Interim Financial Report 2024

Bank of Cyprus Holdings

Contents

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

Non-IFRS performance measures

Bank of Cyprus Holdings Public Limited Company's (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Interim Financial Report as they enable the readers to identify a more consistent basis for comparing the Group's performance between financial periods and provide more detail concerning the elements of performance which management are directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which the operating targets are defined and performance is monitored by the Group's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as the key measures of the 30 June position. Refer to 'Alternative Performance Measures Disclosures' on pages 166 to 180 of the Interim Financial Report for the six months ended 30 June 2024 for further information and calculations of non-IFRS performance measures included throughout this document and their reconciliation to the most directly comparable IFRS measures included in the Consolidated Condensed Interim Financial Statements.

The Interim Financial Report for the six months ended 30 June 2024 is available on the Group's website www.bankofcyprus.com (Group/Investor Relations) (the Group's website).

The Interim Financial Report for the six months ended 30 June 2024 is originally issued in English. The Greek translation of the Interim Financial Report for the six months ended 30 June 2024 will be available on the Group's website by 14 August 2024. In case of a difference or inconsistency between the English document and the Greek document, the English document prevails.

INTERIM MANAGEMENT REPORT 2024

The Interim Financial Report relates to Bank of Cyprus Holdings Public Limited Company (the Company) and together with its subsidiaries the Group, which was listed on the London Stock Exchange ('LSE') and the Cyprus Stock Exchange ('CSE') as at 30 June 2024.

Activities

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

All Group companies and branches are set out in Note 38 to the Consolidated Condensed Interim Financial Statements. The Group has established branches in Greece. There were no acquisitions of subsidiaries and no material disposals of subsidiaries during the six months ended 30 June 2024. Information on Group companies and acquisitions and disposals during the period are detailed in Note 38 to the Consolidated Condensed Interim Financial Statements.

Group financial results on the underlying basis

Commentary on underlying basis
The financial information presented in this section provides an overview of the Group financial results for the six months ended 30 June 2024 on the 'underlying basis', which management believes best fits the true measurement of the performance and position of the Group, as this presents separately any non-recurring items and also includes certain reclassifications of items, other than non-recurring items, which are done for presentational purposes under the underlying basis for aligning their presentation with items of a similar nature.

Reconciliations between the statutory basis and the underlying basis to facilitate the comparability of the underlying basis to the statutory information, are included in section 'Reconciliation of the Interim Consolidated Income Statement for the six months ended 30 June 2024 between the statutory basis and the underlying basis' and 'Alternative Performance Measures Disclosures' of the Interim Financial Report 2024.

The main financial highlights for the six months ended 30 June 2024 are set out below:

Interim Consolidated Income Statement on the underlying basis

€ million	**Six months ended 30 June**	
	2024[1]	2023[1]
Net interest income	**420**	358
Net fee and commission income	**86**	90
Net foreign exchange gains and net gains on financial instruments	**13**	21
Net insurance result	**23**	25
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	**2**	5
Other income	**5**	12
Total income	**549**	511
Staff costs	**(96)**	(93)
Other operating expenses	**(71)**	(69)
Special levy on deposits and other levies/contributions	**(19)**	(18)
Total expenses	**(186)**	(180)
Operating profit	**363**	331
Loan credit losses	**(16)**	(24)
Impairments of other financial and non-financial assets	**(25)**	(30)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	**(3)**	(14)
Total loan credit losses, impairments and provisions	**(44)**	(68)
Profit before tax and non-recurring items	**319**	263
Tax	**(48)**	(40)
Profit attributable to non-controlling interests	**(1)**	(1)
Profit after tax and before non-recurring items (attributable to the owners of the Company)	**270**	222
Advisory and other transformation costs - organic	**-**	(2)
Profit after tax (attributable to the owners of the Company)	**270**	220

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

Group financial results on the underlying basis (continued)

Interim Consolidated Income Statement on the underlying basis (continued)

Key Performance Ratios	**Six months ended 30 June**	
	2024	2023
Net interest margin (annualised)	**3.66%**	3.17%
Net interest margin (annualised) excluding TLTRO III	**3.79%**	3.48%
Cost to income ratio	**34%**	35%
Cost to income ratio excluding special levy on deposits and other levies/contributions	**30%**	32%
Operating profit return on average assets (annualised)	**2.8%**	2.6%
Basic profit per share attributable to the owners of the Company (€)[1]	**0.61**	0.49
Return (annualised) on tangible equity (ROTE)	**23.7%**	24.0%
Return (annualised) on tangible equity (ROTE) on 15% CET1 ratio[2]	**29.6%**	25.3%
Tangible book value per share[3] (€)	**5.27**	4.34

1. The diluted earnings per share attributable to the owners of the Company as at 30 June 2024 amounted to €0.60.
2. Calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised - based on year-to-date days), divided by the quarterly average of Shareholders' equity minus intangible assets and after deducting the excess CET1 capital on a 15% CET1 ratio from the tangible shareholders' equity.
3. Tangible book value per share is calculated based on number of shares in issue at the end of the period, excluding treasury shares.

Interim Consolidated Balance Sheet on the underlying basis

€ million	**30 June 2024[1]**	31 December 2023[1]
Cash and balances with central banks	**7,287**	9,615
Loans and advances to banks	**384**	385
Reverse repurchase agreements	**1,015**	403
Debt securities, treasury bills and equity investments	**3,959**	3,695
Net loans and advances to customers	**10,085**	9,822
Stock of property	**764**	826
Investment properties	**56**	62
Other assets	**1,916**	1,821
Total assets	**25,466**	26,629
Deposits by banks	**405**	472
Funding from central banks	**-**	2,044
Customer deposits	**19,723**	19,337
Debt securities in issue	**971**	672
Subordinated liabilities	**313**	307
Other liabilities	**1,425**	1,309
Total liabilities	**22,837**	24,141
Shareholders' equity	**2,387**	2,247
Other equity instruments	**220**	220
Total equity excluding non-controlling interests	**2,607**	2,467
Non-controlling interests	**22**	21
Total equity	**2,629**	2,488
Total liabilities and equity	**25,466**	26,629

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

Group financial results on the underlying basis (continued)

Interim Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios	**30 June 2024**	31 December 2023
Gross loans (€ million)	**10,318**	10,070
Allowance for expected loan credit losses (€ million)	**251**	267
Customer deposits (€ million)	**19,723**	19,337
Loans to deposits ratio (net)	**51%**	51%
NPE ratio	**2.8%**	3.6%
NPE coverage ratio	**85%**	73%
Leverage ratio	**10.1%**	9.1%

Capital ratios and risk weighted assets	**30 June 2024 (Regulatory)[1]**	31 December 2023 (Regulatory)[2]
Common Equity Tier 1 (CET1) ratio (transitional)	**18.3%**	17.4%
Total capital ratio (transitional)	**23.3%**	22.4%
Risk weighted assets (RWAs) (€ million)	**10,580**	10,341

1. Includes reviewed profits for the six months ended 30 June 2024 net of distribution accrual (refer to section 'Capital Base'). Any recommendation for a distribution is subject to regulatory approval.
2. Includes profits for the year ended 31 December 2023 net of distribution at 30% payout ratio, following ECB approval in March 2024 (refer to section 'Capital Base').

Group financial results on the underlying basis (continued)

Reconciliation of the Interim Consolidated Income Statement for the six months ended 30 June 2024 between the statutory basis and the underlying basis

€ million	**Underlying basis**	**Other**	**Statutory basis**
Net interest income	420	-	420
Net fee and commission income	86	-	86
Net foreign exchange gains and net gains on financial instruments	13	-	13
Net gains on derecognition of financial assets measured at amortised cost	-	1	1
Net insurance result*	23	-	23
Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property	2	-	2
Other income	5	-	5
Total income	**549**	**1**	**550**
Total expenses	**(186)**	**(3)**	**(189)**
Operating profit	**363**	**(2)**	**361**
Loan credit losses	(16)	16	-
Impairment of other financial and non-financial assets	(25)	25	-
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	(3)	3	-
Credit losses on financial assets and impairment net of reversals of non-financial assets	-	(42)	(42)
Profit before tax and non-recurring items	**319**	**-**	**319**
Tax	(48)	-	(48)
Profit attributable to non-controlling interests	(1)	-	(1)
Profit after tax (attributable to the owners of the Company)	**270**	**-**	**270**

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

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

- '*Net gains on derecognition of financial assets measured at amortised cost*' of €1 million under the statutory basis comprise net gains on derecognition of loans and advances to customers included in '*Loan credit losses*' under the underlying basis as to align their presentation with the loan credit losses on loans and advances to customers.

- *'Provisions for pending litigations, claims, regulatory and other matters (net of reversals)'* amounting to €3 million presented within *'Operating profit before credit losses and impairment'* under the statutory basis, are presented under the underlying basis in conjunction with loan credit losses and impairments.

- '*Credit losses on financial assets*' and *'Impairment net of reversals of non-financial assets'* under the statutory basis include: i) credit losses to cover credit risk on loans and advances to customers of €17 million, which are included in *'Loan credit losses'* under the underlying basis, and ii) credit losses of other financial assets of €0.3 million and impairment net of reversals of non-financial assets of €25 million, which are included in *'Impairment of other financial and non-financial assets'* under the underlying basis, as to be presented separately from loan credit losses.

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,607 million as at 30 June 2024 compared to €2,467 million as at 31 December 2023. Shareholders' equity totalled to €2,387 million as at 30 June 2024 compared to €2,247 million as at 31 December 2023.

The regulatory Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 18.3% as at 30 June 2024 compared to 17.4% as at 31 December 2023. Throughout this Interim Management Report, the regulatory capital ratios as at 30 June 2024 include reviewed profits for the six months ended 30 June 2024 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, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles, (such ratios are referred to as regulatory). As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual in respect of 2024 earnings does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made. Since September 2023, a charge is deducted from own funds in relation to the ECB prudential expectations for NPEs, which amounted to 26 basis points as at 30 June 2024, compared to 32 basis points as at 31 December 2023. A prudential charge in relation to an onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which was 7 basis points on Group's CET1 ratio as at 30 June 2024 (compared to 12 basis points on Group's CET1 ratio as at 31 December 2023). In addition, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio, which 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 30 June 2024, the impact of these requirements was 47 basis points on Group's CET1 ratio, compared to 24 basis points as at 31 December 2023. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

The regulatory Total Capital ratio on a transitional basis stood at 23.3% as at 30 June 2024 compared to 22.4% as at 31 December 2023.

