissions estimation of loan portfolio – Disclosures/ Risk Management Needs/Business Objectives

ESG Data Sources to close the ESG Data Gaps:

i. ESG questionnaires (Utilised for customer's Due Diligence)
ii. Customer's disclosures
iii. Third party provider (Acquisition of certain databases)
iv. Public open sources (Online databases)
v. Cyprus Government databases

17.1.3.7 Data availability, quality and accuracy, and efforts to improve aspects (continued)

Refer to the following table for a summary of the ESG and Climate Data Gap & Strategy.

Financed Scope 3 GHG Emission on Mortgages & Commercial Real Estate				
Field Name	**Level of Data**	**Source Document**	**Data Strategy - New lending**	**Data Strategy - Existing Lending**
Property value at origination	Financed Property	Sales Agreement	Loan origination process	Use Collaterals
GHG Emissions per m^2		EPC		Access to EPC database of the Government
EPC rate		EPC		Access to EPC database of the Government
Floor Area (square meters)		Building permit		Use Collaterals
Under construction / Built		Building permit		Use Collaterals
Year of Construction		Sales Agreement		Use Collaterals
Property type		Building permit/Sales Agreement		Use Collaterals
# of Properties per account number	Account	Sales Agreement		Use Collaterals
Financed Scope 3 GHG Emission on Business Loans				
Total Debt	Account level	Financial Statements	Annual revision	Annual revision
Total Equity		Financial Statements	Annual revision	Annual revision
Total Assets		Financial Statements	Annual revision	Annual revision
Scope 1 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run
Scope 2 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run
Scope 3 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run

Collaterals				
Field Name	**Level of Data**	**Source Document**	**Data Strategy - New lending**	**Data Strategy - Existing Lending**
Physical Risk - Acute	Collateral	Acquired from Vendor	Loan origination through an interactive tool	Existing property collaterals were mapped to physical risks manually. The data should be updated to collateral tables when the fields are ready
Physical Risk - Chronic				
Physical Hazard - Wildfire				
Physical Hazard - Landslide				
Physical Hazard - Sea Level Rise				
Physical Hazard - Flood				
Physical Hazard - Wind Gust				
Physical Hazard Score				
Climate Scenarios				
Climate Scenarios Time Horizon				
Property Use		Sales agreement/Valuation Report	Loan origination	Annual valuation of collaterals

17.1.3.8 Description of limits to environmental risks

BOC PCL has yet to establish specific limits at the point of loan origination. As also indicated in the same section BOC PCL earmarked exposures identified as vulnerable to transition risk as appropriate to receive transition finance. Furthermore, BOC PCL does have in place certain restrictions in lending as provided by the Environmental and Social Policy which is described below.

Environmental and Social Policy
BOC PCL has in place an Environmental and Social Policy in relation to its lending activities. The Policy is in place since 2015 and is based on the Bank's commitment to applying certain environmental and social (E&S) procedures derived from the policies and guidelines of the European Bank for Reconstruction and Development (EBRD). The policy which is revised annually and is subject to RC approval, applies to:

i. Granting of new funded / non-funded facilities to physical persons or legal entities, secured by mortgage on immovable property.
ii. Granting of new funded facilities to legal entities.

Under this commitment BOC PCL applies a set of measures as described below:

New Lending to physical and legal persons, secured by mortgaged property
BOC PCL verifies acceptable levels of E&S risk as indicated in the relevant section of the Valuation report of the mortgaged property.

New lending to legal entities
In case of funded facilities to legal entities, BOC PCL verifies acceptable levels of E&S risks by:

a) Screening out customers who are carrying out activities that appear on EBRD's «Exclusion and Referral Sectors» list, in order to decide whether:
   - not to finance certain prohibited activities ("Exclusion sectors")
   - to engage in specific activities which are included in "Referral sectors", only after EBRD approval is obtained
   - to avoid lending if there are material E&S risks that cannot be properly assessed.
b) Making an initial assessment for the E&S risk in order to be classified as Low, Medium, or High depending on:
   - The customer's business activity
   - The amount and term of the facility
   - The type of the collateral

For customers assessed as Low Risk, BOC PCL obtains written customer confirmation for proper business conduct, relevant licenses and work permits.

The policy is applicable at the individual exposure level and requires that BOC PCL verifies acceptable levels of environmental risk through, among other:

a) Screening out customers who are carrying out activities that appear on the «Exclusion and Referral Sectors». The Exclusion and Referral sectors include a wide range of activities that can be harmful to the environment or society.
b) Making an initial assessment for the E&S risk based on the customer's business sector and engaging with the customer if assessed as Medium" or "High" to ensure that any identified risks are mitigated.

For customers assessed as Medium or High, BOC PCL:

a) Obtains written customer confirmation for proper business conduct, relevant licenses and work permits.
b) Requests an E&S Due Diligence Report (E&S Study) by external experts for new lending greater than €100,000 and with duration longer than 6 months. The Due Diligence Report assess social performance as follows:
   - Safety & Health at Work as required by the law
   - Legal entities should indicate whether there were any accidents, complaints or fines imposed by Competent Services on H & S matters and/or on labour issues.
   - Legal entities should declare that it does not employ minors or illegal workers

17.1.3.8 Description of limits to environmental risks (continued)

- Legal entities should declare that they implement measures for protecting workers from any discrimination and prejudice at the workplace

Any negative findings in the report/ recommendations should be either be resolved before application submission or reported to the approving authority to assess the risk before approving / granting the credit facility.

Concentration Risk Policy
The Concentration Risk Policy captures any single exposure or group of exposures with the potential to produce losses large enough, to threaten the financial institution's health, reputation, or ability to maintain its core operations. This Policy is aligned with the RAF and applies at Group level by defining limits and the methodology for limit setting for exposures in specific assets, liabilities and off-balance sheet items to ensure that the concentration risk is within BOC PCL's Risk Appetite.

Consequently, BOC PCL has introduced lending restrictions and sector limits on carbon intensive sectors, and these have been reflected in the Concentration Risk Policy as mentioned on Section 17.1.1.1. A limited amount of new lending, unless for green or transition purposes, will be allowed subject to approval by the RC or BOC PCL's highest credit committee.

The restricted sectors relate to certain activities within:
i. Coal Mining
ii. Oil
iii. Gas
iv. Cement
v. Iron & Steel & Aluminium
vi. Power Generation (excluding renewables)

Risk Appetite Framework (RAF)
BOC PCL maintains a RAF which sets out the level of risk that the Group is willing to take in pursuit of its strategic objectives, outlying the key principles and rules that govern the risk appetite setting. It includes qualitative statements as well as quantitative measures expressed relative to Financial and Non-Financial risks. Within this context, three Climate-related KRIs were introduced in its latest revision and include:
i. Financed Scope 3 GHG emissions of Mortgage Portfolio (Retail)
ii. Financing purchases of new commercial properties (Corporates / SMEs)
iii. Financing renovation of commercial properties (Corporates / SMEs)

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

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

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

17.2 Social Risk

17.2.1 Business strategy and processes

17.2.1.1 Business strategy to integrate social factors and risks

The Group identifies and examines the main societal needs that should be integrated in its annual Corporate and Social Responsibility (CSR) strategy and CSR budget. The Social needs and risks identified, constitute the CSR Pillars in which all the Group's actions and partnerships fall under. The main pillars of CSR strategy for 2023 are Health, Education and Environment. The CSR Strategy is driven by the ESG strategy of the Group. The Group, in its ESG Strategy, has identified the Sustainable development goals that is focusing as it can have an impact based on its business environment and business strategy on social risks and needs:

i. Good Health and Well-Being
ii. Quality Education
iii. Gender Equality
iv. Decent Work and Economic Growth
v. Industry, Innovation and Infrastructure
vi. Sustainable Cities and Communities
vii. Responsible consumption and production
viii. Climate action
ix. Life below water
x. Partnership for the Goals

17.2.1.2 Objectives, targets and limits

The Group's objectives and targets under each Sustainable development goal relating to social needs and risks and their linkage with UN Global Compact is summarised in the table below:

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
3	**Good Health and Well-Being**	Ensure healthy lives and promote well-being for all at all ages.	3.6 Reduce the number of deaths and injuries from road traffic accidents	Hours of Training Provided in relation to Health and Safety provided to BOC employees	The Actions performed by the Group under SDG 1 support and respect the protection of internationally proclaimed human rights through provision of access to health or support relevant health organizations. Therefore, there is a direct linkage with UN Global Compact – Principle 1.
				Number of events organised on Road Safety with total number of participants	
			3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	Number of patients benefited from Bank's BOC actions	
4	**Quality Education**	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	4.3 Ensuring equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.	Number of employees have attended on trainings per level, gender, department and training subject. Total hours of training per level, gender	The Actions performed by the Group under SDG 4 support equal opportunities to boys and girls to be educated and to have a broader and more skilled pool of workers

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
			4.4 Increasing substantially the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	Total investment of new lending in education sector (in €)	in the future. Therefore, there is a direct linkage with UN Global Compact – Principle 1.
			4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	Total investment in scholarships granted per gender (in €)	
			4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	Number of individuals that participated in trainings provided through the Bank of Cyprus CSR Actions in pillar Education divided per subject per gender	
5	**Gender Equality**	Achieve gender equality and empower all women and girls.	5.1 End all forms of discrimination against all women and girls everywhere	Number of promotions per gender, per annum Total hours of training per level, gender	The actions performed by the Group under SDG 5 is linked with UN Global Compact Principle 6. The actions keep up to date records and monitoring of recruitment, promotions, and trainings in a transparent basis.
			5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	% of women participation in the Board of Directors and Senior Management Personnel Total hours of training per level per gender	
8	**Decent Work and Economic Growth**	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	8.9 Devising and implementation of policies to promote sustainable tourism that creates jobs and promotes local culture and products.	Steadily increase the transition finance provided to Accommodation industry Set decarbonization targets in Financed Scope 3 GHG emissions associated	The Actions performed by the Group under SDG 8 are aligned with Principle 6 of the UN Global Compact as those promote equal access to opportunities for occupation by

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
				with the loan portfolio under the NACE sector of Accommodation and Food Service activities Establish ESG scorecards in the loan origination process	creating new positions in the market and expanding the online services for access in rural areas. In addition, the actions contribute to Principle 1 as protects the economic livelihood of local communities.
			8.10 Strengthening the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	Percentage (%) of transactions carried out through digital networks and other electronic solutions	
			Well at work programme includes webinars, team building events, family events and other activities with the sole purpose to enhance physical, mental, financial and social health of the employees.	Continue supporting and engaging employees under our wellbeing program "Well at Work"	
9	**Industry, Innovation and Infrastructure**	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	9.1 Development of quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Percentage (%) of transactions carried out through digital networks and other electronic solutions	The Actions performed by the Group under SDG 9 are aligned with Principle 6 of the UN Global Compact as those promote equal access to opportunities for occupation by creating new positions in the market and expanding the online services for access in rural areas. In addition, the actions contribute to Principle 1 as protects the economic livelihood of local communities.
			9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	Total amount of small-scale/ SME loan portfolio to total loan portfolio (YoY change)	
			9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with	Steadily increase the transition finance provided to customers Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
			all countries taking action in accordance with their respective capabilities.	Establish ESG scorecards in the loan origination process	
11	**Sustainable Cities and Communities**	Make cities and human settlements inclusive, safe, resilient and sustainable.	11.1 Ensuring access for all to adequate, safe and affordable housing and basic services.	% of small-scale/SME loan portfolio to total loan portfolio (YoY change)	The actions under SDG 11 contribute to Principle 1 of UN Global Compact as enhance and protect the livelihood of local communities and rural areas.
			11.4 Strengthening efforts to protect and safeguard the world's cultural and natural heritage.	Total number of CSR Activities/Actions aiming to improve the resource's use and the reduction of pollution and poverty, safeguard the world's cultural and natural heritage.	
			11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	Steadily increase the transition finance provided to customers Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio Establish ESG scorecards in the loan origination process	
			11.A Supporting positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning.	Total amount in € donated to charities and local authorities to support vulnerable groups resulting from national and natural disasters, and to prevent them.	
12	**Responsible Consumption and Production**	Ensure sustainable consumption and production	12.2 Sustainable management and efficient use of natural resources achievement.	Percentage (%) of increase to clean energy, by the Bank, year by year	The actions under SDG 12 contribute to Principles 7, 8 and 9 of UN Global Compact as support the action towards environmental responsibility.
			12.5 Substantial waste generation reduction through prevention, recycling and reuse.	Percentage (%) of reduction of paper usage (tonnes/year)	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
			12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Steadily increase the transition finance provided to customers Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio Establish ESG scorecards in the loan origination process	
			12.B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products.	Steadily increase the transition finance provided to Accommodation industry Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio under the NACE sector Accommodation and Food Service activities Establish ESG scorecards in the loan origination process	
13	**Climate action**	Take urgent action to combat climate change and its impacts	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	Number of individuals that had participated in trainings provided through the Bank's CSR actions in pillar Environment divided per subject per gender (e.g. fire-fighting training, etc) Total number of CSR activities/ actions aiming to improve the reduction of forest fires prevention, sea pollution and biodiversity protection	The actions under SDG 12 contribute to Principles 7, 8 and 9 of UN Global Compact as support the action towards environmental responsibility.
			13.2 Integrate climate change measures into national policies, strategies and planning.	Percentage (%) of electricity consumption decrease: % of electricity Consumption derived from ecofriendly sources or renewable sources of energy per	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
				total electricity consumption Scope 1 and Scope 2 GHG emissions to be reduced by 42% to become carbon Neutral by 2030	
			13.3 Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Total training hours on ESG and climate matters	
14	**Life Below Water**	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	14.1 Prevention and significant marine pollution reduction of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.	Total number of CSR activities/ actions aiming to improve the reduction of sea pollution	The actions under SDG 12 contribute to Principles 7, 8 and 9 of UN Global Compact as support the action towards environmental responsibility.
			14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.		
15	**Partnerships for the Goals**	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	17.14 Enhance policy coherence for sustainable development.	Number of partnerships established each year with NGOs, corporations, associations and governmental services	
			17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnership.		