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

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the CcyB from 0.00% to 0.50% of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from 30 November 2023. Further, in June 2023, the CBC announced an additional increase of 0.50% in the CcyB of the total risk exposure amounts in Cyprus of each licensed credit institution incorporated in Cyprus effective from June 2024, increasing the CcyB to 1.00%. As a result, the CcyB for the Group as at 30 June 2024 amounted to approximately 0.94%.

The Bank has been designated as an Other Systemically Important Institution (O-SII) by the Central Bank of Cyprus (CBC) in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015 and the relevant buffer increased by 37.5 basis points to 1.875% on 1 January 2024. In April 2024, following a revision by the CBC of its policy for the designation of credit institutions that meet the definition of O-SII institutions and the setting of O-SII buffer to be observed, the Group's O-SII buffer has been reduced to 2.00% on 1 January 2026 (from the previous assessment of 2.25% on 1 January 2025) to be phased by 6.25 basis points annually, to 1.9375% on 1 January 2025 and 2.00% as of 1 January 2026 from the current level of 1.875%.

As at 30 June 2024, the Group's minimum phased-in CET1 capital ratio requirement is set at 11.36%, comprising a 4.50% Pillar I requirement, a 1.55% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and CcyB of approximately 0.94%. Likewise, the Group's minimum phased-in Total Capital ratio requirement is set at 16.06%, comprising an 8.00% Pillar I requirement, of which up to 1.50% can be in the form of AT1 capital and up to 2.00% in the form of T2 capital, a 2.75% Pillar II requirement, the Capital Conservation Buffer of 2.50%, the O-SII Buffer of 1.875% and the CcyB of approximately 0.94%. The ECB has also provided revised lower non-public guidance for an additional Pillar II CET1 buffer (P2G) compared to previous year.

Balance Sheet Analysis (continued)

Capital Base (continued)

Own funds held for the purposes of P2G cannot be used to meet any other capital requirements (Pillar I, Pillar II requirements or the combined buffer requirement), and therefore cannot be used twice.

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

Distributions

In April 2023, the Company obtained the approval of the ECB to pay a dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. This was the first dividend payment after 12 years underpinning the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

In March 2024, the Company obtained the approval of the ECB to pay a cash dividend and to conduct a share buyback (together the 'Distribution'). The Distribution corresponded to a 30% payout ratio of FY2023 adjusted recurring profitability and amounted to €137 million in total, comprising a cash dividend of €112 million and a share buyback of up to €25 million. The proposed final dividend of €0.25 per ordinary share was declared at the Annual General Meeting ('AGM') which was held on 17 May 2024. The dividend was paid in cash on 14 June 2024.

In April 2024, the Group launched its inaugural programme to buy back ordinary shares in the Company for an aggregate consideration of up to €25 million (the 'Programme'). The purpose of the Programme is to reduce the Company's share capital and therefore shares purchased under the Programme will be cancelled. The Company has entered into non-discretionary agreements with Numis Securities Limited (trading as 'Deutsche Numis') and The Cyprus Investment and Securities Corporation Ltd ('CISCO') acting as joint lead managers, to conduct the Programme and to repurchase Shares on the Company's behalf and to make trading decisions under the Programme independently of the Company in accordance with certain pre-set parameters. The Programme takes place on both the London Stock Exchange and the Cyprus Stock Exchange and may continue until 14 March 2025 subject to market conditions, the ongoing capital requirements of the business and early termination rights customary for a transaction of this nature. The implementation of the share buyback programme complies with the Company's general authority to repurchase the Company's ordinary shares as approved by shareholders at the Company's AGM on 17 May 2024, and with the terms of the approval received from the ECB. The maximum number of shares that may be repurchased under the ECB approval is 1.6% of the total outstanding shares as at 31 December 2023 (i.e. up to 7,343,249 Shares).

The Distribution in respect of 2023 earnings was equivalent to approximately 130 basis points on CET1 ratio as at 31 December 2023.

Distribution policy

The Group aims to provide a sustainable return to shareholders. Distributions are expected to be in the range of 30-50% payout ratio of the Group's adjusted recurring profitability, including cash dividends and buybacks, with any distribution being subject to regulatory approval. 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. In line with the Group's distribution policy, the Group is committed to delivering sustainably growing distributions through a combination of cash dividend and share buybacks while maintaining a robust capital base to support profitable growth and prudently prepare for upcoming potential regulatory changes. Supported by its continued progress towards its strategic targets, the Group intends to move towards the top-end of the 30%-50% range of its distribution policy (i.e 50% payout ratio) for 2024, subject to required approvals. Any proposed distribution quantum, as well as envisaged allocation between dividend and buyback, will take into consideration market conditions as well as the outcome of its ongoing capital and liquidity planning exercises at the time. Given the strong capital generation, the Group's distribution policy is expected to be reviewed with the full year 2024 financial results in the context of prevailing market conditions.

Balance Sheet Analysis (continued)

Capital Base (continued)

Share Capital

As at 30 June 2024, there were 444,812,058 issued ordinary shares with a nominal value of €0.10 each, compared to 446,199,933 issued ordinary shares as at 31 December 2023. The reduction since the beginning of the year relates to the share buyback programme that was launched in April 2024. For further details please refer to section 'Distributions' above.

Other equity instruments

At 30 June 2024, the Group's other equity instruments relate to Additional Tier 1 Capital Securities (the 'AT1 securities') and amounted to €220 million (31 December 2023: €220 million).

The Fixed Rate Reset Perpetual Additional Tier 1 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 will have the option to redeem these capital securities 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.

Legislative amendments for the conversion of DTA to DTC

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

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

The Group estimates that such fees could range up to approximately €5 million per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance.

Regulations and Directives

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

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. In December 2023, the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD, Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most provisions of the CRR III will become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

Balance Sheet Analysis (continued)

Regulations and Directives (continued)

Bank Recovery and Resolution Directive (BRRD)

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In January 2024, the Bank received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.0% of RWAs (or 30.3% of RWAs taking into account the expected prevailing CBR as at 31 December 2024 which needs to be met with own funds on top of the MREL) and 5.91% of Leverage Ratio Exposure (as defined in the CRR) and must be met by 31 December 2024.

The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

In April 2024, the Bank proceeded with an issue of €300 million green senior preferred notes (the 'Green Notes'). The Green Notes comply with the MREL criteria and contribute towards the Bank's MREL requirement. For further details, please refer to section 'Funding and Liquidity' below.

The MREL ratio as at 30 June 2024, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 33.4% of RWAs (including capital used to meet the CBR) and at 14.0% of LRE (based on the regulatory Total Capital as at 30 June 2024). The CBR stood at 5.31% as at 30 June 2024 (compared to 4.48% as at 31 December 2023), reflecting the increase of the CcyB from approximately 0.49% to approximately 0.94% in June 2024.

The CBR is expected to increase further as a result of the phasing in of O-SII buffer from 1.875% to 1.9375% on 1 January 2025 and to 2.00% on 1 January 2026.

Throughout this Interim Management Report, the MREL ratios as at 30 June 2024 include profits for the six months ended 30 June 2024 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, net of distribution accrual at the top end of the Group's approved distribution policy in line with Commission Delegated Regulation (EU) No 241/2014 principles.

Funding and Liquidity

Funding

Funding from Central Banks

Following the repayment of €1.7 billion under the seventh TLTRO III operation in March 2024 and €0.3 billion under the eighth TLTRO III operation in June 2024, the Group's funding from central banks was reduced to nil as at 30 June 2024, compared to €2,044 million as at 31 December 2023.

Balance Sheet Analysis (continued)

Funding and Liquidity (continued)

Funding (continued)

Deposits

Customer deposits totalled €19,723 million at 30 June 2024, compared to €19,337 million at 31 December 2023 up by 2% since the beginning of the year. Customer deposits are mainly retail-funded and approximately 57% of deposits are protected under the deposit guarantee scheme as at 30 June 2024.

The Bank's deposit market share in Cyprus reached 37.5% as at 30 June 2024, compared to 37.7% as at 31 December 2023. Customer deposits accounted for 77% of total assets and 86% of total liabilities at 30 June 2024 (compared to 73% of total assets and 80% of total liabilities as at 31 December 2023). The increase since the beginning of the year relates to the repayment of €2.0 billion TLTRO and the 2% increase in customer deposits.

The net loans to deposits (L/D) ratio stood at 51% as at 30 June 2024, compared to 51% as at 31 December 2023 on the same basis, flat since the beginning of the year.

Subordinated liabilities

At 30 June 2024, the carrying amount of the Group's subordinated liabilities amounted to €313 million, compared to €307 million at 31 December 2023 and relate to unsecured subordinated Tier 2 Capital Notes ('T2 Notes').

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

Debt securities in issue

At 30 June 2024, the carrying value of the Group's debt securities in issue amounted to €971 million, compared to €672 million at 31 December 2023 and relate to senior preferred notes. The increase of 45% since the beginning of the year relates to the issuance of €300 million green senior preferred notes ('Green Notes') in April 2024.

In April 2024, the Bank successfully launched and priced an issuance of €300 million green senior preferred notes. The Green Notes were priced at par with a fixed coupon of 5% per annum, payable in arrear, until the Option redemption date, i.e. 2 May 2028. The maturity date of the Green Notes is 2 May 2029; however, the Bank may, at its discretion, redeem the Green Notes on the Optional Redemption Date subject to meeting certain conditions (including applicable regulatory consents) as specified in the Terms and Conditions. If the Green Notes are not redeemed by the Bank, the coupon payable from the Optional Redemption Date until the Maturity Date will convert from a fixed rate to a floating rate and will be equal to 3-month Euribor plus 197.1 basis points, payable quarterly in arrear.