Moreover, the Group's aspiration to achieve a representation of at least 30% women in Group's management bodies (Defined as the EXCO and the Extended EXCO) by 2030, has been reached earlier with 33% representation of women in Group's management bodies, following the appointment of two female General Managers in EuroLife and GIC. As at 31 December 2023, there is a 40% representation of women at key positions below the Extended EXCO level (defined as positions between assistant Manager and Manager).

17.2.1.3 Engagement with counterparties

Social risk assessment at loan origination
As indicated under the environmental risks Section in 17.1.1.3 the Bank has implemented an ESG questionnaire within the context of its underwriting processes.

It is noted that very few companies in Cyprus are obliged to publish Sustainability reports. Under the EU Non-Financial Reporting Directive (NFRD) very limited number of entities in Cyprus met the Directive's criteria so there was no need to publish Sustainability reports. The EU Corporate Sustainability Reporting Directive (CSRD), apart from entities that are already within the scope of NFRD, will apply for large corporates for financial years starting 1 January 2025 and for listed small and medium sized entities for financial years starting 1 January 2026. Therefore, from 2026 and 2027 onwards better data availability and quality is expected to derive from the loan origination process.

Environmental and Social Policy
Similarly, as described under Section 17.1.3.8 'Description of limits to environmental risks' an Environmental and Social Policy is in place in relation to its lending activities which requires to ensure acceptable of E&S risks. Examples of activities that are excluded through the policy relevant to social risks are:

i. Activities involving child or forced labour, or violations of human rights
ii. Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage
iii. Forced evictions

Sourcing and Procurement & Vendor Management Policy
Under the Sourcing and Procurement & Vendor Management Policy the Bank established specific ESG criteria that the vendors or suppliers must adhere to. Specifically, suppliers must adhere all the principles regarding Labour, Human rights, ethics, working conditions and Health & Safety matters.

Labour / Human Rights / Ethics

i. Suppliers must respect internationally recognized human rights in all areas of operation.
ii. Suppliers should take actions to remedy adverse human rights impact.
iii. Suppliers must ensure that child and underage labour is not used, in accordance with the ILO Minimum Age Convention.
iv. Suppliers should not engage forced labour, slave labour, or any other non-voluntary labour and should treat all employees with respect and dignity, in accordance with the ILO Forced Labour Convention (No 29) and the Abolition of Forced Labour Convention (No 105).
v. Supplier standards should cover the prohibition of discrimination regarding grounds of discrimination (e.g., age, gender, and ethnic origin) and aspects of employment (e.g., recruitment, promotion, and remuneration).

Working Conditions

i. Suppliers should provide all employees with at least the minimum wage according to the national legislation.
ii. Suppliers must ensure that wages meet legally mandated minimums and industry standards, without unauthorized deductions.
iii. Suppliers must respect the right to freedom of association and collective bargaining of their employees.
iv. Suppliers must ensure that working hours are in accordance with the national legislation.
v. Suppliers should ensure that employees under the age of eighteen will not be engaged in hazardous or heavy work.

Health & Safety
Suppliers should comply with Health and Safety requirements, providing a healthy and safe working environment to their employees, adhering to all relevant Health & Safety laws and regulations.

17.2.2 Governance

17.2.2.1 Responsibilities of the management body for setting the risk framework

The Sustainability Committee as described under the 17.1.2.1 Responsibilities of the management body section has the oversight of the totality of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the Board as well.

17.2.2.2 Integration of measures to manage social factors and risks in internal governance arrangements

The Group has dedicated resources for the handling of ESG issues as described under 17.1.2.2 Integration of measures to manage environmental factors and risks in internal governance arrangements section.

17.2.2.3 Lines of reporting

The Bank established Sustainability performance report which monitors the performance of the Bank against Social and Governance targets. For more details refer to 17.1.2.3 Lines of reporting section.

17.2.2.4 Alignment of the remuneration policy with institution's social risk-related objectives

For the alignment of the remuneration policy with the Group’s social risk refer to 17.1.2.4 Alignment of the remuneration policy with institution's environmental risk-related objectives under 17.1 Environmental Risk section.

17.2.3 Risk Management

17.2.3.1 Tools, identification, measurement, monitoring and mitigation of social risks

The UNEPFI's Impact Analysis Tool has been employed to obtain insights on both the potential positive and negative impacts of BOC PCL's portfolio. The outcome of this analysis is presented under the environmental risks section. Additional work is expected to be carried out going forward aiming to identify social risks faced by BOC PCL through its counterparties, the relevant transmission mechanisms to traditional risks and the implementation of limits where deemed.

BOC PCL is also in the process of incorporating ESG factors within the context of its underwriting processes amending its policies and procedures in such a way that potential impact from ESG is reflected in the fundamental elements of the creditworthiness assessment i.e., in repayment capacity and collateral assessment. In addition, BOC PCL's Lending Policy, as part of determining the creditworthiness of legal entities, requires that the borrower's exposure to ESG factors is assessed. This is a general guideline rather than a prescriptive process. Furthermore, the E&S policy allows BOC PCL to monitor new lending for socials issues as indicated below:

i. Safety & Health at Work as required by the law.
ii. Legal entities should indicate whether there were any accidents, complaints or fines imposed by Competent Services on H & S matters and/or on labour issues.
iii. Legal entities should declare that it does not employ minors or illegal workers.
iv. Legal entities should declare that they implement measures for protecting workers from any discrimination and prejudice at the workplace.

Recognition of Social issues in the ESG Client Questionnaires

As mentioned earlier in the environmental risks section, the Bank has developed ESG client questionnaires to identify and assess ESG matters as part of its ESG Due Diligence process. BOC PCL assesses the ability of clients to meet the social criteria based on current and upcoming regulatory requirements such as Corporate Sustainability Due Diligence Directive, United Nations Guiding Principles on Business and Human Rights etc. Therefore, the Bank has incorporated into its ESG questionnaires the following social risk aspects:

i. Human rights: Sub-areas relating to fundamental principles and rights at work, the presence of any policies related to affected communities, allegations by on human rights as well as an anti-competitive conduct
ii. Workforce: Sub-areas relating to workforce training and skills development, stakeholder engagement and gender equality

Sustainable Finance Framework

The Bank recognises the importance of social related aspects for both the community and its workforce, thus it incorporates those aspects into its Sustainable Finance Framework released in April 2023. Social Bonds/Loans for which the funds raised are exclusively allocated to eligible social projects including access to essential services (healthcare), employment generation and SME financing are being selected and managed based on the E&S policy of the Bank. The Bank will gradually broaden its scope to also consider social related risks and aims to have all material ESG risks incorporated in its overall Riak Management Framework.

17.2.3.1 Tools, identification, measurement, monitoring and mitigation of social risks (continued)

CSR actions in 2023:
Health pillar main actions:

i. More than 55,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by BOC PCL and the Cyprus Government in 1998, while the Group continued offering extensive support, financial and otherwise, towards the Centre. The cumulative contribution of the Group to the Bank of Cyprus Oncology Centre is approximately €70 million.
ii. The Group coordinated for one more year the fundraising campaign with the Cyprus Anticancer Society (CAS) under the new slogan "Be there". The campaign resulted in fund raising of €416,000 for CAS. In 2023, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners work with, and support several Patient Associations.

Education pillar main actions:

i. The Bank of Cyprus Cultural Foundation ('the Foundation') is a non-profit organisation established in 1984, protecting cultural heritage and supporting youth, curating two museums and five rare collections. The main strategic objectives of the Foundation are the promotion of research, the study of Cypriot culture in the fields of archaeology, history, art and literature, the preservation and dissemination of the cultural and natural heritage of Cyprus, with particular emphasis on the international promotion of the long-standing Greek culture on the island, the shift to research and development of cultural sustainability through European grants and the upgrading and promotion of the educational role of the Foundation. In addition, the Foundation is developing and upgrading the institution's social role for vulnerable/disadvantaged groups, aiming at permanent changes/adaptations in its museums and actions that promote and facilitate the participation of all vulnerable/disadvantaged groups in culture. The Foundation has more than 250 Cyprological editions, has organised and participated in more than 60 exhibitions in Cyprus and abroad, 100 conferences and more than 10,000 children have participated in its educational programmes since establishment.
ii. In 2023 IDEA successfully completed its 8th cycle, introducing its revamped Startup Program. The comprehensive business-creation training Program was redesigned to leverage on current trends to optimise efficiency and empower entrepreneurs. Through its extensive panel of more than 80 high-profile mentors and trainers working mostly pro-bono, participating startups work closely with industry experts to receive feedback, mentoring, consultation and professional services. In 2023 IDEA has brought to life innovative businesses relating to HR, eCommerce, booking & social platforms and real estate sectors, through its current start-ups: Hello Radius, Freyia Labs, Park in Town, Design Inspiration Group and Insavior. During 2023, 7 Start-ups joined IDEA, and 7 New companies were established, totalling 89 start-ups supported by 2023. In 2023 5 companies successfully completed the IDEA Startup Program, and 55 mentors and 40 trainers took part. Financial support provided in 2023 amounted to €100,000 (€20,000 to 5 companies), with a total number of 210 entrepreneurs being trained since 2015 and more than 100 new jobs being created by 2023.
iii. In 2023, the Group repeated the partnerships with various organisations to boost efforts around education, innovation and ingenuity. Additionally, the Group awards excellence and creativity among students, but also recognises students who stand out in international and local competitions, through awards and prizes. The Group also awarded talented youth in sports, through sport associations and academies.
iv. In 2023, the Group announced the 'Mathainoume Allios' (Update your skills) programme promoting economic and digital literacy. The programme is geared at senior citizens, but also any member of the public wishing to learn in simple terms and with images how to carry out their banking transactions easily by making use of the available technology and digital tools, through a series of presentations to municipalities and communities.
v. Road Safety is one more sub-pillar in Education that the Group is actively involved, through the organisation and support of campaigns such as friendly tire and mechanical inspections on vehicles, and activities in schools on road safety education, in partnership with expert NGOs, the Police and the Ministry of Transportation.

17.2.3.1 Tools, identification, measurement, monitoring and mitigation of social risks (continued)

Environmental pillar main actions:

i. The 'Melissa Zoi' Centre, a bee artificial insemination project for biodiversity, was inaugurated in June 2022, by BOC PCL and the Rotary Clubs of Cyprus. The initiative aims to revitalise the environment and restore economic activity to areas where honey is produced, and which were devastated by wildfires. The 2021 wildfires affected about 75% of beehives so the project aims to revive the destroyed ecosystem, revitalising the affected honey-producing communities. The goal is to provide the necessary support to nature and to the communities that suffer environmentally, financially and professionally. The Centre's operation will benefit nine communities and 38 small and medium-sized honey-making businesses.

ii. 'Seammahia', a joint Sea Venture, is a project funded by BOC PCL and includes the study and installation of two pilot systems for monitoring the quality of sea water; one in the area of the Ayia Napa Marina and one in the Blue Lagoon (Akamas peninsula) in Cyprus. The purpose is to monitor and record important water quality parameters in real time, for the provision of early detection of pollution indices, which in turn will provide warnings for necessary corrective actions to ensure environmental protection.

iii. The Bank of Cyprus SupportCY network of businesses and organizations joined forces and supported the Forest Department and the Cyprus Fire Services in the prevention and protection of Cypriot forests. Prevention measures and actions related to public awareness on the protection of forests, as well as fire protection programmes in the forests of Cyprus, were launched in the summer of 2023. Based on official statistical surveys, prevention is the most important factor in the protection of forests. A series of forest patrols has been programmed by the SupportCY Volunteers Corps and the Crises and Disasters Centre. Concurrently, educational and informative actions have been planned in shopping centres and rural municipalities with the collaboration of the Forest Department.

iv. Members of the SupportCY Volunteers Corps flew to Greece immediately after the deadly floods in the Larissa area to help the locals with the water pumping from buildings and houses. More specifically, with the use of their own pumps, SupportCY volunteers pumped tons of water out of the local elementary school, and in return students and teachers at the school organised an emotional ceremony, one month after the floods, to thank and honour them.

17.3 Governance Risk

17.3.1 Governance

The Sustainability Committee as described under the 17.1.2.1 Responsibilities of the management body for setting the risk framework section has the oversight of the totality of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the Board as well.

It is noted that very few companies in Cyprus are obliged to publish Sustainability reports. Under the EU Non-Financial Reporting Directive (NFRD) very limited number of entities in Cyprus met the Directive's criteria so there was no need to publish Sustainability reports. The EU Corporate Sustainability Reporting Directive (CSRD), apart from entities that are already within the scope of NFRD, will apply for large corporates for financial years starting 1 January 2025 and for listed small and medium sized entities for financial years starting 1 January 2026. Therefore, from 2026 and 2027 onwards better data availability and quality is expected to derive from the loan origination process.

Nevertheless, BOC PCL expects to collect information on counterparty governance matters through the process of incorporating ESG factors in the underwriting processes. In terms of governance issues, questions on board and executive committees will be included (composition and meetings), the publication of board committee members in its public disclosures and the interaction of the internal audit function with the audit committee. In case any type of sustainability reporting is produced, this it will be collected as part of this process. Currently, the Vendor management and procurement policy considers the governance of counterparties, e.g., suppliers.

Additionally, the Group strengthens its governance framework with a number of policies i.e. the Conflicts of Interest Policy, the Antibribery and Corruption Policy, the Whistleblowing Policy.

17.3.2 Risk Management

BOC PCL is also in the process of incorporating ESG factors within the context of its underwriting processes amending its policies and procedures in such a way that potential impact from ESG is reflected in the fundamental elements of the creditworthiness assessment i.e., in repayment capacity and collateral assessment. Through this process, counterparty governance information will be collected.

Recognition of Governance issues in the ESG Client Questionnaires

As mentioned earlier in Section 17.1.2.1, BOC PCL has developed ESG client questionnaires to identify and assess ESG matters as part of its ESG Due Diligence process. BOC PCL has incorporated the following governance aspects into its ESG questionnaires:

i. Corporate Social Responsibility: Sub-areas relating to governance, CSR strategy, ESG policies and the overall management of climate change and sustainability issues
ii. Management: Sub-areas relating to board composition, board sustainability committee, reporting and disclosures

In addition, BOC PCL's Lending Policy as part of determining the creditworthiness of legal entities requires that the following are assessed:

i. Qualitative elements, such as the customer's corporate governance (for example delegation of authority checks and balances, accountability, strategy formulation, managerial skills, succession, commitment of shareholders, pricing power of the company in the marked etc.) including dividend policy, compliance with audit requirements for financial accounts and compliance with tax obligations.
ii. The borrower's exposure to ESG factors. This is a general guideline rather than a prescriptive process.

18. Remuneration Policy and Practices

The Group Remuneration Policy captures provisions from the CSE Code, the UK Code in line with the Bank's decision to comply with the UK Code 2018 as of 26 November 2018, MiFID II, and relevant Directives and Guidance of the EU, the ECB and the CBC. The Group Remuneration Policy aims to align the remuneration of directors, Executive Management, officers and staff with the business strategy, objectives and long-term interests of the Group. It is consistent with the effective management of risks and does not encourage excessive risk-taking.

18.1 Board Human Resources and Remuneration Committee (HRRC)

18.1.1 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 Board for approval. In addition, the Board, 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;
- jointly with NCGC reviews and recommends for approval to the Board the remuneration packages of executive members of Group Board vis-à-vis their performance;
- reviews remuneration packages of senior management and other key personnel whose total annual fixed remuneration is equal to or greater than €500 thousand as follows:

18.1.1 The Role of HRRC (continued)

  - **All Divisional Directors that report directly to the CEO or Deputy CEO & Chief of Business or one of the EXCO members, General Managers of major subsidiaries (EuroLife, GIC) and other employees whose total annual remuneration is equal to or greater than five hundred thousand (500,000) euros :** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the Committee reviews and recommends to the Board for approval their remuneration packages, (including salary, pension policy or any additional provident fund, contributions, option plans and other types of compensation), as recommended by the CEO in cooperation with HR.
  - **Divisional Directors that report to Board Committees (Risk Management, Internal Audit, Compliance, Information Security):** Within the Group Remuneration Policy and the recommended level and structure of remuneration for senior management, the HRRC reviews and recommends to the Board for approval their remuneration packages, as recommended by the respective Committee (RC and AC) in cooperation with Human Resources.
- proposes to the Board for approval, the fees payable to the Chairperson and Vice Chairperson of the Board.

18.1.2 Composition and Meetings of the HRRC

The HRRC has a minimum of 3 members who are appointed by the Board on an annual basis. In 2023, the Committee comprised of 3 members, the majority of whom independent. Mrs Maria Philippou, a member of the Committee since 23 July 2018, was the Chair of the HRRC until her resignation on 13th October 2023. Mr Constantine Iordanou became the Chair of the Committee as of 13th October 2023.

The HRRC holds at least 6 meetings per year and, additionally, ad hoc meetings whenever called by the chairperson 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 10 meetings at Group level during 2023. In 2023, the HRRC focused on several key priorities. There was an emphasis on the continuous modernisation of pay practices, which included the implementation of the Long-Term Incentive Plan ('LTIP') and the design, approval, and announcement of a Short-Term Incentive Plan ('STIP'). Attention was also given to the Senior Management's performance evaluations and succession planning, as well as to the progress of transformational and people-related initiatives, such as Organizational Health. Additionally, the Committee has been kept informed of - and provided feedback on – various HR practices and initiatives.

The HRRC reviewed its terms of reference three times during 2023 in order to ensure continuing appropriateness and full alignment with regulatory framework.

18.1.3 Relevant Stakeholders

The HRRC ensures that internal control functions (i.e. Internal Audit, Risk Management and Compliance) and the HR Division are involved in the design, review and implementation of the Group Remuneration Policy.

In developing its Group Remuneration Policy, the Group takes into account the provisions that are included in the CSE Code, the UK Code as well as the CBC Directive on Internal Governance of Credit Institutions 2021 and incorporated the requirements for Remuneration Policies included in CRD V, as well as the regulatory restrictions currently pertinent to the banking sector.

18.2 Remuneration Schemes

Remuneration schemes in BOC PCL are subject to stakeholder consultation and are largely determined by the collective agreement with the Trade Union. They are also in line with the prevailing regulations and guidance.

18.2.1 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 is based on the following criteria:**
  - ➢ **Job Value:** The focus is on the job (requirements and contribution to the Banks business results) rather than the job holder's seniority or education.
  - ➢ **Individual contribution and potential:** The focus is on the employee's performance over time, his/her level of experience and his/her potential to undertake upgraded duties.
  - ➢ **Applicable legislation, regulations and collective agreement.**

- **Changes in fixed remuneration:**

Changes in fixed remuneration can be effected in the following cases:

I. **Annual Increments (Pay movement within Pay Scale):**
   - ➢ Granted to all employees based on tenure (annually, in January of each year).
   - ➢ The amount is fixed and is linked to the employee's salary scale.
   - ➢ Governed by the applicable provisions of the collective agreement.

II. **Merit Pay Increases:**
   - ➢ Granted on the basis of well-defined criteria, which are defined by the Merit Pay Committee set up jointly between BOC PCL and the Trade Union for this purpose.
   - ➢ Enables BOC PCL to differentiate and reward strong performers and create a performance culture.

III. **Promotions (Pay movement across Pay Scales):**
   - ➢ Granted to selected employees on the basis of well-defined criteria (job value, performance, potential, years of service / years at position).
   - ➢ Under normal circumstances, promotions to a higher salary scale are accompanied by the granting of an additional annual increment (of the new salary scale).

IV. **Other Increases (Ad hoc):**
   - ➢ In exceptional cases (e.g. as a defensive measure), BOC PCL has the discretion to grant a salary increase to specific members of staff, subject to a well-defined approval process.

18.2.2 Variable Remuneration

Variable remuneration refers to the additional discretionary remuneration paid to an individual as an incentive for increased productivity and competitiveness. It is based on the performance of the specific individual, the overall performance of the business unit the individual belongs to, the Group's consolidated financial results and the prevailing economic market conditions. Variable remuneration might include financial instruments such as cash bonus schemes, performance shares or share option plans, at the discretion of the Bank.

Variable remuneration should reflect a sustainable and risk adjusted performance. For the LTIP - Section 18.2.3, 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.

18.2.2 Variable Remuneration (continued)

Variable remuneration aims to:

a) Elicit the appropriate behaviors that will produce the desired outcome, both in the short and long term;
b) Increase employee's commitment towards the achievement of the Group's long-term objectives within a given set of values;
c) Enhance employee's performance over a long-term basis, within the Bank's risk-taking framework;
d) Align employee's long-term interests with those of the Bank's shareholders;
e) Ensure that the value created is shared fairly between employees and shareholders, and
f) Retain high performers and attract talent.

Up to 100% of variable remuneration is subject to claw back and malus in accordance with criteria which include the following:

- Evidence of misbehavior or serious error by the staff member (e.g. breach of Employee Code of Conduct, Code of Ethics, Employment Contract and other internal rules, especially concerning risks and compliance);
- When the Bank and/or the business unit in which the staff member works subsequently suffers a significant downturn in its financial performance;
- When the employee leaves the Group;
- When there are significant changes in the Bank's economic, or capital base;
- Manipulation of financial performance or window dressing practices, and
- Hedging against a downward adjustment in compensation.

The maximum variable remuneration that can be granted is set at 50% of fixed remuneration, in line with the applicable regulatory framework. Any deviations from the Remuneration policy with regards to the maximum level of variable remuneration that can be granted are examined by HRRC and are submitted to the Board for Director for recommendation by shareholders.

In case the Group benefits from government intervention, then all restrictions that derive from the relevant legislation will apply.

There were severance payments awarded during 2023 (full amount paid). These relate to the Voluntary Separation Scheme (not performance related) that was in place during 2023.

The Group did not benefit from any derogation laid down in Article 94 (3) of Directive 2013/36/EU.

18.2.3 Short-Term and Long-Term Incentive Plans (e.g. Performance Shares or Share Option Plans)

Long-Term Incentive Plan ('LTIP')
During the Annual General Meeting of the shareholders of the Company which took place on 20 May 2022, a special resolution was approved for the establishment and implementation of the share-based LTIP of Bank of Cyprus Holdings Public Limited Company, which is effective for 10 years since its adoption.

The LTIP is an equity-settled share-based compensation plan for executive directors and senior management of the Group. The LTIP provides for an award in the form of ordinary shares of the company based on certain non-market performance and service vesting conditions. Performance will be measured over a 3-year period. The performance conditions are set by HRRC each year and may be differentiated to reflect the Group's strategic targets and employee's personal performance, at HRRC's discretion. Performance will be assessed against an evaluation scorecard consistent with the Group's Medium Term Strategic Targets containing both financial and non-financial objectives and including targets in the areas of: (i) Profitability; (ii) Asset quality; (iii) Capital adequacy; (iv) Risk control & compliance; and (v) Environmental, Social and Governance ('ESG') targets.

18.2.3 Short-Term and Long-Term Incentive Plans (e.g. Performance Shares or Share Option Plans) (continued)

Under certain circumstances the HRRC has the discretion to determine whether the award will lapse and/or the extent to which the award will be vested.

In August 2023, the Board of Directors via the HRRC, approved the granting of awards for the 3-year performance period 2023-2025, as per the terms of the approved LTIP and the relevant authority provided from the Shareholders at the 2022 AGM. The design parameters, eligibility and target award levels are the same as those for the 2022 awards. The Key Performance Indicators, and relevant weights are also the same as those of the 2022 awards, but with updated targets/thresholds for this performance period, (as per the Group's strategic plan).

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

Short-Term Incentive Plan
In March 2023, the Board of Directors via the HRRC approved the implementation of a short-term incentive plan ("STIP"). STIP plan introduces pay-at risk for a wide group of employees, including executive directors of the Company, and is expected to assist in the further enhancement of a pay for performance culture, drive performance against the Group's annual objectives and enable the attraction and retention of talent.

STIP awards may be granted either in cash or a combination of cash and shares, in line with applicable regulatory requirements and other remuneration restrictions, provided the Group achieves its pre-defined financial targets. The performance of the Group and each eligible employee will be evaluated after the end of each respective performance period.

18.2.4 Non-Monetary Incentives

The BOC PCL has in place a Team Incentive scheme which is incentivising employees of the front line (Consumer and SME, Corporate Banking, International Business, Insurance Business) based on predefined KPIs. The awards given are all non-monetary and take the form of Hotel Accommodations or Weekend Trips for the whole team, so as to promote also the team bonding and team collaboration.

18.2.5 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.

18.2.6 Pension Fund obligation risk

Pension obligation risk is the risk caused by BOC PCL contractual or other liabilities to or with respect to a pension scheme. It also covers payments BOC PCL may make because of a moral or other obligation. BOC PCL has immaterial exposure to pension schemes and therefore there is no additional capital requirement for pension risk.

18.3 Design and Structure of Remuneration

18.3.1 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 Board meetings and decision-making for the governance of the Group, and for their participation in the committees of the Board and the boards of Group subsidiary companies. The shareholders' Annual General Meeting (AGM) held on 26 May 2023 approved an increase in the annual remuneration of the Chairperson of the Board and the remuneration of the NCGC members. The remuneration of the remaining members remained at the same levels of remuneration as those approved by the shareholders' AGM on 26 May 2020.

Non-Executive Directors are not eligible for variable remuneration or participation to a share option scheme.

18.3.2 Executive Directors

Remuneration Policy
The HRRC, jointly with the NCGC, is responsible to review and recommend for approval to the Board the remuneration packages of Executive Directors vis-à-vis their performance. In line with the UK Code the following factors are also considered: clarity, simplicity, risk, predictability and proportionality and finally alignment to culture. Both the CEO and the Executive Director Finance are employees of BOC PCL.

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, except for the CEO.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

Service Termination Agreements
The employment contract of Panicos Nicolaou, CEO, includes a clause for termination, by service of six months' notice to that effect by the executive director on grounds of change of control.

The terms of employment of Eliza Livadiotou, Executive Director Finance and executive member of the Board, are mainly based on the provisions of the collective agreement in place, which provide for notice or compensation by the BOC PCL based on years of service and for a four-month prior written notice by the executive director, in the event of a voluntary resignation.

Bonus
An amendment to the Directors' Remuneration Policy was approved at the 2023 AGM to facilitate the introduction of a Short-Term Incentive Plan involving the granting of cash awards to eligible employees of the Company and/or its subsidiaries, including executive directors of the Company, subject to the terms and conditions of the Short-Term Incentive Plan and any regulatory restrictions.

The STIP award may be granted either in cash or a combination of cash and shares, in line with applicable regulatory requirements and other remuneration restrictions.

During 2023 no bonus was paid in relation to the performance year 2022.

18.3.2 Executive Directors (continued)

For the performance year 2023 a Short-Term Incentive Plan was set up and communicated to employees, in which Executive Directors are eligible to participate, subject to the achievement of certain financial criteria and performance conditions. The assessment for the Executive Directors has been completed and amounts to be granted for the performance year 2023 have been approved by the relevant Board Committees and the Board in March 2024 and are scheduled to be released in 2024 (subject to the approval of a revised remuneration policy at the 2024 AGM, the STIP award may be partially deferred and released over a period of 5 years).

Retirement Benefit Schemes
The CEO participates in a defined contribution plan largely on the same terms as other employees.

The Executive Director Finance participates in a defined contribution plan on the same basis as other employees.

Share Options
No share options were granted to the executive directors during 2023 or 2022.

Long-term incentive plan
Share awards have been awarded under a long-term incentive plan to the executive directors during 2023 and 2022 as described in Section 18.2.3.