The issuance was met with strong demand, attracting interest from more than 120 institutional investors, with a final orderbook over four times over-subscribed at €1.3 billion and final pricing 50 basis points tighter than the initial pricing indication. The transaction represents the Bank's inaugural green bond issuance in line with the Group's Beyond Banking approach, aimed at creating a stronger, safer and future-focused bank and leading the transition of Cyprus to a sustainable future. An amount equivalent to the net proceeds of the Green Notes will be allocated to Eligible Green Projects as described in the Bank's Sustainable Finance Framework, which include Green Buildings, Energy Efficiency, Clean Transport and Renewable Energy.

Post this issuance, the Bank finalized its MREL build-up and created a comfortable buffer over the final requirements of 25% of RWAs (or 30.3% of RWAs taking into account the prevailing CBR as at 31 December 2024) and 5.91% of LRE which the Bank must meet by 31 December 2024. For further details, please refer to section 'Minimum Requirement for Own Funds and Eligible Liabilities (MREL)'.

Balance Sheet Analysis (continued)

Funding and Liquidity (continued)

Funding (continued)

Debt securities in issue (continued)

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

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

Liquidity

At 30 June 2024, the Group Liquidity Coverage Ratio (LCR) stood at 304% compared to 359% at 31 December 2023, well above the minimum regulatory requirement of 100%. The LCR surplus as at 30 June 2024 amounted to €7.5 billion, compared to €9.1 billion at 31 December 2023 as the issuance of €300 million of the green senior preferred notes in April 2024 and the increase in customer deposits partially offset the impact from the repayment of the remaining TLTRO III of €300 million in June 2024.

At 30 June 2024, the Group Net Stable Funding Ratio (NSFR) stood at 156% (compared to 158% at 31 December 2023), well above the minimum regulatory requirement of 100%.

Loans

Group gross loans totalled €10,318 million at 30 June 2024, compared to €10,070 million at 31 December 2023.

New lending granted in Cyprus totalled €1,227 million for the six months ended 30 June 2024 compared to €1,118 million for the six months ended 30 June 2023, driven mainly by corporate demand. New lending in the six months ended 30 June 2024 comprised €568 million of corporate loans, €402 million of retail loans (of which €236 million were housing loans), €120 million of SME loans and €137 million of shipping and international loans.

At 30 June 2024, the Group net loans and advances to customers totalled €10,085 million compared to €9,822 million at 31 December 2023.

The Bank is the largest credit provider in Cyprus with a market share of 43.2% at 30 June 2024, compared to 42.2% at 31 December 2023.

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

Balance Sheet Analysis (continued)

Loan portfolio quality

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

The loan credit losses for the six months ended 30 June 2024 totalled €16 million, compared to €24 million for the six months ended 30 June 2023. Further details regarding loan credit losses are provided in section 'Profit before tax and non-recurring items'.

Non-performing exposures

The high interest rate environment as well as inflationary pressures are expected to weigh on customers behaviour. Despite these elements, there are no material signs of asset quality deterioration to date. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers.

Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €71 million to €294 million at 30 June 2024, compared to €365 million at 31 December 2023.

As a result, the NPEs reduced to 2.8% of gross loans as at 30 June 2024, compared to 3.6% of gross loans as at 31 December 2023.

The NPE coverage ratio stands at 85% at 30 June 2024, compared to 73% at 31 December 2023. When taking into account tangible collateral at fair value, NPEs are fully covered.

Overall, since the peak in 2014, the stock of NPEs has been reduced by €14.7 billion or 98% to approximately €0.3 billion and the NPE ratio by approximately 60 percentage points from 63% to below 3%.

Mortgage-To-Rent Scheme ('MTR')

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

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

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

The eligible applicants will be able to acquire the primary residence after 5 years at a favourable price, below the open market value.

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

Balance Sheet Analysis (continued)

Fixed income portfolio

Fixed income portfolio amounts to €3,828 million as at 30 June 2024, compared to €3,348 million as at 31 December 2023. As at 30 June 2024, the portfolio represents 15% of total assets and comprises €3,429 million (90%) measured at amortised cost and €399 million (10%) at fair value through other comprehensive income ('FVOCI').

The fixed income portfolio measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity. This fixed income portfolio has high average rating at Aa3. The amortised cost fixed income portfolio as at 30 June 2024 has an unrealised fair value loss of €29 million.

Reverse repurchase agreements

Reverse repurchase agreements amount to €1,015 million as at 30 June 2024, compared to €403 million as at 31 December 2023. The increase since the beginning of the year relates to the additional hedging activities the Group is carrying out in order to reduce its net interest income sensitivity. The average yield of reverse repurchase agreements is approximately 3.0% per annum and the average duration is estimated at approximately 2.5 years.

Real Estate Management Unit (REMU)

The Real Estate Management Unit (REMU) is focused on the disposal of on-boarded properties resulting from debt for asset swaps. Cumulative sales of repossessed assets since the beginning of 2019 amount to approximately €1.0 billion and exceed properties on-boarded in the same period of €0.5 billion.

During the six months ended 30 June 2024, the Group completed disposals (and transfers) of repossessed properties of €57 million (compared to €68 million in the six months ended 30 June 2023), resulting in a profit on disposal of approximately €3 million for the six months ended 30 June 2024 (compared to a profit of approximately €4 million for the six months ended 30 June 2023). Asset disposals are across all property classes, with almost two thirds in gross sale value in the six months ended 30 June 2024 relating to land.

During the six months ended 30 June 2024, the Group executed sale-purchase agreements (SPAs) for disposals of 258 properties with contract value of €65 million (including transfers of €3 million), compared to SPAs for disposals of 273 properties with contract value of €78 million for the six months ended 30 June 2023.

In addition, the Group had a pipeline of €49 million by contract value as at 30 June 2024, of which €18 million related to SPAs signed (compared to a pipeline of €66 million as at 30 June 2023, of which €38 million related to SPAs signed).

The Group on-boarded €14 million of assets in the six months ended 30 June 2024 (compared to additions of €6 million in the six months ended 30 June 2023), via the execution of debt for asset swaps and repossessed properties.

As at 30 June 2024, repossessed properties held by the Group had a carrying value of €790 million, compared to €862 million as at 31 December 2023.

Income Statement Analysis

Total income

Net interest income (NII) for the six months ended 30 June 2024 amounted to €420 million compared to €358 million for the six months ended 30 June 2023. The yearly increase is mainly attributed to higher interest rates on liquid assets and loans, partially offset by a moderate increase in time and notice cost of deposits and funding costs, as well as higher cost of hedging.

Quarterly average interest earning assets (AIEA) for the six months ended 30 June 2024 amounted to €23,064 million, broadly flat year-on-year.

Net interest margin (NIM) for the six months ended 30 June 2024 amounted to 3.66% (compared to 3.17% for the six months ended 30 June 2023), up 49 basis points year-on-year, supported mainly by the higher interest rate outlook compared to the prior year.

Non-interest income for the six months ended 30 June 2024 amounted to €129 million (compared to €153 million for the six months ended 30 June 2023), comprising net fee and commission income of €86 million, net foreign exchange gains and net gains on financial instruments of €13 million, net insurance result of €23 million, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €2 million and other income of €5 million. The year-on-year reduction is mainly due to lower net foreign exchange gains and net gains on financial instruments, as well as lower net fee and commission income.

Net fee and commission income for the six months ended 30 June 2024 amounted to €86 million compared to €90 million in prior year, mainly due to lower transactional fees.

Net foreign exchange gains and net gains on financial instruments amounted to €13 million for the six months ended 30 June 2024, compared to approximately €5.5 million for the six months ended 30 June 2023. The year-on-year decrease is driven by lower foreign exchange gains on FX swaps and lower revaluation gains in financial instruments. Net foreign exchange gains and net gains on financial instruments are considered volatile profit contributors.

Net insurance result amounted to €23 million for the six months ended 30 June 2024, compared to €25 million for the six months ended 30 June 2023, due to negative claim experience in the non-life insurance business, arising from the severe weather-related events occurred in the first quarter of 2024, partly offset by better claims experience and reduction in loss component of the insurance contracts (in line with IFRS 17) in the life insurance business.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €2 million for the six months ended 30 June 2024 (comprising net gains on disposal of stock of properties and investment properties of approximately €3 million, and net loss from revaluation of investment properties of approximately €1 million) compared to €5 million for the six months ended 30 June 2023. REMU profit remains volatile.

Total income amounted to €549 million for the six months ended 30 June 2024, compared to €511 million for the six months ended 30 June 2023, with the increase driven by higher net interest income as explained above.

Total expenses

Total expenses for the six months ended 30 June 2024 were €186 million (compared to €180 million for the six months ended 30 June 2023), 52% of which related to staff costs (€96 million), 38% to other operating expenses (€71 million) and 10% to special levy on deposits and other levies/contributions (€19 million). The increase year-on-year is mainly due to higher staff costs.

Total operating expenses amounted to €167 million for the six months ended 30 June 2024, compared to €162 million for the six months ended 30 June 2023, up 4% year-on-year, mainly due to higher staff costs.

Income Statement Analysis (continued)

Total expenses (continued)

Staff costs for the six months ended 30 June 2024 were €96 million (compared to €93 million for the six months ended 30 June 2023) and include approximately €5 million performance-related pay accrual (compared to approximately €3.5 million performance-related pay accrual and approximately €2.8 million termination cost in the six months ended 30 June 2023). Net of these accruals, staff costs increased by 5% year-on-year, reflecting salary increments and higher cost of living adjustments (COLA) as well as higher employer's contributions.

The performance-related pay accrual relates to the Short-Term Incentive Plan ('STIP') and the Long-Term Incentive Plan ('LTIP'). The Short-Term Incentive Plan involves variable remuneration to selected employees and will be driven by both, delivery of the Group's strategy as well as individual performance. The LTIP is a share-based compensation plan and provides for an award in the form of ordinary shares of the Company based on certain non-market performance and service vesting conditions.