Other Benefits
Other benefits provided to the executive directors include other benefits provided to staff (e.g. car allowance), medical fund contributions and life insurance.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff

EU REM1 - Remuneration awarded for the financial year

		2023	a	b	c	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff***
			€ 000	**€ 000**	**€ 000**	**€ 000**
1	Fixed remuneration	**Number of identified staff**	**10**	**2**	**20**	**23**
2	Fixed remuneration	**Total fixed remuneration**	**1,077**	**1,155**	**3,321**	**2,237**
3	Fixed remuneration	Of which: cash-based	1,077	1,043	2,890	2,029
EU-4a	Fixed remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
5	Fixed remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Fixed remuneration	Of which: other instruments	-	-	-	-
7	Fixed remuneration	Of which: other forms**	-	112	431	208
9	Variable remuneration	**Number of identified staff**	**-**	**2**	**19**	**23**
10	Variable remuneration	**Total variable remuneration*****	**-**	**400**	**800**	**230**
11	Variable remuneration	Of which: cash-based	-	200	750	230
12	Variable remuneration	*Of which: deferred*	-	*120*	*30*	-
EU-13a	Variable remuneration	Of which: shares or equivalent ownership interests	-	200	50	-
EU-14a	Variable remuneration	*Of which: deferred*	-	*120*	*30*	-
EU-13b	Variable remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b	Variable remuneration	*Of which: deferred*	-	-	-	-
EU-14x	Variable remuneration	Of which: other instruments	-	-	-	-
EU-14y	Variable remuneration	*Of which: deferred*	-	-	-	-
15	Variable remuneration	Of which: other forms	-	-	-	-
16	Variable remuneration	*Of which: deferred*	-	-	-	-
17	**Total remuneration**		**1,077**	**1,555**	**4,121**	**2,467**

* List of identified staff approved in March 2023
** Amounts above are exclusive of employer's contribution to social security and related funds
*** Variable amounts shown above include (i) severance payments (€200 thousand) which were awarded in 2023 and are not performance related, paid in cash and without deferral and (ii) STIP amounts which are scheduled to be released to the STIP award granted in 2024 in respect of the performance year 2023. STIP amounts for Other Identified Staff will be finalised once the relevant assessments are completed and any applicable approvals have been obtained.

No share awards have vested during 2023, as the awards are subject to a three year performance period (2022-2024 & 2023-2025) (with all performance conditions being non-market performance conditions) and will be reported in the year of vesting.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM1 - Remuneration awarded for the financial year

2022*			a	b	c	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff****
			€ 000	**€ 000**	**€ 000**	**€ 000**
1	Fixed remuneration	**Number of identified staff**	**8**	**2**	**20**	**47**
2		**Total fixed remuneration**	**1,212**	**1,128**	**3,077**	**3,895**
3		Of which: cash-based	1,212	1,028	2,662	3,538
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	100	415	357
9	Variable remuneration*	**Number of identified staff**	**-**	**-**	**1**	**5**
10		**Total variable remuneration*****	**-**	**-**	**200**	**1,000**
11		Of which: cash-based	-	-	200	1,000
12		*Of which: deferred*	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		*Of which: deferred*	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		*Of which: deferred*	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		*Of which: deferred*	-	-	-	-
15		Of which: other forms	-	-	-	-
16		*Of which: deferred*	-	-	-	-
17	**Total remuneration**		**1,212**	**1,128**	**3,277**	**4,895**

* Amounts presented above for comparative year 2022 have been restated so as to exclude employer's contributions to social security and related funds, previously included, as they are considered to be a cost to the Group and do not form part of the Directors' remuneration.

** Other identified staff positions were approved by the Board in February 2022.

*** There were severance payments awarded during the financial year (full amount paid). These relate to the Voluntary Exit Plan (not performance related).

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

No share awards have vested during 2022, as the awards are subject to a three year performance period (2022-2024) (with all performance conditions being non-market performance conditions) and will be reported in the year of vesting.

The ''Other senior management'' emoluments include the remuneration of the members of the senior management namely:

- All Divisional Directors that report to the CEO, Deputy CEO & Chief of Business or an Executive Director (EXCO)-incl. Chief Legal Officer & Company Secretary
- General Managers of major subsidiaries (EuroLife Ltd and GIC) and
- Divisional Directors that report to Board Committees.

Other identified staff does not form part of other senior management.

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2023	a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
		€ 000	**€ 000**	**€ 000**	**€ 000**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	**Severance payments awarded during the financial year - Number of identified staff**	**-**	**-**	**1**	**-**
7	**Severance payments awarded during the financial year - Total amount**	**-**	**-**	**200**	**-**
8	Of which paid during the financial year	-	-	*200*	**-**
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	*200*	-
11	Of which highest payment that has been awarded to a single person	-	-	*200*	-

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2022	a	b	c	d
		MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
		€ 000	**€ 000**	**€ 000**	**€ 000**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	**Severance payments awarded during the financial year - Number of identified staff**	**-**	**-**	**1**	**5**
7	Severance payments awarded during the financial year - Total amount1	-	-	**200**	**1,000**
8	Of which paid during the financial year	-	-	*200*	*1,000*
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	*200*	*1,000*
11	Of which highest payment that has been awarded to a single person	-	-	*200*	*200*

No guaranteed variable remuneration was granted, and no severance payments awarded in previous periods have been paid out during 2023 and 2022. There were severance payments awarded during the financial year 2023 and 2022 (full amount paid), that relate to the Voluntary Exit Plan (not performance related).

There was no outstanding deferred remuneration as at 31 December 2023 and 2022.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

Template EU REM4 - Remuneration of 1 million EUR or more per year

One identified staff had total emoluments above €1.0 million for the year 2023 (none for the year 2022).

		a
2023	**EUR**	**Identified staff that are high earners as set out in Article 450(i) CRR**
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2023	a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff [1]**										**55**
2	Of which: members of the MB	10	2	12							
3	Of which: other senior management				1	3	1	7	4	4	
4	Of which: other identified staff				2	-	-	8	6	7	
5	**Total remuneration of identified staff [2,3] (€000)**	**1,077**	**1,555**	**2,632**	**411**	**566**	**203**	**2,514**	**1,383**	**1,511**	
6	Of which: variable remuneration (€ 000)	-	400	400	46	77	26	373	187	321	
7	Of which: fixed remuneration (€ 000)	1,077	1,155	2,232	365	489	177	2,141	1,196	1,190	

1. List of identified staff approved in March 2023.
2. Amounts above are exclusive of employer's contribution to social security and related funds.
3. Variable amounts shown above include (i) severance payments (€200 thousand) which were awarded in 2023 and are not performance related, paid in cash and without deferral and (ii) STIP amounts which are scheduled to be released to the STIP award granted in 2024 in respect of the performance year 2023. STIP amounts for Other Identified Staff will be finalised once the relevant assessments are completed and any applicable approvals have been obtained.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	2022	a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**77**
2	Of which: members of the MB	8	2	10							
3	Of which: other senior management				1	4	2	7	3	3	
4	Of which: other identified staff				3	3	6	11	14	10	
5	**Total remuneration of identified staff (€000)**	**1,212**	**1,128**	**2,340**	**564**	**959**	**837**	**2,636**	**1,791**	**1,385**	
6	Of which: variable remuneration (€ 000)	-	-	-	200	200	-	400	200	200	
7	Of which: fixed remuneration (€ 000)	1,212	1,128	2,340	364	759	837	2,236	1,591	1,185	

Amounts presented above for comparative year 2022 have been restated so as to exclude employer's contributions to social security and related funds, previously included, as they are considered to be a cost to the Group and do not form part of the Directors' remuneration. Also, categories of business areas were revised to be in line with changes on organisational structure.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

The fees of the non-executive directors include fees as members of the Board of the Company and its subsidiaries, as well as of committees of the Board. They include the fees and benefits for the period that they serve as members of the Board. There is no other remuneration other than what is disclosed in this note.

Information regarding the remuneration of Members of the Board of Directors

2023	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	Assessment of the value of benefits that are considered to form remuneration **	Annual contribution to retirement benefits	Total Fixed Remuneration	Remuneration in the form of Shared-based payment (LTIP)***	Remuneration in the form of Bonus payment (STIP)****	Total Variable remuneration	Total Remuneration
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors											
Panicos Nicolaou (Chief Executive Officer)	750	-	**750**	-	11	68	**829**	-	300	**300**	**1,129**
Eliza Livadiotou (Executive Director Finance)	293	-	**293**	-	7	26	**326**	-	100	**100**	**426**
Non-Executive Directors											
Efstratios-Georgios Arapoglou	-	250	**250**	-	-	-	**250**	-	-	**-**	**250**
Arne Berggren (resigned on 31 March 2023)	-	30	**30**	-	-	-	**30**	-	-	**-**	**30**
Lyn Grobler	-	155	**155**	-	-	-	**155**	-	-	**-**	**155**
Ioannis Zographakis (resigned on 31 December 2023)	-	113	**113**	-	-	-	**113**	-	-	**-**	**113**
Paula Hadjisotiriou (resigned on 31 December 2023)	-	141	**141**	-	-	-	**141**	-	-	**-**	**141**
Maria Philippou (resigned on 13 October 2023)	-	77	**77**	-	-	-	**77**	-	-	**-**	**77**
Nicolaos Sofianos (resigned on 11 December 2023)	-	117	**117**	-	-	-	**117**	-	-	**-**	**117**
Constantine Iordanou	-	148	**148**	-	-	-	**148**	-	-	**-**	**148**
Monique Hemerijck (appointed on 10 August 2023, following ECB approval)	-	38	**38**	-	-	-	**38**	-	-	**-**	**38**
Adrian John Lewis (appointed on 17 November 2023, following ECB approval)	-	8	**8**	-	-	-	**8**	-	-	**-**	**8**
	1,043	**1,077**	**2,120**	**-**	**18**	**94**	**2,232**	**-**	**400**	**400**	**2,632**

* Exclusive of employer's contributions to social security and related funds
** Benefits include taxable amount for Benefit in kind – car
*** Refers to amounts under LTIP cycles for which the performance period ended during the reporting period. No LTIP cycles had a performance period ended in 2023, therefore, no amounts are reported.
**** The STIP amounts shown above are the full amounts scheduled to be released to the STIP award approved in 2024 in respect of the performance year 2023 and includes both amounts expected to vest in 2024 and amounts to be deferred in following years. Subject to the approval of a revised remuneration policy at the 2024 AGM, the STIP award will be partially deferred and released over a period of 5 years.

18.4 Fees and Emoluments of Members of the Board of Directors and Other Identified Staff (continued)

Information regarding the remuneration of Members of the Board of Directors

2022*	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	Assessment of the value of benefits that are considered to form remuneration	Annual contribution to retirement benefits	Total Fixed Remuneration	Remuneration in the form of Shared-based payment (LTIP)***	Remuneration in the form of Bonus payment (STIP)****	Total Variable remuneration	Total Remuneration
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Executive Directors											
Panicos Nicolaou (Chief Executive Officer)	750	-	**750**	-	11	60	**821**	-	-	-	**821**
Eliza Livadiotou (Executive Director Finance)	278	-	**278**	-	7	22	**307**	-	-	-	**307**
Non-Executive Directors											
Efstratios-Georgios Arapoglou	-	250	**250**	-	-	-	**250**	-	-	-	**250**
Maksim Goldman****	-	39	**39**	-	-	-	**39**	-	-	-	**39**
Arne Berggren	-	120	**120**	-	-	-	**120**	-	-	-	**120**
Lyn Grobler	-	160	**160**	-	-	-	**160**	-	-	-	**160**
Michael Heger*****	-	39	**39**	-	-	-	**39**	-	-	-	**39**
Ioannis Zographakis	-	153	**153**	-	-	-	**153**	-	-	-	**153**
Paula Hadjisotiriou	-	128	**128**	-	-	-	**128**	-	-	-	**128**
Maria Philippou	-	105	**105**	-	-	-	**105**	-	-	-	**105**
Nicolaos Sofianos	-	125	**125**	-	-	-	**125**	-	-	-	**125**
Constantine Iordanou	-	93	**93**	-	-	-	**93**	-	-	-	**93**
	1,028	**1,212**	**2,240**	**-**	**18**	**82**	**2,340**	**-**	**-**	**-**	**2,340**

* Amounts presented above for comparative year 2022 were restated so as to exclude employer's contributions to social security and related funds, as they are considered to be a cost to the Group and do not form part of the Directors' remuneration. Similarly, in respect of variable remuneration, only amounts under the STIP awarded for the performance year are included; whereas amounts under the LTIP are included in the year the performance period of an LTIP cycle ends.
** Exclusive of employer's contributions to social security and related funds.
*** Refers to amounts that vested during the reporting period. No amounts vested during the year 2022 therefore no amounts are reported.
**** No Short-term Incentive Plan was in place for the performance year 2022.
***** Following the shareholders' vote on 20 May 2022, Mr Maksim Goldman and Dr. Michael Heger were not re-elected to the Board of Directors of the Company.

18.5 Additional Information

Every year, the HRRC proposes to the Board, 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.

19. Leverage

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

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

Sections 19.1 to 19.3 below provide analyses on the leverage ratio components.

19.1 Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

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

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

		a	b
		31 December 2023	**31 December 2022 (restated)**
		€ million	**€ million**
1	**Total assets as per published financial statements**	**26,629**	**25,289**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(869)	(803)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	4	12
9	Adjustment for securities financing transactions (SFTs)	3	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	794	706
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments	(172)	(49)
13	**Total exposure measure**	**26,389**	**25,155**

The increase in the overall total balance sheet assets mainly due to an increase in investments was the major driver behind the increase in the Total exposure measure.

19.2 Leverage Ratio Common Disclosure

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

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2023	31 December 2022 (restated)
	On-balance sheet exposures (excluding derivatives and SFTs)	€ million	€ million
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**25,179**	**24,341**
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(46)	49
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**25,133**	**24,390**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	31	29
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	24	31
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**55**	**60**

19.2 Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2023	31 December 2022 (restated)
	Securities financing transaction (SFT) exposures	€ million	€ million
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	403	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	3	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**406**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,689	2,598
20	(Adjustments for conversion to credit equivalent amounts)	(1,895)	(1,892)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**794**	**706**

19.2 Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2023	31 December 2022 (restated)
	Excluded exposures	€ million	€ million
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	-	-
	Capital and total exposure measure		
23	**Tier 1 capital**	**2,018**	**1,760**
24	**Total exposure measure**	**26,389**	**25,155**

19.2 Leverage Ratio Common Disclosure (continued)

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2023	31 December 2022 (restated)
	Leverage ratio	**€ million**	**€ million**
25	Leverage ratio	7.65%	7.00%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.65%	7.00%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.65%	7.00%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	**Transitional**	**Transitional**
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	306	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	403	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	26,291	25,155
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	26,291	25,155
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.68%	7.00%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.68%	7.00%

Rows 6 and 23 are reported on a transitional basis.

The leverage ratio has increased due to the increase in Tier 1 capital driven by factors described in Section 5.1.

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

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

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

		a	b
		CRR	
		Leverage ratio exposures	
		31 December 2023	**31 December 2022**
		€ million	**€ million**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**25,179**	**24,341**
EU-2	**Trading book exposures**	**-**	**-**
EU-3	**Banking book exposures, of which:**	**25,179**	**24,341**
EU-4	Covered bonds	287	109
EU-5	Exposures treated as sovereigns	12,339	11,630
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	20	21
EU-7	Institutions	928	710
EU-8	Secured by mortgages of immovable properties	3,852	3,877
EU-9	Retail exposures	1,673	1,598
EU-10	Corporates	3,584	3,578
EU-11	Exposures in default	197	261
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,299	2,557

There is an increase in banking book exposures for which Section 11 Credit Risk Under the Standardised Approach provides information on movements between the various exposures' classes.

20. Liquidity Requirements

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

During 2023, an increase in liquid assets was observed mainly due to the increase in HQLAs as a result of the increase in customer deposits by c.€339 million, the issuance of Senior Preferred Notes of €350 million and sales of properties.

The Group LCR was as follows as at 31 December 2023 and 2022:

Group LCR	2023 %	2022 %
31 December	359	291
Average Ratio[1]	330	299
Highest ratio	359	314
Lowest ratio	302	288

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

The LCR of the Group amounted to 359% as at 31 December 2023 (31 December 2022: 291%).

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

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

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

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

b) Adverse market movements affecting the mark to market.

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

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

The Group also monitors its position against NSFR. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities. At 31 December 2023 the Group's NSFR stood at 158% (compared to 168% at 31 December 2022).

20. Liquidity Requirements (continued)

EU LIQ1 - Quantitative information of LCR

Scope of consolidation: **Consolidated**									
		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on:		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2023	30 September 2023	30 June 2023	31 March 2023
		€million	€million	€million	€million	€million	€million	€million	€million
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					11,276	10,879	10,756	10,425
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	12,848	12,886	12,911	12,876	625	626	622	611
3	Stable deposits	6,739	6,761	6,767	6,742	337	338	338	337
4	Less stable deposits	2,348	2,356	2,332	2,267	288	288	284	274
5	Unsecured wholesale funding	5,490	5,454	5,356	5,209	2,779	2,798	2,803	2,777
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	5,487	5,450	5,351	5,205	2,776	2,794	2,798	2,773
8	Unsecured debt	3	5	5	5	3	5	5	5
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	389	366	338	317	138	138	133	128
11	Outflows related to derivative exposures and other collateral requirements	110	112	109	107	110	112	109	107
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	279	255	229	210	28	26	24	21
14	Other contractual funding obligations	167	178	170	158	167	178	170	158
15	Other contingent funding obligations	2,382	2,378	2,368	2,357	210	209	206	203
16	TOTAL CASH OUTFLOWS					3,919	3,949	3,934	3,878
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	311	301	288	281	229	222	209	203
19	Other cash inflows	916	925	938	957	187	189	191	195
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	1,227	1,226	1,226	1,239	416	410	400	398
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	1,227	1,226	1,226	1,239	416	410	400	398
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					11,556	11,159	10,756	10,425
22	TOTAL NET CASH OUTFLOWS					3,503	3,539	3,534	3,480
23	LCR (%)					330%	316%	304%	300%

20. Liquidity Requirements (continued)

EU LIQ2: Net Stable Funding Ratio

	31 December 2023	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		€ million	€ million	€ million	€ million	€ million
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**1,927**	**-**	**-**	**300**	**2,227**
2	Own funds	1,927	-	-	300	2,227
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**11,143**	**975**	**837**	**12,194**
5	Stable deposits		8,251	753	652	9,205
6	Less stable deposits		2,892	223	185	2,989
7	**Wholesale funding:**		**7,964**	**116**	**1,017**	**3,369**
8	Operational deposits		-	-	-	-
9	Other wholesale funding		7,964	116	1,017	3,369
10	Interdependent liabilities		-	-	-	-
11	**Other liabilities:**	38	**364**	**-**	**740**	**740**
12	NSFR derivative liabilities	38				
13	All other liabilities and capital instruments not included in the above categories		364	-	740	740
14	**Total available stable funding (ASF)**					**18,530**

20. Liquidity Requirements (continued)

EU LIQ2: Net Stable Funding Ratio

31 December 2023		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		€ million	€ million	€ million	€ million	€ million
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**135**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		**50**	**-**	**-**	**25**
17	**Performing loans and securities:**		**959**	**434**	**8,623**	**8,526**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	403	403
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		294	33	194	240
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		439	257	4,555	4,328
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	Performing residential mortgages, of which:		145	90	2,931	2,924
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*134*	*82*	*2,687*	*2,781*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		81	55	539	534
25	Interdependent assets		-	-	-	-
26	**Other assets:**		**1,175**	**12**	**2,142**	**2,872**
27	Physical traded commodities		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		79	-	-	79
30	NSFR derivative liabilities before deduction of variation margin posted		14	-	-	1
31	All other assets not included in the above categories		1,082	12	2,142	2,793
32	Off-balance sheet items		**1,880**	**165**	**630**	**134**
33	**Total RSF**					**11,692**
34	**Net Stable Funding Ratio (%)**					**158%**

20. Liquidity Requirements (continued)

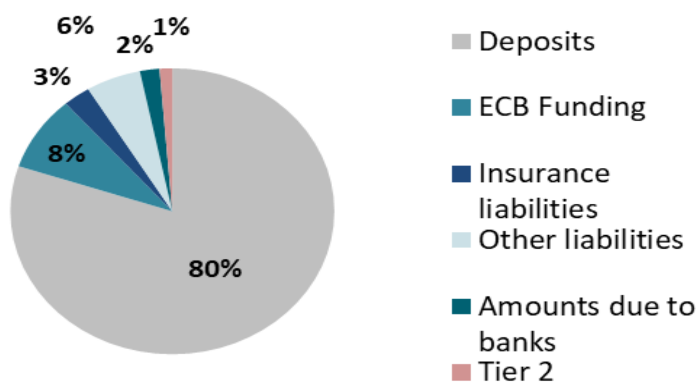
As at 31 December 2023 and 2022, the Group is in compliance with its regulatory liquidity requirement with respect to the LCR and NSFR.

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

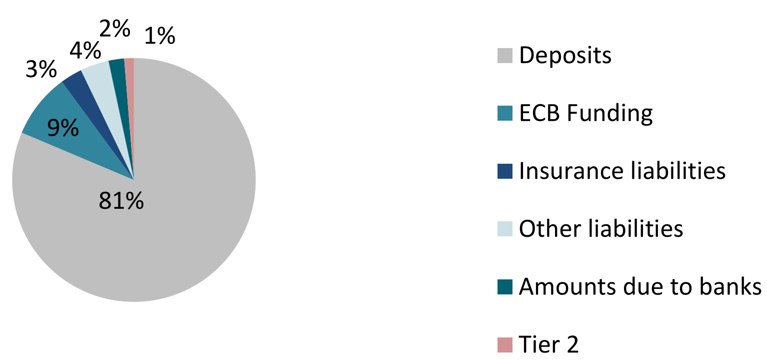
Current State of Funding and Funding sources
As at 31 December 2023, the Group had available liquids of c. €13 billion compared to c.€11.4 billion at the end of 2022. The increase is primarily due to the increase in customer deposits by c.€339 million, the issuance of Senior Preferred Notes of €350 million and the sale of properties.

As presented in the chart below, as at 31 December 2023 the Group's liabilities as per the Consolidated Balance Sheet in published financial statements were mainly composed of customer deposits amounting to 80% (2022: 81%).

Dec 2023



Dec 2022



20. Liquidity Requirements (continued)

The credit ratings of the Republic of Cyprus by S&P and Fitch are at investment grade level during 2023 while Moody's has upgraded it to investment grade in September 2023. Given this the Cyprus Government Bonds have remained eligible collateral for Eurosystem monetary operations.

The ECB pool as at December 2023 contained ACCs, the retained issue of the Bank's covered bond and eligible bonds. Most of the pool is used as collateral for the outstanding €2 billion ECB funding.

Impediments for the prompt transfer of funds between the parent entity and its subsidiaries
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.

21. Credit Risk Mitigation Techniques

21.1 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 activities / sectors of the economy where the Bank is not willing to finance or may finance under strict conditions.
- 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, 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 guidelines 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.

21.2 Disclosure of the use of credit risk mitigation techniques

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

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

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

Guarantees and credit derivatives used as credit protection for the purposes of reducing capital requirements
The main type of guarantees counterparties recognised as credit risk mitigants in calculating RWA and capital requirements are:

21.2 Disclosure of the use of credit risk mitigation techniques (continued)

a. Government: Guarantees issued by sovereigns are usually governed by the respective law of the country that issues the guarantee and they should be signed by an authorised representative of the government issuing the guarantee.
b. Bank: They include guarantees issued by local and foreign banks. Bank guarantees are accepted in line with the various Group limits set by the MLR and which are based on each bank's credit worthiness.
c. Qualifying Multilateral Development Banks: Explicit guarantees through government/EU support programs for products that satisfy strict minimum requirements under the support programs.

The Group does not have any credit derivatives.

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

31 December 2023	Exposures unsecured – carrying amount	Exposures secured - carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	€ million	€ million	€ million	€ million	€ million
Total loans and advances to customers	10,939	9,183	9,130	53	-
Total debt securities	3,545	-	-	-	
Total exposures	**14,484**	**9,183**	**9,130**	**53**	**-**
Of which non-performing exposures	9	235	234	1	-
Of which defaulted	*9*	*235*			

31 December 2022	Exposures unsecured – carrying amount	Exposures secured - carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	€ million	€ million	€ million	€ million	€ million
Total loans and advances to customers	10,582	9,037	8,984	53	-
Total debt securities	2,502	-	-	-	
Total exposures	**13,084**	**9,037**	**8,984**	**53**	**-**
Of which non-performing exposures	10	272	270	2	-
Of which defaulted	*10*	*272*			

Balances of debt securities have increased further during 2023. This was the net result of various purchases that took place during the year which included mainly Cyprus and other sovereign bonds, bonds of financial institutions (mainly covered), corporates and supranational organizations and maturities of debt securities which consisted mainly of bonds issued by financial institutions, supranational, development banks, agencies, Cyprus and other sovereign bonds.

21.3 Main Types of Collateral Accepted

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

The Group sets the following criteria for accepting collaterals:

a. They should be sufficient to cover the proposed facility throughout its duration.

21.3 Main Types of Collateral Accepted (continued)

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. The use of alternative property as collateral is acceptable if all of the following apply: (a) there is a valid reason for not obtaining the financed property as collateral (b) the alternative collateral fully covers the finance amount or has the same value as the one to be financed, and (c) an official valuation is performed for both properties by the same valuer and the alternative collateral is deemed to be at least as easily realisable as the property to be financed. When the collateral is in the name of a third party, the personal/corporate guarantee of the third party is usually obtained. For capital efficiency, the duration/maturity of the collateral should be at least the same as that of the facility. Collaterals cover facilities as per agreement with the customer and Bank approval.

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

Collaterals which may be accepted by the Bank to secure credit facilities include, among others, mortgages on immovable property, cash, government, bank, corporate and personal guarantees, assignments of sales contracts, fixed and floating charges on assets, assignment of life/general insurance policies, assignment of receivables and pledge on marketable securities.

21.3.1 Collateral Valuation Policy

It is essential that collaterals offered to the Bank 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 Bank and that they can be taken into account for capital adequacy purposes.

21.3.1.1 Mortgages on immovable property (Legal Charge on Property)

Mortgaged property is valued by approved independent valuers based on the standards, policies and procedures set by the Bank’s Premises & Valuations Department.

Valuation Values & Other Information

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, and where the parties involved had each acted knowledgeably, prudently and without compulsion.
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).
d. Environmental, health and safety issues: any serious issues such as physical risks are provided in the valuation report. These should be taken into account, and relevant action taken as per the provisions of the Environmental and Social Policy and related circulars.
e. Any other issues that need to be brought to the attention of the Bank e.g., issues that affect the marketability of the property and an additional haircut may be adopted on the values provided.

21.3.1.1 Mortgages (Legal Charge on Property) (continued)

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).

External Valuers/Monitoring & Control of Valuations

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

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

Valuation Frequency/Monitoring

The number and frequency of valuations is described in detail in the Bank's Valuation Policy and is aligned with the regulatory framework and relevant guidelines. This takes into account factors such as the lending amount, the property value, Loan-to-Value thresholds and date of last available valuation.

For the purpose of monitoring and indexing property values the relevant Property price indices (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 monitoring rules of the Bank are aligned with the CRR requirements on the monitoring of immovable property collateral.

APPENDIX I – Biographies of the directors including experience and knowledge

Below bibliography information presents the names and brief biographical details including each director's background, external directorships, and whether these are executive or non-executive, experience and independent status and also presents information on the two NEDs who resigned on 31 December 2023 but had served on the Board throughout 2023.