The LTIP was approved by the 2022 AGM, which took place on 20 May 2022. The LTIP involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. Currently, under the plan, the employees eligible for LTIP awards are the members of the Extended EXCO, including the executive directors. The LTIP stipulates that performance will be measured over a 3-year period and sets financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest. In December 2022, the Group granted 819,860 share awards to 22 eligible employees under the LTIP, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three year performance period for 2022-2024 (with all performance conditions being non-market performance conditions). In October 2023, 479,160 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period 2023-2025 (with all performance conditions being non market performance conditions). In April 2024, 403,990 share awards were granted to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in April 2024 are subject to a three-year performance period 2024-2026 (with all performance conditions being non market performance conditions).

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

As at 30 June 2024, the Group employed 2,860 persons compared to 2,830 persons as at 31 December 2023.

Other operating expenses for the six months ended 30 June 2024 amounted to €71 million, compared to €69 million for the six months ended 30 June 2023, impacted mainly by inflationary pressures and marketing expenses.

Special levy on deposits and other levies/contributions for the six months ended 30 June 2024 amounted to €19 million compared to €18 million for the six months ended 30 June 2023, driven mainly by the increase of deposits of €0.55 billion year-on-year.

The cost to income ratio excluding special levy on deposits and other levies/contributions for the six months ended 30 June 2024 was 30% compared to 32% for the six months ended 30 June 2023, benefitting from higher income.

Profit before tax and non-recurring items

Operating profit for the six months ended 30 June 2024 amounted to €363 million, compared to €331 million for the six months ended 30 June 2023, up by 9% year-on-year reflecting mainly the significant increase in net interest income.

Loan credit losses for the six months ended 30 June 2024 were €16 million compared to €24 million for the six months ended 30 June 2023, supported by the continued robust performance of the credit portfolio and improved macroeconomic assumptions. Additional information on the drivers of the loan credit losses for the six months ended 30 June 2024 is disclosed in Note 32.4 of the Consolidated Condensed Interim Financial Statements.

Income Statement Analysis (continued)

Profit before tax and non-recurring items (continued)

Cost of risk for the six months ended 30 June 2024 is equivalent to 31 basis points, compared to a cost of risk of 48 basis points for the six months ended 30 June 2023.

At 30 June 2024, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off-balance sheet exposures (please refer to 'Alternative Performance Measures Disclosures' section of the Interim Financial Report for the definition) totalled €251 million (compared to €267 million at 31 December 2023) and accounted for 2.4% of gross loans (compared to 2.7% as at 31 December 2023).

Impairments of other financial and non-financial assets for the six months ended 30 June 2024 amounted to €25 million, compared to €30 million for the six months ended 30 June 2023, and relate mainly to REMU stock properties.

Provisions for pending litigations, claims, regulatory and other matters (net of reversals) for the six months ended 30 June 2024 amounted to €3 million, compared to €14 million for the six months ended 30 June 2023. The decrease related primarily to a release of a provision on a claim following the closing of the investigation by the Commission of the Protection of Competition.

Profit before tax and non-recurring items for the six months ended 30 June 2024 totalled to €319 million, compared to €263 million for the six months ended 30 June 2023.

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

The tax charge for the six months ended 30 June 2024 amounted to €48 million compared to €40 million for the six months ended 30 June 2023.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should have been transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date however it is expected to be enacted within 2024. The Group expects to be in scope of the legislation and has performed an assessment of the potential impact of Pillar Two income taxes with the current estimate being a charge of approximately 1.5% on profit before tax as at 30 June 2024. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be enacted, the impact of this reform has been estimated to range up to 2% of profit before tax and will be further refined upon the enactment and implementation of relevant legislation.

Profit after tax and before non-recurring items (attributable to the owners of the Company) for the six months ended 30 June 2024 is €270 million, compared to €222 million for the six months ended 30 June 2023.

Advisory and other transformation costs – organic for the six months ended 30 June 2024 are nil, compared to €2 million for the six months ended 30 June 2023.

Profit after tax attributable to the owners of the Company for the six months ended 30 June 2024 amounts to €270 million, corresponding to a ROTE of 23.7%, compared to €220 million for the six months ended 30 June 2023 (and a ROTE of 24.0%). ROTE on 15% CET1 ratio for the six months ended 30 June 2024 increases to 29.6%, compared to 25.3% for the six months ended 30 June 2023. The adjusted recurring profitability used for the Group's distribution policy (i.e. defined as the Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon which is paid semi-annually) amounted to €257 million for the six months ended 30 June 2024, compared to €201 million for the six months ended 30 June 2023.

Operating Environment

Real GDP increased by 3.4% seasonally adjusted in the first quarter of 2024. Overall growth in the quarter returned to about the long-term average and contributions from the economic sectors returned to their long-term trends. This was true mainly for trade, transport and accommodation, information and communications, professional and administrative services, and also the public related sectors of public administration, education and health. For 2024, the economy is expected to increase by approximately 2.9% according to the Ministry of Finance (based on May 2024 projections).

Short-term risks are mostly external and to the downside, including a downturn in major tourism markets, an escalation of regional conflicts, and delays in the implementation of the Recovery and Resilience Plan. In the medium-term, risks are from climate change and from possible further deterioration in the global geopolitical outlook. The digital and green transitions remain key challenges.

The unemployment rate, after rising in 2020 and the first half of 2021, has been declining and dropped to 6.0% in the fourth quarter of 2023 and to 5.7% in the first quarter of 2024, seasonally adjusted. The unemployment rate was 6.5% in the Euro area in the first quarter of 2024.

In January-June 2024, harmonised inflation was 2.3% in Cyprus and core inflation was 2.5%. In the Euro area, harmonised inflation was 2.5% and core inflation was 2.9%. The decline in the harmonised inflation was driven by the non-core components of energy and food, while core inflation, defined as total index less energy and food, was stickier.

Tourist arrivals for the period January-June 2024 were broadly at the same levels as in prior year. Likewise, receipts in January-May 2024, demonstrated a small increase of 3% compared to the same period the year before.

In public finances, there have been significant improvements in budget and debt dynamics including debt affordability indicators. The recovery in 2021 was underpinned by a significant increase in general government revenue and a decrease in government expenditure. The result was a reduction in the budget deficit to -1.8% of GDP, from a deficit of -5.7% of GDP in 2020. In 2022 the budget surplus rose to 2.7% of GDP and 3.1% of GDP in 2023. Gross debt was 114.9% of GDP in 2020 and has dropped successively to 85.6% and 77.3% of GDP in 2022 and 2023 respectively. The budget balance is forecasted to remain in surplus at 2.9% of GDP in 2024 according to the Ministry of Finance Strategic Framework of Fiscal Policy 2025-2028, and gross debt is expected to continue to decline below 60% of GDP in 2026. Debt affordability metrics are favourable and are expected to remain solid in the medium term, as gross financing needs are moderate, and the cash buffer gives the government a high degree of financing flexibility.

Cypriot banks are well capitalized and remain resilient. Despite the high interest rates, asset quality has not deteriorated. Non-performing exposures (NPEs) are by now largely outside of bank balance sheets, but their resolution is critical for private sector balance sheets. As at 31 May 2024, NPEs in the Cyprus banking system were €1.8 billion or 7.4% of gross loans, compared with 7.9% of gross loans at the end of December 2023, and 9.5% at the end of December 2022, according to the Central Bank of Cyprus. The NPE ratio for the Cyprus banking sector in the non-financial companies' segment was 6.3% at the end of May 2024 and that of households was 9.2%. About 44% of total NPEs are restructured facilities and the coverage ratio was 54% as at 31 May 2024.

Risks remain to the downside. In the short-term, a slowing of economic activity in main tourism markets and an escalation of regional conflicts could slow Cyprus's efforts to reorient its services exports.

Operating Environment (continued)

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.

In June 2024, Fitch Ratings upgraded Cyprus' long-term foreign currency issuer default rating to BBB+ from BBB whilst maintaining its outlook on Cyprus positive. The upgrade relates mainly to the reduced vulnerabilities to financial shocks, the continued strengthening of the banking sector's credit profile, the deleveraging of the private sector, the reduction of Cyprus public debt, as well as its strong GDP growth.

In addition, in June 2024, S&P Global Ratings upgraded Cyprus' long-term local and foreign currency sovereign credit ratings to BBB+ from BBB, whilst maintaining its outlook on Cyprus positive. This one-notch upgrade of Cyprus' rating reflects the progress Cyprus has made in recent years to address fiscal imbalances, amid resilient growth, as well as the strengthening financial position of Cypriot banks.

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.

DBRS Ratings GmbH (DBRS Morningstar) confirmed Cyprus' Long-Term Foreign and Local Currency – Issuer Ratings at BBB (high) in March 2024. DBRS Ratings had upgraded the long-term foreign and local currency issuer ratings of Cyprus from BBB to BBB (high) in September 2023. The rating action is stable. The upgrade was 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.

Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In July 2024, Moody's Investors Service upgraded the Bank's long-term deposit rating to Baa1 from Baa3 and revised the outlook to stable. The upgrade by two notches reflects the ongoing improvements of the Bank's solvency profile, the increased protection afforded to the Bank's depositors, and its strengthened capital. This is the highest long-term deposit rating for the Bank since 2011. The stable outlook balances potential further asset quality improvements against lower normalised profitability metrics, a broadly stable operating environment, and stable funding, liquidity and capital metrics. Additionally in July 2024, Fitch Ratings upgraded long-term issuer default rating to BB+ from BB, whilst maintaining the positive outlook. The one-notch upgrade reflects a combination of Fitch's improved assessment of the Cypriot operating environment, reduced private sector indebtedness, expectation of continued economic growth, the Bank's strengthened capitalisation and reduced exposure to legacy net problem assets. In June 2024, S&P Global Ratings upgraded the long-term issuer credit rating of the Bank to BB+ and maintained a positive outlook. The upgrade by one notch was driven by the reduction of economic imbalances, strengthened capitalisation, supportive economic conditions and the solid profitability stemming from improved efficiency and contained cost of risk.