Efstratios-Georgios (Takis) Arapoglou (Chairperson)

Mr. Arapoglou has had an earlier career in International Capital Markets and Corporate & Investment banking based in London and later in managing, restructuring, and advising publicly listed Financial Institutions and Corporates, primarily in Southeast Europe and the Middle East.

Most recent executive assignments include Managing Director and Global Head of the Banks and Securities Industry for Citigroup; Chairman and CEO of the National Bank of Greece; CEO of Commercial Banking at EFG-Hermes Holding SAE.

He is currently holding the following non-executive board positions: (i) Chairman of Bank of Cyprus Group, listed on the LSE, (ii) Chairman of Tsakos Energy Navigation (TEN) Ltd, listed on the NYSE, and (iii) Board member of EFG-Hermes Holding SAE, listed on the Cairo Stock Exchange and the LSE.

Mr. Arapoglou holds an MSc in Finance and Management from the University of Brunel, London, a BSc in Naval Architecture and Ocean Engineering from the University of Glasgow and a BA in Mathematics and Physics from the University of Athens.

He has extensive experience in international capital markets and in corporate, commercial and investment baking in Southeast Europe, the UK, the Middle East, and Africa.

Term of Office:

Appointed to the Board of the Bank and BOCH in June 2019

External Appointment:

Tsakos Energy Navigation (TEN) Ltd
EFG-Hermes Holding SAE

Independent:

Yes, on an ongoing basis.
(Mr. Arapoglou commits the appropriate time for the Group's business, approximately 60-70 days per year. He has no remuneration from the Group other than as Chairperson of the Board and Chairperson of the NCGC).

Committee Membership:

Chairman of the NCGC

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Lyn Grobler (Vice-Chair)

Ms. Grobler is an experienced executive with a strong track-record in technology and IT roles. She was appointed as a Group Chief Information Officer (CIO) at Howden Group Holdings (formerly Hyperion Insurance Group) in 2016. Prior to this she was Vice President and CIO Corporate Functions at BP where she led the transformation of both the organization and the digital landscape through introducing sustained change in process, capability and technology, having held a variety of roles across IT and global trading for over 16 years. Before BP, Mrs Grobler managed large scale global technology projects and strategies within banking and trading based in both London and South Africa.

She holds a Higher National Diploma in Computer Systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University in South Africa.

Mrs Grobler has significant experience in IT and digital transformation and benefits from oversight experience in a number of external directorships.

Term of Office:	**External Appointment:**
Appointed to the Board of the Bank and BOCH in February 2017	Howden Group Titan Cement International SA
Independent:	**Committee Membership:**
Yes	Member of the Risk Committee Member of the Human Resources & Remuneration Committee Member of the Nominations & Corporate Governance Committee

Paula Hadjisotiriou

Ms. Hadjisotiriou started her accountancy career at Howard, Wade & Jacob before moving to PricewaterhouseCoopers. Following an eight-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in Banking in Greece, between 1990-2015, first with Eurobank Ergasias S.A. as Group Chief Financial Officer, and then with National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently, Ms Hadjisotiriou serves as an advisor to the EFG International Group in Switzerland and the UK.

Ms Hadjisotiriou is a Chartered Accountant (Institute of Chartered Accountants of England and Wales (ICAEW)).

Mrs Hadjisotiriou has significant experience in financial institutions and benefits from oversight experience in a number of external directorships.

Term of Office:	**External Appointment:**
Appointed to the Board of the Bank and BOCH in August 2018 Resigned from the Board of the Bank and BOCH on 31 December 2023	Credit Suisse (Europe) SA EFG Private Bank Limited Titan Cement International S.A.
Independent:	**Committee Membership:**
Yes	Member of the Audit Committee Member of the Risk Committee Member of the Technology Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

M.E. Hemerijck (Chair of the RC)

Ms. Hemerijck has 30 years of work experience in various senior/executive roles in Risk/Financial Management in Banking & Insurance, as well as, with the Dutch Central Bank. During the last 10 years she fulfilled the roles of CRO and member of the Executive Board within NN Group and ING Group. Since December 2021, she has been appointed as a Non-Executive Board Member of the Portuguese bank Caixa Geral de Depósitos in Lisbon. Her key responsibilities have been related to risk & finance, corporate governance and strategy, balance sheet & capital management and financial/risk reporting & disclosures.

Prior to joining the ING Group, she worked for the Dutch Central Bank having performed various roles in Econometric Research, Monetary Policy, Asset Management and Supervision of International Conglomerates. She has extensive experience within the financial services industry, experience as (Non) Executive Board member and in Supervision, expertise on finance & risk, asset management, balance sheet & capital management.

Ms. Hemerijck has a master's degree in Economics from Tilburg University. She has also obtained a certificate from the Advanced International Corporate Finance Programme from INSEAD for CFOs and other senior management.

She is an experienced executive in risk management and has oversight experience from a number of external directorships.

Term of Office:
Appointed to the Board of the Bank and BOCH in August 2023

External Appointment:
Caixa Geral de Depositos SA

Independent:
Yes

Committee Membership:
Chair of the Risk Committee
Member of the Human Resources and Remuneration Committee

Constantine Iordanou (Senior Independent Director)

Mr. Iordanou was Chairman and Chief Executive Officer (CEO) of Arch Capital Group Limited ('Arch'), since August 2003 and Director since January 2002 (retired in September 2019). Before joining Arch as one of its founders in 2002, Mr. Iordanou served in various capacities for Zurich Financial Services ('Zurich') and its affiliates, including as Senior Executive Vice President of group operations and business development of Zurich Financial Services, President of Zurich-American Specialties Division, Chief Operating Officer and CEO of Zurich American, as well as CEO of Zurich North America. Before joining Zurich in March 1992, he was President of the commercial casualty division of the Berkshire Hathaway Group and Senior Vice President of the American Home Insurance Company, a member of the American International Group.

He holds an Aerospace Engineering degree from New York University.

Mr. Iordanou has significant experience in insurance business and benefits from oversight experience in a number of external directorships.

Term of Office:
Appointed to the Board of the Bank and BOCH in November 2021

External Appointment:
Vantage Group Holdings Ltd (Non-Executive Director)

Independent:
Yes

Committee Membership:
Chair of the Audit Committee
Chair of the Human Resources and Remuneration Committee
Chair of the Technology Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Ioannis Zographakis

Mr. Zographakis started his career in 1990 with Citibank in Greece as a management associate for Europe, Middle East & Africa (EMEA). He then worked as the deputy treasurer and treasurer for the Citibank Consumer Bank in Greece, before moving to the United States in 1996 as the director of finance for Citibank CitiMortgage. In 1997, he became the financial controller for Citibank's consumer finance business in the United States and then he was the director of finance and acting chief financial officer for the consumer assets division. From 1998 to 2004, he worked in the Student Loan Corporation, a Citigroup subsidiary and a New York Exchange traded company. He started as the chief financial officer, became the chief operations officer and in 2001 he was named the chief executive officer. In 2005, he moved back to Europe as Citibank's consumer lending head for EMEA and head of its UK Retail Bank. In 2006, he took the position as Citibank's Retail Bank head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested.

He has been a director for the SLC in the United States, a director for Tiresias (Greek Credit Bureau), and the secretary of the audit committee, a director and member of the audit committee for Diners Club Greece, the vice-chairman of the Citi Insurance Brokerage Board in Greece and the chairman of the Investments and Insurance Supervisory Committee in CitiBank Greece. He has also served as a non-executive director for the National Bank of Greece group during 2018-2019.

He holds a master's degree in Business Administration (management) from Carnegie Mellon University in the United States and a bachelor's degree in Civil Engineering from Imperial College in London.

Term of Office:	**External Appointment:**
Appointed to the Board of the Bank and BOCH in September 2013 Resigned from the Board of the Bank and BOCH on 31 December 2023	Eternity Capital Management Ltd Attica Bank Five Guys Wines Ltd
Independent:	**Committee Membership:**
No	Member of the Technology Committee Member of the Nominations and Corporate Governance Committee

Adrian J. Lewis

Mr. Lewis has wide experience within equity capital markets and investment banking. From 2013-2020 he was Head of ECM for EMEA at HSBC. Prior to that he worked for 20 years at UBS Investment Bank, mainly within equity capital markets. He currently works supporting early-stage companies with the London-based boutique advisor Namier Capital.

He studied Maths and Philosophy at the University of Oxford (M.A. Hons).

Term of Office:	**External Appointment:**
Appointed to the Board of the Bank and BOCH in November 2023	Bumblebee Power Ltd
Independent:	**Committee Membership:**
Yes	Member of the Audit Committee

APPENDIX I – Biographies of the directors including experience and knowledge (continued)

Executive Directors

Panicos Nicolaou (CEO)

Mr. Nicolaou is the Chief Executive Officer and since 1 September 2019 he has been an Executive Member of the Board of Directors.

He joined the Bank in January 2001 and started his career serving at various positions, mainly in the Corporate and Credit Risk departments. He was the Manager in the Restructuring and Recoveries Division from April 2014 until June 2016. From June 2016 until August 2019, he served as Director of Corporate Banking Division.

He holds a diploma (5-year degree) in Mechanical Engineering from National Technical University of Athens (Metsovio Polytechnic) in Greece, and an MSc in Mechanical & Industrial Engineering from the University of Illinois at Urbana-Champaign in the USA. He also holds a BSc in Financial Services/ACIB from the School of Management, UMIST in the UK.

Mr. Nicolaou is Chairman of the Board of Directors of the Association of Cyprus Banks (ACB), Chairman of the Board of Directors of the Employers' Association of Cyprus Banks, and member of the Board of Directors of the European Banking Federation (EBF). He is also Board member and member of the Executive Committee of the Cyprus Employers & Industrialists Federation (OEB).

Term of Office:

Appointed to the Board of the Bank and BOCH in September 2019

External Appointment:

Association of Cyprus Banks (ACB)
Employer's Association of Cyprus Banks
European Banking Federation (EBF)
Cyprus Employers & Industrials Federation (OEB)

Independent:

No

Committee Membership:

None

Eliza Livadiotou (Executive Director Finance)

Ms. Livadiotou is the Executive Director Finance and since 6 October 2021 she has been an Executive Member of the Board of Directors. She is responsible for Finance, Treasury, Strategy and Corporate Finance, Investor Relations, ESG, Real Estate Management, Restructuring & Recoveries, Regulatory Affairs, Procurement and Economic Research. She began her career in 1995 with the audit firm Arthur Andersen in Cambridge, UK, where she qualified as a Chartered Accountant. In 1999 she joined Bank of Cyprus, as Assistant to the Group Chief General Manager. In 2005, she moved to the Finance Division. In December 2013, Ms. Livadiotou was appointed Chief Financial Officer (CFO), and from 2016 to late 2021 she was responsible for the Finance and Treasury Divisions.

Ms. Livadiotou studied Economics at the University of Cambridge (MA Hons). She is a member of the Board of Trustees of the Bank of Cyprus Oncology Centre, a Non-Independent and Non-Executive member of the Board of Directors of CISCO, and a member of the banking committee of the Institute of Chartered Accountants in England and Wales.

Term of Office:

Appointed to the Board of the Bank and BOCH in October 2021

External Appointment:

None

Independent:

No

Committee Membership:

None

APPENDIX II – Basis of Consolidation of Group entities for regulatory purposes

The subsidiary companies and branches, their activities and their consolidation method as at 31 December 2023 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 Holdings Public Limited Company	Full consolidation	x	-	-	-	Holding company
Bank of Cyprus Public Company Ltd	Full consolidation	x	-	-	-	Commercial bank
Auction Yard Ltd	Full consolidation	x	-	-	-	Auction company
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	Full consolidation	x	-	-	-	Administration of guarantees and holding of real estate properties
BOC Asset Management Romania S.A.	Full consolidation	x	-	-	-	Collection of the existing portfolio of receivables, including third party collections
JCC Payment Systems Ltd	Full consolidation	x	-	-	-	Card processing transaction services
LCP Holdings and Investments Public Ltd	Full consolidation	x	-	-	-	Investments in securities and participations in companies and schemes that are active in various business sectors and projects
MC Investment Assets Management LLC	Full consolidation	x	-	-	-	Problem asset management company
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Full consolidation	x	-	-	-	Investment banking, brokerage, discretionary asset management and investment advice services
S.Z. Eliades Leisure Ltd	Full consolidation	x	-	-	-	Land development and operation of a golf resort

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	
Fortuna Astrum Ltd	Full consolidation	x	-	-	-	Problem asset management company
EuroLife Ltd	Full consolidation	-	-	x	-	Life insurance
General Insurance of Cyprus Ltd	Full consolidation	-	-	x	-	Non-Life insurance
Kermia Ltd	Full consolidation	-	-	x	-	Property trading and development
Kermia Properties & Investments Ltd	Full consolidation	-	-	x	-	Property trading and development
BOC Secretarial Company Ltd	Full consolidation	-	-	x	-	Secretarial services
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
Koralmon Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Spacous 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

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
Wingstreet Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nolory 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
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

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	
Hillbay Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Senadaco 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
Forenaco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Hovita Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Helal Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lorman Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
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
Blodar 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	
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
Joberco Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Labancor Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Laiki Lefkothea Center Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Memdes Estates Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nalmosa Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Ramendi Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Skellom Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
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
Venetolio 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	
Bonsova 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
Maledico 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
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
Finevo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Dominion Industries Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Eurolife Properties Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Ledra Estate Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Les Coraux Estates Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Natakon Company Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Oceania Ltd	Full consolidation	-	-	x	-	Ownership and management of immovable property
Hamura 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
Pelika Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Molemo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Baleland 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	
Samilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Green Hills Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Otherland Properties Dorobanti SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Imoreth Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Inroda Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zunimar Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Allioma Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Nikaba Properties SRL	Full consolidation	x	-	-	-	Ownership and management of immovable property
Amary Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Monata Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Alezia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Aparno 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	
Enelo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Lomenia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Vertilia Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Zenoplus Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Midelox Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Montira Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Orilema Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Philiki Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Cramonco Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Carilo Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
Olisto Properties Ltd	Full consolidation	x	-	-	-	Ownership and management of immovable property
BOC Terra AIF V.C.I.C. Plc	Full consolidation	x	-	-	-	Real Estate Alternative Investment Fund, currently 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	
Jinius Ltd	Full consolidation	x	-	-	-	Digital Economy Platform
Gosman Properties 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 shares and other investments and provision of services
Holstone Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Avaleto Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Gelimo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Larizemo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Rifelo Properties Ltd	Full consolidation	x	-	-	-	Reserved to accept property
Nikaba Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Battersee Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Bonayia Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Hydrobius Ltd	Full consolidation	x	-	-	-	Intermediate holding company

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	
Imoreth Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Inroda Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Janoland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Otherland Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Zunimar Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Allioma Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Landanafield Properties Ltd	Full consolidation	x	-	-	-	Intermediate holding company
Paneuropean Ltd	Full consolidation	x	-	-	-	Inactive
Laiki Bank (Nominees) Ltd	Full consolidation	-	-	x	-	Inactive
Nelcon Transport Co. 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
Canosa Properties Ltd	Full consolidation	x	-	-	-	Inactive
Homirova Properties Ltd	Full consolidation	x	-	-	-	Inactive
Settle Cyprus Ltd	Full consolidation	-	-	x		Inactive
Prodino 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	
Thryan Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Sylvesta Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Blindingqueen Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Fairford 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
Fantasio 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
Battersee Real Estate SRL	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Birkdale 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	
Obafemi Holdings Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
CYCMC IV Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Iperi Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off
Ensolo Properties Ltd	Full consolidation	x	-	-	-	In the process of dissolution/ in the process of being struck off

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments

Main features of the ordinary shares of the Group

		2023/2022
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	IE00BD5B1Y92
2a	Public or private placement	Public
3	Governing law(s) of the instrument	Irish Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital	€45 million
9	Nominal amount of instrument	€45 million
9(a)	Issue price	Various
9(b)	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	Yes
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY1
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of 2018 Reset Perpetual Additional Tier 1 Capital Securities (Existing Capital Securities)

		2023/2022
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS1865594870
2a	Public or private placement	Private
3	Governing law(s) of the instrument	English law, except for the subordination and set off provisions which will be governed by the laws of Ireland
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 Capital Securities
5	Post-transitional CRR rules	Additional Tier 1 Capital Securities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated Level
7	Instrument type	Additional Tier 1 Capital Securities
8	Amount recognised in regulatory capital	2022: €220 million 2023: 0
9	Nominal amount of instrument	€220 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Other equity instruments
11	Original date of issuance	19 December 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	19 December 2023
16	Subsequent call dates, if applicable	Each day which falls on every fifth anniversary of the first call date of 19 December 2023

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of 2018 Reset Perpetual Additional Tier 1 Capital Securities (Existing Capital Securities)

		2023/2022
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 12.50% semi-annually up to call date of 19 December 2023 (ii) After call date, the interest rate is the 5 year Mid-Swap rate plus a margin of 12.603%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Group CET1 Ratio less than 5.125%
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, write-up mechanism	Yes
34a	Type of subordination (only for eligible liabilities)	n/a
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY2
35	Position in subordination hierarchy in liquidation	Unsecured and subordinated and at all times rank (1) junior to Tier 2, any other subordinated obligations and unsubordinated obligations (not ranking pari passu with the Capital Securities) and (2) only senior to share capital (CET1).
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features 2023 Reset Perpetual Additional Tier 1 Capital Securities (New Capital Securities)

		2023
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS2638438510
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, except for the subordination and set off provisions which will be governed by the laws of Ireland
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 Capital Securities
5	Post-transitional CRR rules	Additional Tier 1 Capital Securities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated Level
7	Instrument type	Additional Tier 1 Capital Securities
8	Amount recognised in regulatory capital	2023: €220 million
9	Nominal amount of instrument	€220 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Other equity instruments
11	Original date of issuance	21 June 2023
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Any day from and including 21 June 2028 to and including 21 December 2028 (the First Reset Date)
16	Subsequent call dates, if applicable	Each Interest Payment Date thereafter

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of 2023 Reset Perpetual Additional Tier 1 Capital Securities (New Capital Securities)

		2023
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 11.875% semi-annually up to call date of 21 December 2028 (ii) After call date, the interest rate is the 5 year Mid-Swap rate plus a margin of 9.126%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Group CET1 Ratio less than 5.125%
32	If write-down, full or partial	Partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, write-up mechanism	Yes
34a	Type of subordination (only for eligible liabilities)	n/a
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY2
35	Position in subordination hierarchy in liquidation	Unsecured and subordinated and at all times rank (1) senior to Junior Liabilities, (2) paru passu with all other AT1 Capital Liabilities and (3) junior to present and future obligations in respect of the Senior Creditors (to AT1 Capital)
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.luxse.com/security/XS2638438510/381755

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Subordinated Tier 2 Capital Note – April 2021

		2023/2022
1	Issuer	Bank of Cyprus Holdings Public Limited Company
2	Unique identifier	XS2333239692
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, except for the status of the Notes and acknowledgement of statutory loss absorption powers which will be governed by the laws of Ireland
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital Notes
5	Post-transitional CRR rules	Tier 2 Capital Notes
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	Consolidated
7	Instrument type	Tier 2 Capital Notes
8	Amount recognised in regulatory capital	2023: €300 million 2022: €300 million
9	Nominal amount of instrument	€300 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	23 April 2021
12	Perpetual or dated	Dated
13	Original maturity date	23 October 2031
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	23 April 2026
16	Subsequent call dates, if applicable	Any date from 23/04/26 to and including 23/10/26

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Subordinated Tier 2 Capital Note – April 2021

		2023/2022
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 6.625% per annum up to call date of 23/10/26 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 6.902%
19	Existence of a dividend stopper	N/A
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY3
35	Position in subordination hierarchy in liquidation	Direct, unsecured and subordinated obligations of BOCH and shall at all times rank pari passu and without any preference among themselves, ranking (on a winding-up of BOCH):(A) senior to Junior Liabilities (to Tier 2 Capital); (B) pari passu and without any preference among themselves; (C) pari passu with all other Tier 2 Capital Liabilities; and (D) junior to present and future obligations of BOCH in respect of Senior Creditors of BOCH (to Tier 2 Capital).
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	www.bourse.lu/security/XS2333239692/335184

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Senior Preferred Notes – June 2021

		2023/2022
1	Issuer	Bank of Cyprus Public Company Limited
2	Unique identifier	XS2355059168
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, save for the status of the Notes and acknowledgement of statutory loss absorption powers which will be governed by the laws of the Republic of Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Eligible Liabilities
5	Post-transitional CRR rules	Eligible Liabilities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	BOC Group & BOC PCL
7	Instrument type	Senior Preferred
8	Amount recognised in eligible liabilities	2023: €300 million 2022: €300 million
9	Nominal amount of instrument	€300 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	24 June 2021
12	Perpetual or dated	Dated
13	Original maturity date	24 June 2027
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	24 June 2026
16	Subsequent call dates, if applicable	N/A

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Senior Preferred Notes – June 2021

		2023/2022
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 2.50% annually up to call date of 24 June 2026
		(ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 2.785%
19	Existence of a dividend stopper	n/a
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Exemption from subordination
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY6
35	Position in subordination hierarchy in liquidation	Direct, unconditional, unsubordinated and unsecured obligations of the Issuer in accordance with Condition 3(a)
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.bourse.lu/security/XS2355059168/338796

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Senior Preferred *Notes – July 2023*

		2023
1	Issuer	Bank of Cyprus Public Company Limited
2	Unique identifier	XS2648493570
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English law, save for the status of the Notes and acknowledgement of statutory loss absorption powers which will be governed by the laws of the Republic of Cyprus
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Transitional CRR rules	Eligible Liabilities
5	Post-transitional CRR rules	Eligible Liabilities
6	Eligible at individual/(sub-) consolidation/individual and (sub-) consolidated	BOC Group & BOC PCL
7	Instrument type	Senior Preferred
8	Amount recognised in eligible liabilities	2023: €350 million
9	Nominal amount of instrument	€350 million
9(a)	Issue price	100%
9(b)	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	25 July 2023
12	Perpetual or dated	Dated
13	Original maturity date	25 July 2028
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	25 July 2027
16	Subsequent call dates, if applicable	N/A

APPENDIX III – Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

Main features of the Senior Preferred Notes – July 2023

		2023
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	(i) 7.375% annually in arrear up to but excluding optional call date of 25 July 2027 (ii) After call date, the interest rate is the 5-year Mid-Swap rate plus a margin of 4.095%
19	Existence of a dividend stopper	n/a
20(a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20(b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	Exemption from subordination
34b	Ranking of the instrument in normal insolvency proceedings	As per the Annex on Insolvency ranking (SRB) this is ranking CY6
35	Position in subordination hierarchy in liquidation	Direct, unconditional, unsubordinated and unsecured obligations of the Issuer in accordance with Condition 3(a)
36	Non-compliant transitioned features	N/A
37	If yes, non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.luxse.com/security/XS2648493570/384481

Appendix IV- Result of the materiality analysis of the legal entities as at 31 December 2023

Legal entity	Qualitative criterion	% RWAs	% Total income	% Total Assets	Materiality
Bank of Cyprus Public Company Ltd (Cyprus)	Core Business Line	93.63	91.59	94.04	YES
CISCO	Not a critical function, significant business activity or a service/support function	0.12	0.23	0.06	NO
GIC	Not a critical function, significant business activity or a service/support function	-	2.04	0.32	NO
EuroLife Ltd	Not a critical function, significant business activity or a service/support function	-	2.99	3.06	NO
Kermia and Kermia Properties and Investments	Not a critical function, significant business activity or a service/support function	-	0.03	-	NO
JCC Payment Ltd	Not a critical function, but a critical shared service provider which supports the execution of a critical function (payments)	1.1	3.09	0.23	YES
Jinius Ltd	Not a critical function, significant business activity or a service/support function	-	-	0.02	NO
S.Z. Eliades Leisure Ltd	Not a critical function, significant business activity or a service/support function	0.4	0.11	0.14	NO
Bank of Cyprus Public Company Ltd (Greek branch)	Not a critical function, significant business activity or a service/support function	0.52	0.10	0.22	NO
MC Investments and Asset Management LLC	Not a critical function, significant business activity or a service/support function	(0.11)	-	-	NO
Other various small subsidiaries (mainly Special Purpose Vehicles (SPVs))	Not a critical function, significant business activity or a service/support function	4.34	(0.18)	1.91	NO

Appendix V - Specific References to CRR Articles

CRR ref.	High-level summary	Compliance reference
General Provisions		
6	General Principles	Section 4
13	Application of disclosure requirements on a consolidated basis	Section 4
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar III disclosures.	Section 2.2
431 (2)	Disclosure of operational risk information.	Section 3.2.4
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	The Bank has a dedicated Pillar III policy
431 (4)	All quantitative disclosures shall be accompanied by qualitative narrative	All qualitative narrative is contained within the Report
431 (5)	Explanation of ratings decisions to SMEs upon request.	Not applicable to the Group
Non-material, proprietary or confidential information		
432	Non-material, proprietary or confidential information – EBA Guidelines on materiality, proprietary, confidentiality and on disclosure frequency	The Group discloses all minimum requirements set by CRR and no information has been omitted on the basis of materiality, proprietary or confidential
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements and more frequently if necessary.	Section 2.2
Means of disclosures		
434 (1)	To include disclosures in one appropriate medium or provide clear cross-references to other media.	All applicable disclosures are contained within the Report
434 (2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	Cross-references to accounting and other disclosures are indicated in the Report
Risk management objectives and policies		
435 (1) (a)	Strategies and processes to manage risks for each separate category of risk.	Sections 3.1 and 3.2
435 (1) (b)	Information on the risk governance structure for each type of risk	
435 (1) (c)	Disclosure on the scope and nature of risk disclosure and/or measurement systems.	
435 (1) (d)	The policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	
435 (1) (e)	Declaration approved by the Board on adequacy of risk management arrangements.	Sections 2.2 Pillar III Regulatory Framework, Attestation section Section 3.1.3 Effectiveness of the Risk Management Framework
435 (1) (f)	Concise risk statement approved by the Board.	Section 1 Executive Summary, Risk Profile section
435 (2)	Information, once a year at a minimum, on governance arrangements.	Section 3.3
435 (2) (a)	Number of directorships held by members of the Board.	Section 3.3.2
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	Section 3.3.1
435 (2) (c)	Policy on diversity of Board members, its objectives and results against targets.	Section 3.3.3
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	Section 3.3.5
435 (2) (e)	Description of information flow on risk to Board.	Section 3.3.8
Scope of application		
436 (a)	Name of institution.	Section 2.1

CRR ref.	High-level summary	Compliance reference
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	Section 4.1, and Appendix II
436 (c)	Breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation	Section 4.1.1
436 (d)	A reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation	Section 4.1.2
436 (e)	Exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Not applicable to the Group
436 (f)	Impediments to transfer of funds between parent and subsidiaries.	Section 20
436 (g)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any).	Section 2.2
436 (h)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	Not applicable to the Group
Own funds		
437 (1)	Requirements regarding capital resources table.	Sections 4.1, 5.1 to 5.3
437 (1) (a)	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds	Sections 4.1 and 5.1
437 (1) (b)	A description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Appendix III
437 (1) (c)	The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Section 5.3
437 (1) (d)	A separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79;	Section 5.1
437 (1) (e)	Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	Sections 5.1 to 5.3
437 (1) (f)	Comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation.	Not applicable to the Group
437 (a)	Disclosure of own funds and eligible liabilities	Not applicable to the Group for 2023
Capital requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 6.1
438 (b)	The amount of the additional own funds requirements based on the supervisory review process	Sections 14 and 3.1.16
438 (c)	Result of ICAAP on demand from competent authority.	Section 3.1.15
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories.	Section 6.1
438 (e)	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending	Not applicable to the Group
438 (f)	The exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds	Section 6.2
438 (g)	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate	Not applicable for the Group
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure	Not applicable to the Group