Financial performance

The Group is a leading, financial and technology hub in Cyprus. During the six months ended 30 June 2024, the Group generated a profit after tax of €270 million, corresponding to a ROTE of 23.7%, demonstrating the sustainability of its business model. This strong performance was supported by a resiliently strong net interest income, continuous management of its cost base despite inflation and a low cost of risk, and was feeding through into strong growth of the Group's tangible book value per share. Since June 2023, the Group's tangible book value per share improved by 21% to €5.27 based on share in issue (excluding treasury shares), accelerating shareholder value creation.

Interest rate environment

The structure of the Group's balance sheet remains highly liquid. As at 30 June 2024, cash balances with ECB amounted to approximately €7.3 billion, whereas the Group's loan portfolio is mainly floating rate, with almost half of the loan portfolio being Euribor based. Net interest income for the six months ended 30 June 2024 stood at €420 million, up 17% year-on-year due to higher interest income on loans and liquid assets, underpinned by high interest rates, all of which served to more than offset the higher cost of deposits, and funding costs and the continued hedging activity to reduce NII sensitivity.

Overall, the Group intends to increase its hedging position during the year ended 31 December 2024 by €4-€5 billion compared to the year ended 31 December 2023(with average duration of 3-4 years), subject to market conditions, via receive fixed interest rate swaps, further investment in fixed rate bonds, additional reverse repos and continuing offering of fixed rate loans.

In the first half of 2024, the Group carried out hedging of approximately €3.4 billion, on track to meet its 2024 target of €4-€5 billion. The increase was mainly attributed to the hedging through receive fixed interest rate swaps, investing in fixed rate bonds, entering into reverse repos and offering fixed rate loans. Simultaneously, about a quarter of the Group's loan portfolio is linked with the Bank's base rate which provides a natural hedge against the cost of deposits. Overall, these actions have led to a reduction in the net interest income sensitivity (to a parallel shift in interest rates by 100 basis points) by approximately €27 million since 31 December 2023.

Growing revenues in a more capital efficient way

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

The Group has continued to provide high quality new lending in the six months ended 30 June 2024 via prudent underwriting standards. Growth in new lending in Cyprus has been focused on selected industries in line with the Bank's target risk profile. During the six months ended 30 June 2024, new lending remained strong at €1.2 billion, up 10% on prior year, driven mainly by business demand. Gross performing loan book increased by 3% since the beginning of the year to approximately €10.1 billion; loan growth is subdued by repayments.

Business Overview (continued)

Financial performance (continued)

Growing revenues in a more capital efficient way (continued)

Fixed income portfolio continued to grow in the six months ended 30 June 2024 to €3,828 million, and currently represents 15% of total assets. This portfolio is mostly measured at amortised cost and is highly rated with average rating at Aa3. The amortised cost fixed income portfolio as at 30 June 2024 has an unrealised fair value loss of €29 million, equivalent to approximately 30 basis points of CET1 ratio (compared to an unrealized fair value gain of €3 million as at 31 December 2023) due to increases in the bond yield.

Separately, the Group focuses to continue improving revenues through multiple less capital-intensive initiatives, with a focus on fees and commissions, insurance and non-banking opportunities, leveraging on the Group's digital capabilities. During the six month ended 30 June 2024, non-interest income amounted to €129 million, covering almost 77% of the Group's total operating expenses.

In the first six months of 2024, net fee and commission income amounted to €86 million and was down by 4% compared to the previous year, due to lower transactional fees. Net fee and commission income is enhanced by transaction fees from the Group's subsidiary, JCC Payment Systems Ltd (JCC), a leading player in the card processing business and payment solutions, 75% owned by the Bank. JCC's net fee and commission income contributed 11% of total non-interest income and amounted to approximately €14 million for the six months ended 30 June 2024, up 3% year-on-year, backed by strong transaction volume. In the context of its wider strategic evaluation, the Group is undertaking a strategic review which may result in a potential disposal of part or all of its holding in JCC, although no decision has been taken at this stage.

The Group's insurance companies, EuroLife and GI are respectively leading players in the life and general insurance business in Cyprus, and have been providing recurring and improving income, further diversifying the Group's income streams. The net insurance result for the six months ended 30 June 2024 contributed approximately 18% of non-interest income and amounted to €23 million; insurance companies remain valuable and sustainable contributors to the Group's profitability.

Finally, the Group through the Digital Economy Platform (Jinius) ('the Platform') aims to support the national digital economy by optimising processes in a cost-efficient way, allow the Bank to strengthen its client relationships, create cross-selling opportunities, as well as to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The first Business-to-Business services are already in use by clients and include invoice, remittance, tender and ecosystem management. Currently, approximately 2,200 companies are registered in the platform and over €600 million cash were exchanged via the platform since 2023 through invoicing and remittance services.

In February 2024, the Business-to-Consumer service was launched, a Product Marketplace aiming to increase the touch points with customers. Currently approximately 130 retailers were onboarded in fashion, technology, beauty, small appliances, personal care devices and toy sectors, and over 160 thousand products were embedded in the Product Marketplace.

Lean operating model

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

In 2023, the Group completed a small-scale, targeted VEP through which 50 full-time employees were approved to leave at a total cost of approximately €7.5 million, recorded in staff costs in the year ended 31 December 2023. Since the beginning of the year, there was further branch footprint rationalization as the Group reduced the number of branches by 5 to 55, a reduction of 8%.

The Group's total operating expenses for the six months ended 30 June 2024 amounted to €167 million, up 4% on prior year, impacted mainly by inflationary pressures on staff costs. The cost to income ratio excluding special levy on deposits and other levies/contributions for the six months ended 30 June 2024 stood at 30%, down 2 percentage points compared to prior year, supported by strong income. In August 2024, a reward programme through Antamivi Reward scheme was launched in the context of the new loyalty scheme 'Pronomia' to reward the Group's performing borrowers, which is expected to impact total operating expenses by approximately €3 million in the second half of 2024.

Business Overview (continued)

Financial performance (continued)

Lean operating model (continued)

Transformation plan

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

Digital transformation

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

The Group's digital channels continue to grow. As at 30 June 2024, the Group's digital community has increased to 467 thousand active subscribers, both on Internet Banking and the BoC Mobile App, improving by 7% year-on-year. Likewise, the BoC Mobile App, had 429 thousand active subscribers as at 30 June 2024 and increased by 10% year-on-year.

During the second quarter of 2024, the Group continued to enrich and improve its digital portfolio with new innovative services to its customers. The Bank's loyalty scheme 'pronomia' was launched, rewarding customers with several benefits, such as additional Antamivi points, lower interest rates and no initial bank fees on new loans and discounts on new insurance policies. Additionally, the ability to request replacement of a card that was lost or stolen has been added in both the BoC Mobile App and Internet Banking. Furthermore, the ability to provide the beneficiary details for dividend payments was given to the Bank's shareholders. In July 2024, Bank of Cyprus is the first bank in Cyprus that enabled instant payments via digital channels, providing the ability to the customer to make credit transfers in Euros making the funds available in the beneficiary customer's account within 10 seconds. Instant transfers are applicable for credit payments up to €50 thousand within Cyprus and up to €25 thousand outside Cyprus (to 36 countries in the SEPA Zone).

One of the Group's latest digital innovations, Quickloans, accessible through both the BoC Mobile App and Internet Banking, has transformed the traditional loan process, enabling customers to obtain a credit facility decision instantly, without the need to visit a branch. Since the beginning of the year 2024, over seven thousand applications were processed, granting €52 million new loans in the six months ended 30 June 2024, equivalent to an increase of 12% compared to the six months ended 30 June 2023.

In collaboration with Genikes Insurance, an insurance plan purchase was integrated into the BoC Mobile App, enabling customers to access car or home insurance plans through the BoC Mobile App at lower rates than branch prices. Digital insurance sales for the six months ended 30 June 2024 amounted to €291 thousand, compared to €159 thousand for the six months ended 30 June 2023, reflecting 925 policies in the six months ended 30 June 2024 compared to 541 policies for the six months ended 30 June 2023.

Lastly, digital account openings increased by 53% in the six months ended 30 June 2024 to 8,291 from 5,423 in the six months ended 30 June 2023 and new debit cards increased by 97% year-on-year to 8,865 in the six months ended 30 June 2024, compared to 4,492 during the same period last year.

Asset quality

Balance sheet de-risking was largely completed in 2022; as at 30 June 2024, the Group's NPE ratio stood at 2.8%, already achieving the 2024 NPE ratio target. The Group's priorities remain intact, maintaining high quality new lending with strict underwriting standards and preventing asset quality deterioration.

Business Overview (continued)

Financial performance (continued)

Capital market presence

In April 2024, the Bank successfully launched and priced an issuance of €300 million green senior preferred notes ('Green Notes'). With this issuance, the Bank finalised its MREL build-up and creates a comfortable buffer over the final requirements of 25% of RWAs (or 30.3% of RWAs taking into account the expected prevailing CBR as at 31 December 2024) and 5.91% of LRE which the Bank must meet by 31 December 2024.

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

Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual. In 2024, the Bank received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

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

In line with the Group's Beyond Banking approach and its commitment to create a stronger, safer and future-focused organisation the Bank proceeded, in 2024, with the issuance of an inaugural green bond. An amount equivalent to the net proceeds of the notes will be allocated to eligible green projects as described in the Bank's sustainable finance framework, which includes green buildings, energy efficiency, clean transport and renewable energy.

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

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

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

For the Group to continue its progress against its primary ESG targets and address the evolving regulatory expectations, it further enhanced in 2024 its ESG working plan which was established in 2022. Progress on the ESG working plan is closely monitored by the Sustainability Committee, the Executive Committee and the Board Committees on a quarterly basis.

Environmental Pillar

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

Business Overview (continued)

Financial performance (continued)

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

Environmental Pillar (continued)

The Group plans to invest in energy efficient installations and actions as well as replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to approximately 3%-4% reduction in Scope 1 and Scope 2 emissions by 2025 compared to 2021. The Group expects that the Scope 2 emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The Bank achieved a reduction of approximately 22% in Scope 1 – Stationary Combustion GHG emissions and approximately 5% in Scope 2 GHG emissions in the six months ended 30 June 2024 compared to the six months ended 30 June 2023 due to new solar panels connected to energy network in 2023 as well as branch rationalisation as part of the digitalization journey. The Bank achieved an increase of 16% in renewable energy production, from 128,780 Kwh to 149,031 Kwh, in the six months ended 30 June 2024 compared to the six months ended 30 June 2023.