CRR ref.	High-level summary	Compliance reference
	period that result from the use of internal models, including an outline of the key drivers explaining those variations.	
Exposure to Counterparty Credit Risk (CCR)		
439 (a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	Section 7
439 (b)	Discussion of policies for securing collateral and establishing credit reserves.	Section 7
439 (c)	Discussion of policies as regards wrong-way risk exposures.	Section 7
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Section 7
439 (e)	The amount of segregated and unsegregated collateral received and posted per type of collateral,	Section 7
439 (f)	For derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method.	Section 7
439 (g)	For securities financing transactions, the exposure values before and after the effect of the credit risk mitigation.	Section 7
439 (h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Section 7
439 (i)	The exposure value to central counterparties and the associated risk exposures.	Section 7
439 (j)	The notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	Not applicable to the Group
439 (k)	The estimate of alpha where applicable	Section 7
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452;	Section 7
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a (1) or (2), as applicable.	Section 7
440 (1) (a)	Geographical distributions of credit exposures	Section 8
440 (1) (b)	Amount of the institution specific countercyclical buffer	Section 8
440 (2)	EBA issue the Regulatory Technical Standards on Countercyclical Capital Buffer	Section 8
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 9.1
442 (b)	Approaches for calculating credit risk adjustments.	Section 9.2
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Sections 9.2 and 9.4
442 (d)	An ageing analysis of accounting past due exposures;	Section 9.2
442 (e)	Distribution of exposures by geographical area and industry	Section 9.2
442 (f)	Any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Section 9.2
442 (g)	The breakdown of loans and debt securities by residual maturity	Section 9.1.1
Unencumbered assets		
443	Disclosures on unencumbered assets.	Section 10

CRR ref.	High-level summary	Compliance reference
Use of ECAIs		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	Section 11
444 (b)	Exposure classes associated with each ECAI.	Section 11
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items in the Banking book.	Section 11
444 (d)	Mapping of external rating to credit quality steps.	Section 11
444 (e)	Exposure values pre-credit risk mitigation and post-credit risk mitigation, by credit quality step.	Section 11
Market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those points.	Section 12
Operational risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 13
Key Metrics		
447	Disclosure of Key Metrics	Section 14
Exposure to interest rate risk on positions in the Trading book		
448 (1) (a)	The changes in the economic value of equity calculated under the six supervisory shock scenarios	Section 15.2
448 (1) (b)	The changes in the net interest income calculated under the two supervisory shock scenarios	Section 15.2
448 (1) (c)	Description of key modelling and parametric assumptions	Not applicable to the Group
448 (1) (d)	An explanation of the significance of the risk measures	Section 15.1
448 (1) (e)	The description of how institutions define, measure, mitigate and control the interest rate risk of their non- trading book activities for the purposes of the competent authorities' review.	Sections 15.1 and 15.2
448 (1) (f)	The description of the overall risk management and mitigation strategies for those risks	Section 15.1
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits	Section 15.1
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e) (iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU	Not applicable to the Group
Exposure to securitisation positions		
449	Exposure to securitisation positions	Section 16
449a	Disclosure of environmental, social and governance risks (ESG risks)	Section 17
Remuneration disclosures		
450	Remuneration policy.	Section 18
Leverage		
451 (1) (a)	Leverage ratio and how the institution applies Article 499(2) and (3)	Section 19
451 (1) (b)	Analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	Section 19
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a (1) and the adjusted leverage ratio calculated in accordance with Article 429a (7)	Section 19.2
451 (1) (d)	Description of the risk management process to mitigate excessive leverage.	Section 19
451 (1) (e)	Factors that had an impact on the leverage ratio during the year	Section 19
451 (2)	Public development credit institutions as defined in Article 429a (2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a (1).	The Group follows the implementation standards. Section 19.2
451 (3)	In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the	Section 19.2

CRR ref.	High-level summary	Compliance reference
	total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	
451 (a) (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article	Section 20
451 (a) (2)	Disclose liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1)	Section 20
451 (a) (3)	Disclose stable funding ratio as calculated in accordance with Title IV of Part Six	Section 20
451 (a) (4)	Disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU	Sections 20 and 3.2.3
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 21.1
453 (b)	Policies and processes for collateral valuation and management.	Section 21.3
453 (c)	Description of types of collateral used by the Bank.	Section 21.3
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	Section 21.3
453 (e)	Information about market or credit risk concentrations within the credit mitigation taken.	Sections 3.2.1.4 and 11
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 21.3
453 (g)	The corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect.	Section 11
453 (h)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	Section 11
453 (i)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk- weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class	Section 11
453 (j)	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk- weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	Not applicable to the Group
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	Not applicable to the Group
Use of Internal Market Risk Models		
455	Use of Internal Market Risk Models	Not applicable to the Group

Appendix VI- List of EBA templates disclosed and mapping to Pillar 3 report

	Compliance Reference	Section
EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 4.1.1
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements	Section 4.1.2
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Appendix II
EU OV1	Overview of RWAs	Section 6.1
EU INS1	Non-deducted participations in insurance undertakings	Section 6.2
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Section 13
EU PV1	Prudent valuation adjustments (PVA)	Not applicable
EU CC1	Composition of regulatory own funds	Section 5.1
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Section 4.1
EU KM1	Overview of risk weighted exposure amounts	Section 14
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Section 8
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Section 8
EU CR1-A	Maturity of exposures	Section 9.1.1
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Section 21.2
EU CR4	Standardised Approach – Credit risk exposure and CRM effects	Section 11
EU CR5	Standardised Approach	Section 11
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Not applicable
EU CR6-A	Scope of the use of IRB and SA approaches	Not applicable
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Not applicable
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Not applicable
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Not applicable
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Not applicable
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Not applicable
EU CR10	Specialised lending and equity exposures under the simple risk weighted approach	Not applicable
EU CCR1	Analysis of CCR exposure by approach	Section 7
EU CCR2	Transactions subject to own funds requirements for CVA risk	Section 7
EU CCR3	Standardised Approach – CCR exposures by regulatory portfolio and risk	Section 7
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Not applicable
EU CCR5	Composition of collateral for exposures to CCR	Section 7
EU CCR6	Credit derivatives exposures	Not applicable
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Not applicable
EU CCR8	Exposures to central counterparties	Section 7
EU MR1	Market risk under the Standardised Approach	Not applicable
EU MR2-A	Market risk under the internal Model Approach (IMA)	Not applicable
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Not applicable
EU MR3	IMA values for trading portfolios	Not applicable
EU MR4	Comparison of VaR estimates with gains/losses	Not applicable

	Compliance Reference	Section
IFRS 9-EL	Comparison of institutions' own funds and capital and leverage ratios with the application of transitional arrangements for IFRS 9 or analogous ECLs and with and without the application of the temporary treatment in accordance with Article 468 CRR.	Section 6.3
EU CQ1	Credit quality of forborne exposures	Section 9.4
EU CQ2	Quality of forbearance	Section 9.4
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Section 9.2
EU CR1	Performing and non-performing exposures and related provisions	Section 9.2
EU CQ4	Quality of non-performing exposures by geography	Section 9.2
EU CQ5	Credit quality of loans and advances by industry	Section 9.2
EU CQ6	Collateral valuation – loans and advances	Section 9.2
EU CR2	Changes in the stock of non-performing loans and advances	Section 9.2
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Section 9.2
EU CQ7	Collateral obtained by taking possession and execution processes	Section 9.2
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Section 9.2
EU AE1	Encumbered and unencumbered assets	Section 10.1
EU AE2	Collateral received and own debt securities issued	Section 10.2
EU AE3	Sources of encumbrance	Section 10.3
EU REM1	Remuneration awarded for the financial year	Section 18.4
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Section 18.4
EU REM3	Deferred remuneration	Not Applicable
EU REM4	Remuneration of 1 million EUR or more per year	Section 18.4
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Section 18.4
EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	Section 19.1
EU LR2	Leverage ratio common disclosure	Section 19.2
EU LR3	Split-up of on balance sheet exposures (excluding derivatives and SFTs)	Section 19.3
EU LIQ1	Quantitative information of LCR	Section 20
EU LIQ2	Net Stable Funding Ratio	Section 20
EU SEC1	Securitisation exposures in the non-trading book	Section 16
EU SEC2	Securitisation exposures in the trading book	Not Applicable
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Section 16
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Not Applicable
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Section 16
EU IRRBB1	Interest rate risks of non-trading book activities	Section 15.2
ESG Template 1	Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Section 17.1
ESG Template 2	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Section 17.1
ESG Template 4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	Not Applicable
ESG Template 5	Banking book - Climate change physical risk: Exposures subject to physical risk	Section 17.1
ESG Template 6	Summary of GAR KPIs	Section 17.1
ESG Template 7	Mitigating actions: Assets for the calculation of GAR	Section 17.1
ESG Template 8	GAR (%)	Section 17.1
ESG Template 10	Other climate change mitigating actions that are not covered in the EU Taxonomy	Section 17.1

GLOSSARY

A	
AC	Board Audit Committee
ACCs	Additional Credit Claims
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
ASF	Available stable funding
AT1	Additional Tier 1
AVA	Additional Valuation Adjustments
B	
Bank, BOC PCL	Bank of Cyprus Public Company Limited
Board	Board of Directors
BRRD	Bank Recovery and Resolution Directive
C	
C&E	Climate and Environmental
CBC	Central Bank of Cyprus
CBR	Combined Buffer Requirement
CC1, CC2, CC3	Credit Committees
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CcyB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CISCO	The Cyprus Investment and Securities Corporation Ltd
CIUs	Collective Investment Undertakings
Code	Corporate Governance Code
Company	Bank of Cyprus Holdings Public Limited Company
COVID-19	Coronavirus Disease 2019
CRD	Capital Requirements Directive (Directive 2013/36/EU of the European Parliament)
CRM	Credit Risk Mitigation
CRMD	Credit Risk Management Department
CRO	Chief Risk Officer
CRP	Credit Risk Policy
CRR	Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013)
CSA	Credit Support Annex
CSCR	Corporate & SME Credit Risk
CSE	Cyprus Stock Exchange
CSIRT	Computer Security Incident Response Team
CSR	Corporate and Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
CyCAC	Cypriot Credit Acquiring Company
CySEC	Cyprus Securities and Exchange Commission
D	
DA&P	Data Analysis and Provisions department
DEP	Digital Economy Platform
DR	Disaster Recovery
E	
EAD	Exposure at default

EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECAIs	External Credit Assessment Institutions
ECB	European Central Bank
ECCC	Ethics, Conduct & Culture Committee
ECL	Expected Credit Losses
ECON	Economic and Monetary Affairs
EMIR	European Markets Infrastructure Regulation
EMTN	Euro Medium Term Note
EPC	Energy Performance Certificates
ESG	Environmental, Social and Governance
EU	European Union
EV	Economic Value
EVE	Economic Value of Equity
EXCO	Executive Committee
F	
FCA	Financial Conduct Authority
FVOCI	Fair value through other comprehensive income
FVPL	Fair Value through Profit or Loss
FX	Foreign Exchange
G	
GDP	Gross Domestic Product
GIC	General Insurance of Cyprus
GLP	Green Loan Principles
GMRAs	Global Master Repurchase Agreements
Group	Bank of Cyprus Holdings Public Limited Company
H	
HQLA	High Quality Liquid Assets
HRD	Human Resources Division
HRRC	Human Resources & Remuneration Committee
I	
IA	Internal Audit Division
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IBE	Institute of Business Ethics
IFRS	International Financial Reporting Standards
Ifs	Investment Firms
ILAAP	Internal Liquidity Adequacy Assessment Process
IPCC	Intergovernmental Panel on Climate Change
IR&ESG	Investor Relations and ESG Department
IRB	Internal Rating Based
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association, Inc.
IT	Information Technology
ITS	Implementing Technical Standards
K	
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
L	
LAS	Liquidity Adequacy Statement
LCP	Liquidity Contingency Plan
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LMA	Loan Market Association

LRE	Leverage Ratio Exposure
LSD	Legal Services Department
LTIP	Long-term incentive plan
LTV	Loan to Value
M	
MA	Materiality Assessment
MiFID	Markets in Financial Instruments Directive
MM	Money Market
MLR	Market & Liquidity Risk Department
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
N	
NCGC	Nominations and Corporate Governance Committee
NEDs	Non-executive directors
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NII	Net Interest Income
NMDs	Non-Maturing Deposits
NPEs	Non-Performing Exposures
NPLs	Non-Performing Loans
NSFR	Net Stable Funding Ratio
O	
OCI	Other Comprehensive Income
OHI	Organisational Health Index
ORM	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
O-SIIs	Other Systemically Important Institutions
P	
P.P.I	Property price indices
P2G	Pillar II Guidance
P2R	Pillar II Requirement
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PiT	Point-in-time
POCI	Purchased or originated financial assets
PRB	Principles of Responsible Banking
Q	
QCCP	Qualifying Central Counterparty
R	
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RC	Board Risk Committee
RCMS	Risk Compliance Management System
RCSA	Risk Control Self-Assessment
REMU	Real Estate Management Unit
RFP	Request For Proposal
RICS	Royal Institute of Chartered Surveyors
RMD	Risk Management Division
ROTE	Return on Tangible Equity
RPI	Leverage Ratio
RSF	Required stable funding
RWAs	Risk Weighted Assets
S	
SREP	Supervisory Review and Evaluation Process

SBTs	Science based targets
SC	Sustainability Committee
SDG	Sustainable development goal
SEC-SA	Standardised Approach for Securitisation Positions
SFDR	Sustainable Finance Disclosure Regulation
SFTs	Securities Financing Transactions
SMEs	Small Medium Enterprises
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism
STIP	Short-term incentive plan
T	
T1	Tier 1
T2	Tier 2
TC	Total Capital
TCFD	Task Force on Climate-related Financial Disclosures
TPRM	Third-Party Risk Management
U	
UNEPFI	United Nations Environment – Finance Initiative
V	
VaR	Value at Risk