The Group is gradually integrating climate-related and environmental (C&E) risks into its Business Strategy. The Bank was the first bank in Cyprus to join the Partnership for Carbon Accounting Financials (PCAF) in October 2022, and has estimated and published the Financed Scope 3 GHG emissions associated with its loan and investment portfolio as well as Insurance associated GHG emissions using the PCAF standards, methodology and proxies. Following the estimation of Financed Scope 3 GHG emissions of loan portfolio, the Bank established a decarbonization target on Mortgage loan portfolio. The decarbonization target on Mortgage portfolio was established by applying the International Energy Agency's Below 2 Degree Scenario. For the Bank's Mortgage loan portfolio to be aligned with the climate scenario and effectively be associated with lower transition risks, the baseline as at 31 December 2022 of 53.5 kgCO2e/m2 should be reduced by 43% by 31 December 2030. The carbon intensity of the Mortgage loan portfolio as at 30 June 2024 is estimated at 49.11 kgCO2e/m2 achieving approximately 8% reduction compared to baseline, due to increased installation of solar panels in residential properties in 2023. A Variable Green Housing product was launched at the end of 2023 to support the Bank to meet the decarbonization target on Mortgage loans and effectively limit the level of climate transition risk that is exposed to. The Bank is in the process to launch in the third quarter of 2024, a Fixed Green Housing product aligned with Green Loan Principles (GLPs) of the Loan Market Association (LMA) which is expected to contribute significantly to the environmentally friendly portfolio of the Bank by the end of 2024. In addition, the Bank has set lending and investment limits on specific carbon intensive sectors which are widely considered to be associated with high climate transition risk. Further, having introduced and implementing a Business Environment Scan process, the Bank developed green/transition new lending targets in certain sectors to support its customer's transition to a low carbon economy and effectively manage climate transition risks.

During 2023, the Bank has made considerable progress in integrating climate-related and environmental risks into its risk management approach and risk culture. The Bank revised and enhanced the Materiality assessment process on C&E risks. The Bank has carried out a comprehensive identification and assessment of C&E risks as drivers of existing financial and non-financial risks considering its business profile and loan portfolio composition. As part of this process, the Bank has identified the risk drivers, both physical and transition, which could potentially have an impact on its risk profile and operations and has assessed the severity of each risk driver for all the existing categories of risks.

In 2024, the Bank introduced the syndicated Synesgy solution (ESG Due Diligence process) across the Cypriot Banking system designed to enhance data collection, score customers on their performance against various aspects around C&E risks and provide guidance on remediation actions. This process involves the utilization of structured ESG questionnaires, through the Synesgy platform, applied at the individual company level to derive an ESG score. The Bank established a structure and detailed Business Environment Scan process to monitor the impact of C&E risks on its business environment in the short, medium and long-term. The results of the preliminary (quarterly) and final (annual) impact assessment have been incorporated in the Materiality assessment of C&E risks as well as informed the Bank's Business Strategy.

The Bank offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. Specifically, the Bank offers loans for energy upgrades of homes, installation of solar panels, acquisition of new hybrid or electric car as well as financing of renewable energy projects. In addition, following the Energy performance certificate gathering exercise, in 2024, the Bank identified a pool of €307.3 million gross loans, as at 30 June 2024, associated (financing or collateralized) with properties with EPC Category A. The gross amount of environmentally friendly loans (including loans associated with properties with EPC Category A) as at 30 June 2024 was €339.8 million compared to €272.0 million as at 31 December 2023.

Business Overview (continued)

Financial performance (continued)

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

Environmental Pillar (continued)

During the six months ended 30 June 2024, in order to enhance the awareness and skillset on ESG matters, the Group performed relevant trainings to control functions and plans to perform trainings to the Board of Directors and Senior Management, as well as to other members of staff.

Social Pillar

At the centre of the Group's leading social role lie its contributions to the Bank of Cyprus Oncology Centre (with an overall amount of approximately €70 million since 1998, whilst 55% of diagnosed cancer cases in Cyprus are being treated at the Centre), the immediate and efficient response of Bank of Cyprus' SupportCY network consisting of companies and organisations, to various needs of the society and in cases of crises and emergencies, through the activation of programs, specialized equipment and a highly trained Volunteers Corps, the contribution of the Bank of Cyprus Cultural Foundation in promoting the cultural heritage of the island, and the work of IDEA Innovation Centre.

The Cultural Foundation premises and museums were closed from March to June 2024 for renovation purposes so to launch the new exhibition 'Cyprus Insula'. The physical attendees of Cultural foundation events remain unchanged from the first quarter of 2024 (4,062 attendees).

The IDEA Innovation Centre, invested approximately €4 million in start-up business creation since its incorporation, supported creation of 95 new companies to date, provided support to more than 210 entrepreneurs through its Startup program since incorporation, and provided education to 7,000 entrepreneurs. Staff continued to engage in voluntary initiatives to support charities, foundations, people in need and initiatives to protect the environment.

The Group has continued to upgrade its staff's skillset by providing training and development opportunities to all staff and capitalising on modern delivery methods. In the six months ended 30 June 2024, the Bank's employees attended 23,482 hours of trainings. Moreover, the Group continued its emphasis on staff wellness during 2024 by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by approximately 750 employees through its Well at Work program.

Governance Pillar

The Group continues to operate successfully within a complex regulatory framework of a holding company which is registered in Ireland, listed on two Stock Exchanges and run in compliance with a number of rules and regulations. Its governance and management structures enable it to achieve present and future economic prosperity, environmental integrity and social equity across its value chain. The Group operates within a framework with adequate control environment, which enable risk assessment and risk management based on the relevant policies under the leadership of the Board of Directors. The Group has set up a Governance Structure to oversee its ESG agenda. Progress on the implementation and evolution of the Group's ESG strategy is monitored by the Sustainability Committee and the Board of Directors. The Sustainability Committee is a dedicated executive committee set up in early 2021 to oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in the Group's business targets. The Group's ESG Governance structure continues to evolve, so as to better address the Group's evolving ESG needs. The Group's regulatory compliance continues to be an undisputed priority.

The 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, as at 31 December 2023, in Group's management bodies. Women representation in Group management bodies continues to be 33% as at 30 June 2024. During the transitional phase of the Board's composition in the six months ended 30 June 2024 two male members, highly experienced in the areas of ESG and technology, were appointed leading to the female representation, as at 30 June 2024, being at 37.5%. The Bank is in the process to appoint new members in the Board which will lead to female representation of 42%.

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.

During the first half of 2024, the Group continued to deliver strong financial and operational results, demonstrating the sustainability of its business model. Capitalising on its strong performance in the first half of 2024 the Group has upgraded its 2024 and 2025 financial targets.

Components of Upgraded Financial Targets

On the back of a more favourable interest rate environment and positive deposit behaviour, the net interest income for 2024 is upgraded from over €670 million to approximately €800 million. This is mainly due to the fact that the interest rate environment turned out to be more resilient than initially anticipated, with the pace of rate cuts being prolonged. According to market projections of July 2024, the ECB deposit facility rate and 6-month Euribor are expected to average to 3.8% and 3.6% respectively for 2024, vis-à-vis 3.4% ECB deposit facility rate and 3.2% 6-month Euribor anticipated in February 2024. Other drivers of the upgrade of net interest income guidance include:

- Cost of deposits to average to approximately 35 basis points in 2024, facilitated by the highly liquid banking sector in Cyprus
- Gradual change in deposit mix towards time and notice deposits to approximately 43% by 31 December 2024;
- Low single-digit loan growth, in 2024-2025, supported by GDP growth; loan growth subdued by repayments;
- Hedging activity to continue in 2024 to meet target of €4-€5 billion; already carried out €3.4 billion as at 30 June 2024;
- Fixed income portfolio to continue to grow, subject to market conditions, so that it represents approximately 17% of total assets by the end of 2024 (compared to 16% previously guided), benefitting also from rollover to higher rates and;
- Higher wholesale funding costs, reflecting the full year impact of the 2023 senior preferred issuance and the April 2024 issuance of green senior preferred notes.

Going forward, the net interest income for 2025 is expected to be lower than 2024 but to remain strong, exceeding €700 million based on projections of the ECB deposit facility rate and 6-month Euribor to average to approximately 3.0% respectively, reflecting mainly projected lower interest rates and higher cost of deposits compared to 2024.

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

Maintaining cost discipline management remains an ongoing focus for the Group. The cost to income ratio excluding special levy on deposits or other levies/contributions is revised downwards to below 35% for 2024 (compared to approximately 40% previously guided) reflecting mainly the higher income on the back of the improved interest rate environment. For 2025, the cost to income ratio excluding special levy on deposits or other levies/contributions is set at below 40%, reflecting mainly lower income on gradually declining interest rates.

Strategy and Outlook (continued)

On asset quality, the Group's NPE ratio decreased to 2.8% as at 30 June 2024 indicating that is already aligned with the 2024 NPE ratio target. In this respect, the Group aims at an NPE ratio below 3% by end-2024 and below 2.5% by end-2025. Additionally, due to the continued strong credit portfolio performance, the cost of risk target is revised downwards and is currently expected to be approximately 40 basis points for 2024 and within the normalised range of 40-50 basis points for 2025.

Upgraded ROTE Targets
Overall, the Group expects to deliver a ROTE of over 19% (on a reported basis) which is translated into a ROTE of over 24% on 15% CET1 ratio for 2024. For 2025, the Group expects to deliver a reported ROTE in the range of mid-teens, corresponding to high-teens ROTE on 15% CET1 ratio. This strong performance for 2024 and 2025 will facilitate rapid capital build-up, with the CET1 generation expected to exceed 300 basis points per annum on a pre-distribution level.

Distributions
The Group aims to provide a sustainable return to shareholders. Distributions are expected to be in the range of 30%-50% payout ratio of the Group's adjusted recurring profitability, including cash dividends and buybacks, with any distribution being subject to regulatory approval. 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. In line with the Group's distribution policy, the Group is committed to delivering sustainably growing distributions through a combination of cash dividend and share buybacks while maintaining a robust capital base to support profitable growth and prudently prepare for upcoming potential regulatory changes. Supported by its continued progress towards its strategic targets, the Group intends to move towards the top-end of the 30%-50% range of its distribution policy (i.e. 50% payout ratio) for 2024, subject to required approvals. Any proposed distribution quantum, as well as envisaged allocation between dividend and buyback, will take into consideration market conditions as well as the outcome of its ongoing capital and liquidity planning exercises at the time. Given the strong capital generation, the Group's distribution policy is expected to be reviewed with the full year 2024 financial results in the context of prevailing market conditions.

Proposal to enhance the Group's market visibility and improve liquidity via ATHEX listing
In the context of evaluating how best to position the Group to achieve its long-term strategic targets and deliver sustainable value to shareholders, the Board has been assessing how to enhance the liquidity of the ordinary shares of the Group which are currently listed on the London Stock Exchange (LSE) and Cyprus Stock Exchange (CSE). Following extensive communication with the Group's stakeholders, the Board has reached the view that listing the ordinary shares on the Athens Stock Exchange ('ATHEX') in conjunction with a delisting from the LSE, will yield a number of long-term strategic and capital market benefits. These include enhancing the Group's profile among the relevant investor base focused on the region, enabling investors to directly compare performance with regional banking peers, attracting long-term institutional holders within the more focused market ecosystem of ATHEX and providing scope for inclusion among indices over time. Taking into account these benefits, the Board of the Group believes that listing the ordinary shares on ATHEX and delisting the ordinary shares from the LSE has the potential to enhance the liquidity of the ordinary shares and may improve the market visibility of the Group for the benefit of shareholders. The ordinary shares of the Group will continue to be listed on the CSE. An Extraordinary General Meeting will be convened to propose a resolution to shareholders to consider the proposed listing on ATHEX; further details will be announced in due course. The effectiveness of the listing on ATHEX will also be subject to and conditional upon, being approved by the ATHEX Listings Committee. Subject to shareholder approval, necessary regulatory approvals and market conditions, the Board expects the listing and delisting to take place in autumn 2024.

Going concern

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

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

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

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

Funding and liquidity
The Directors and Management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 30 June 2024 that can be easily and readily monetised in a period of stress.

Principal risks and uncertainties - Risk management and mitigation

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

Information relating to the principal risks the Group faces and risk management is set out in Notes 32 to 35 of the Consolidated Condensed Interim Financial Statements and in the 'Risk and Capital Management Report', both of which form part of the Interim Financial Report for the six months ended 30 June 2024. In addition, in relation to legal risk arising from litigations, investigations, claims and other matters, further information is disclosed in Note 28 of the Consolidated Condensed Interim Financial Statements.

Additionally, the Group is exposed to the risk of changes in the value of property which is held either for own use or as stock of property or as investment property. Stock of property is predominately acquired in exchange for debt and is intended to be disposed of in line with the Group's strategy. Further information is disclosed in Note 20 of the Consolidated Condensed Interim Financial Statements.

Details of the financial instruments and hedging activities of the Group are set out in Note 17 of the Consolidated Condensed Interim Financial Statements. Further information on financial instruments is also presented in Notes 32 and 33 of the Consolidated Condensed Interim Financial Statements.

The Group's activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment, as described in the 'Operating environment' section of this Interim Management Report and changes in the macroeconomic conditions and geopolitical developments as described in the 'Risk and Capital Management Report' which forms part of the Interim Financial Report for the six months ended 30 June 2024.

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

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

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

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

Events after the reporting date

Share repurchase programme
During the period from 1 July 2024 to 6 August 2024, 464 thousand shares were further purchased under the share repurchase programme launched in April 2024, at a total cost of €1,920 thousand. As at 6 August 2024, the Company holds 44 thousand shares, all arising from the share repurchase programme.

Proposal to list to Athens Stock Exchange and delist from London Stock Exchange
The Board has been assessing how to enhance the liquidity of the ordinary shares of the Group which are currently listed on the London Stock Exchange ('LSE') and the Cyprus Stock Exchange ('CSE'). Following extensive communication with Group's stakeholders, the Board has reached the view that listing the ordinary shares on the Athens Stock Exchange ('ATHEX') in conjunction with a delisting from the LSE will yield a number of long-term strategic and capital market benefits. The ordinary shares of the Group will continue to be listed on the CSE. An Extraordinary General Meeting will be convened to propose a resolution to shareholders to consider the proposed listing on ATHEX. The effectiveness of the listing on ATHEX will also be subject to and conditional upon, being approved by the ATHEX Listings Committee.

No other significant non-adjusting events have taken place since 30 June 2024.

Distributions

Based on the 2023 SREP decision, effective from 1 January 2024, 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.

In March 2024, the Company obtained the approval of the European Central Bank to pay a cash dividend and to conduct a share buyback (together the 'Distribution') in respect of earnings for the year ended 31 December 2023. The Distribution amounted to €137 million in total, comprising a cash dividend of €112 million and a share buyback of up to €25 million as described in Note 26 of the Consolidated Condensed Interim Financial Statements. The AGM, on 17 May 2024, approved a final cash dividend of €0.25 per ordinary share in respect of earnings for the year ended 31 December 2023.

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. The AGM, on 26 May 2023, declared a final cash dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. The dividend amounted to €22 million in total.

Statement of Directors' Responsibilities

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

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

- the Consolidated Condensed Interim Financial Statements, prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 30 June 2024, and its profit for the period then ended; and
- the Interim Financial Report includes a fair review of:
  a. important events that have occurred during the first six months of the year, and their impact on the Consolidated Condensed Interim Financial Statements;
  b. a description of the principal risks and uncertainties for the next six months of the financial year;
  c. details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 June 2024; and
  d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

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

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

07 August 2024

Risk and Capital Management Report

30 June 2024

The Group's approach to risk management

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

1. Risk Management Framework (RMF)

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

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

1.1 Risk Governance

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

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

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

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

1. Risk Management Framework (RMF) (continued)

1.1 Risk Governance (continued)

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

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

1.2 Organisational Model

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

<u>*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.</u>

RMD organisational model

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

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

1. Risk Management Framework (RMF) (continued)

1.2 Organisational Model (continued)

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

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

1.3 Risk Identification

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

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

1.4 Three Lines of Defence

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

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

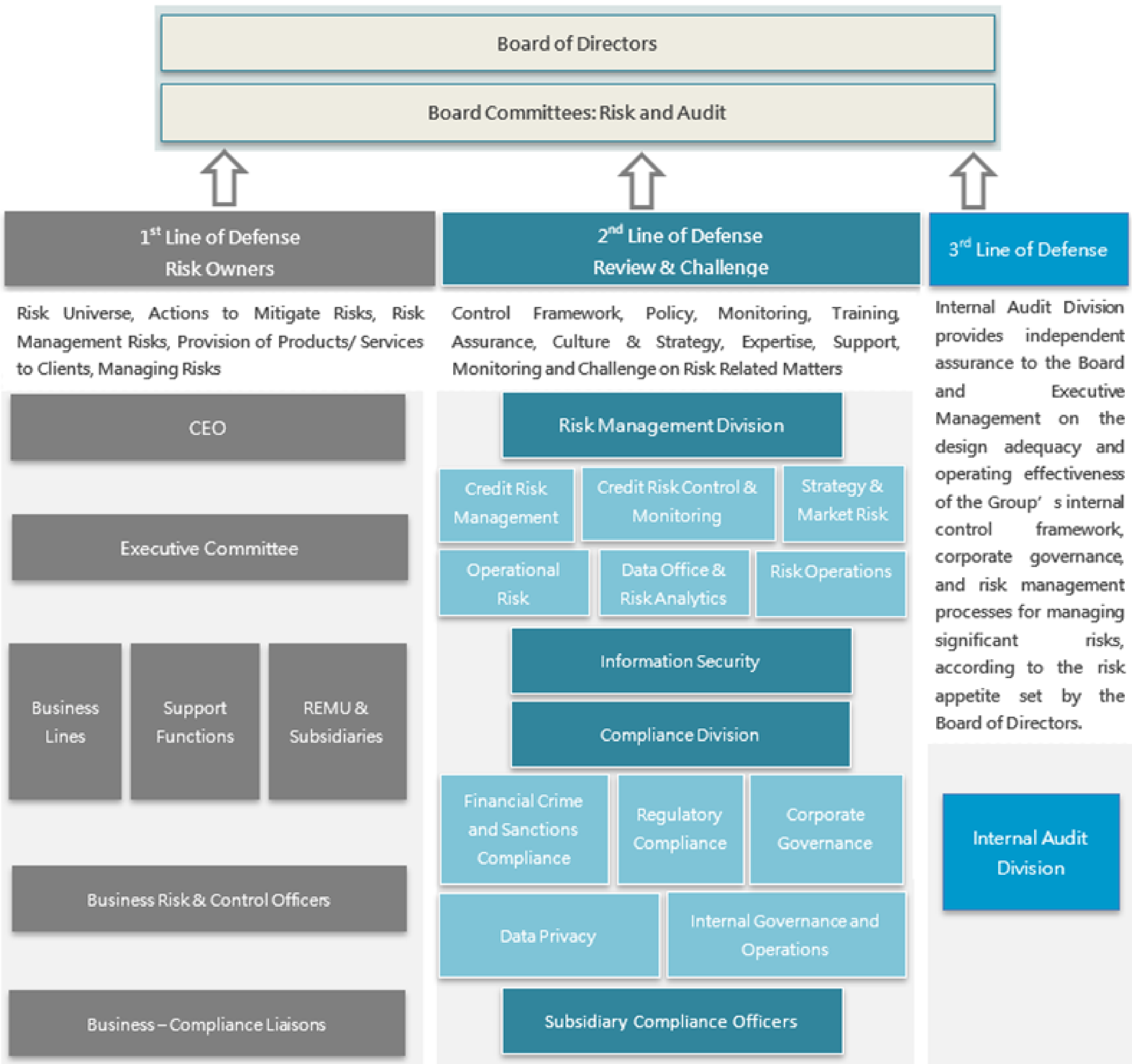
Second Line of Defence
The second line of defence includes functions that oversee the compliance of the first line management and staff, with the regulatory framework and risk management principles. It comprises of the RMD, Information Security and Compliance functions. The second line of defence sets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

1. Risk Management Framework (RMF) (continued)

1.4 Three Lines of Defence (continued)

Third Line of Defence

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



1. Risk Management Framework (RMF) (continued)

1.5 Risk Appetite Framework (RAF)

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

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

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

Risk Appetite Statement (RAS)

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

Risk appetite and Financial Plan interaction

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

Risk Appetite monitoring

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

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

1.6 Risk Taxonomy

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

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

1. Risk Management Framework (RMF) (continued)

1.7 Risk measurement and reporting

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

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

Stress testing

Stress testing is a key risk management tool used by the Group to provide insights on the behaviour of different elements of the Group in a crisis scenario and to assess the Group's resilience and capital and liquidity adequacy. To make this assessment, a range of scenarios is used, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:
- Understanding the risk profile of the Group;
- Evaluating whether there is sufficient capital or adequate liquidity under stressed conditions (ICAAP and ILAAP) so as to put in place appropriate mitigants;
- Evaluating of the Group's strategy;
- Establishing or revising limits;
- Assisting the Group to understand the events that might push the Group outside its risk appetite.

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

If the stress testing scenarios reveal vulnerability to a given set of risks, management makes recommendations to the Board, through the RC, for remedial measures or actions.
The Group's stress testing programme embraces a range of forward-looking stress tests and takes all the Group's material risks into account. These key internal exercises include:
- Stress testing undertaken in support of the Internal Capital Adequacy Assessment Process (ICAAP). Quarterly ICAAP reviews are also undertaken.
- Stress testing applied to the funding and liquidity plan in support of the Internal Liquidity Adequacy Assessment Process (ILAAP) to formally assess the Group's liquidity risks. Quarterly ILAAP reviews are also undertaken.
- Annual recovery stress tests which use scenarios to assess the adequacy of recovery indicators of both capital and liquidity in identifying the recovery plan options used to exit that stress;
- Ad hoc stress testing as and if required, including in response to regulatory requests.

1. Risk Management Framework (RMF) (continued)

1.7 Risk measurement and reporting (continued)

Other business and specific risk type stress tests

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

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

ICAAP

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

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

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

ILAAP

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

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

The 2023 annual ILAAP package was submitted to the ECB on 28 March 2024. It indicated that the Group maintains liquidity resources which are adequate to ensure its ability to meet obligations as they fall due under ordinary and stressed conditions.

1. Risk Management Framework (RMF) (continued)

1.8 The Group is participated in the Fit-for-55 exercise.

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

1.9 The Group participated in the ECB Cyber Resilience Stress Test

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

2. Recovery and resolution planning

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

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

3. Risk Culture

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

4. Principal Risks

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

4. Principal Risks (continued)

4.1 Credit Risk

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

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

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

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

The Group sets and monitors risk appetite limits relating to credit risk. Furthermore, a limits framework is in place in relation to the credit granting process and also the general rules are documented in the Group's Lending Policy. Relevant circulars and guidelines are in place that provide parameters for the approval of credit applications and related credit limits. The Group has established credit approving authorities, which are authorised to approve the granting, review and restructuring of credit facilities in the Bank, including the Credit Sanctioning Department and the Credit Committee 3. Credit Committee 3 is comprised of members from various Group divisions outside RMD to ensure independence of opinion. Applications falling outside the approval limits of Credit Committee 3 are submitted to the RC or the Board, depending on the total exposure of the customer group.

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

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

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

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

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

Country Risk

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

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

Credit Risk Mitigation

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

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

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

Systems

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

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

30 June 2024	Gross loans and advances to customers				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	Group gross customer loans and advances[1,2]	Of which: NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which: NPEs	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which: NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances to customers								
General governments	**79,953**	-	-	-	**9**	-	-	-
Other financial corporations	**263,807**	533	1,006	462	**2,703**	373	326	307
Non-financial corporations	**5,092,817**	121,648	187,574	70,248	**79,042**	59,568	36,089	32,982
Of which: Small and Medium sized Enterprises[3] (SMEs)	***3,072,960***	*93,422*	*130,282*	*44,445*	***55,226***	*45,218*	*21,000*	*19,215*
Of which: Commercial real estate[3]	***3,644,502***	*105,946*	*162,154*	*66,889*	***62,126***	*49,147*	*33,952*	*31,525*
Non-financial corporations by sector								
Construction	**465,736**	3,312			**6,307**			
Wholesale and retail trade	**924,700**	33,020			**18,547**			
Accommodation and food service activities	**1,241,788**	13,031			**11,129**			
Real estate activities	**971,813**	37,240			**18,782**			
Transport and storage	**377,920**	3,549			**2,359**			
Other sectors	**1,110,860**	31,496			**21,918**			
Households	**4,821,406**	172,229	165,320	75,728	**91,262**	61,755	30,644	23,708
Of which: Residential mortgage loans[3]	***3,731,822***	*136,912*	*144,816*	*64,866*	***61,012***	*41,012*	*24,868*	*18,761*
Of which: Credit for consumption[3]	***619,941***	*28,151*	*18,061*	*10,895*	***19,728***	*14,801*	*4,913*	*4,155*
Total on-balance sheet	**10,257,983**	**294,410**	**353,900**	**146,438**	**173,016**	**121,696**	**67,059**	**56,997**

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

4. Principal Risks (continued)

4.1 Credit Risk (continued)

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

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

4. Principal Risks (continued)

4.2 Market Risk

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

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

Each of the risks above is defined and further analysed in the subsections below. Furthermore, additional information relating to Market risk is set out in Note 33 of the Consolidated Condensed Interim Financial Statements.

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

Interest Rate Risk in the Banking Book

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

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

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

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

Currency/foreign exchange rates risk

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

4. Principal Risks (continued)

4.2 Market Risk (continued)

Currency/foreign exchange risk (continued)

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

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

Equities Price Risk

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

The Group holds equity and fund investments on its balance sheet. The equity portfolio mainly relates to certain legacy positions acquired through loan restructuring activity and specifically through debt for equity swaps, whereas the fund portfolio mainly relates to investments held by the insurance operations of the Group. The policy is to manage the current equity portfolio with the intention to run it down by selling all positions for which there is a market. No new purchases of equities are allowed without ALCO approval. Nevertheless, new equities may be obtained from repossessions of collateral for loans. Analysis of equity and fund holdings are reported to ALCO on a quarterly basis. Analysis of the positions the Group maintains as at 30 June 2024 is presented in Note 16 of the Consolidated Condensed Interim Financial Statements.

Debt Securities Price Risk

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

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

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

The debt security portfolio is managed by the Treasury Division and governed by the Bond Investment Policy. The annual bond investment strategy is proposed by Treasury and approved by ALCO. Treasury proceeds with bond investment amounts as approved through the Financial Plan which are within the Bond Investment Policy and within limits and parameters set in the various policies and frameworks. Analysis of the positions the Group maintains as at 30 June 2024 is presented in Note 16 of the Consolidated Condensed Interim Financial Statements.

4. Principal Risks (continued)

4.2 Market Risk (continued)

Property Price Risk

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

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

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

4.3 Liquidity and Funding Risk

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

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

Further information relating to Group risk management in relation to liquidity and funding risk is set out in Note 34 of the Consolidated Condensed Interim Financial Statements. Additionally, information on encumbrance and liquidity reserves is provided below.

4.3.1 Encumbered and unencumbered assets

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

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €3,499,227 thousand as at 30 June 2024 (31 December 2023: €3,681,929 thousand).

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can potentially be pledged and those that are not readily available to be pledged. As at 30 June 2024, the Group held €19,583,371 thousand (31 December 2023: €20,640,651 thousand) of unencumbered assets that can potentially be pledged and can be used to support potential liquidity funding needs and €702,645 thousand (31 December 2023: €717,575 thousand) of unencumbered assets that are not readily available to be pledged for funding requirements in their current form.

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

	Encumbered	Unencumbered		
30 June 2024	**Pledged as collateral**	**Which can potentially be pledged**	**Which are not readily available to be pledged**	**Total**
	€000	**€000**	**€000**	**€000**
Cash and other liquid assets	71,132	8,115,131	499,928	8,686,191
Investments	40,641	3,903,031	15,082	3,958,754
Loans and advances to customers	3,387,454	6,524,754	172,759	10,084,967
Property	-	1,037,424	14,876	1,052,300
Total on-balance sheet	**3,499,227**	**19,580,340**	**702,645**	**23,782,212**
31 December 2023				
Cash and other liquid assets	72,800	9,890,350	439,353	10,402,503
Investments	260,011	3,419,445	15,953	3,695,409
Loans and advances to customers	3,349,118	6,229,383	243,287	9,821,788
Property	-	1,101,473	18,982	1,120,455
Total on-balance sheet	**3,681,929**	**20,640,651**	**717,575**	**25,040,155**

Encumbered assets primarily consist of loans and advances to customers and investments in debt securities. These are mainly pledged for the funding facilities of the European Central Bank (ECB) and for the covered bond (Notes 22 and 34 of the Consolidated Condensed Interim Financial Statements for the six ended 30 June 2024 respectively). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.1 Encumbered and unencumbered assets (continued)

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

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

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

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

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

The carrying and fair value of the encumbered and unencumbered investments of the Group as at 30 June 2024 and 31 December 2023 are as follows:

30 June 2024	Carrying value of encumbered investments	Fair value of encumbered investments	Carrying value of unencumbered investments	Fair value of unencumbered investments
	€000	€000	€000	€000
Equity securities	-	-	126,917	126,917
Debt securities	40,641	40,704	3,791,196	3,762,356
Total investments	**40,641**	**40,704**	**3,918,113**	**3,889,273**
31 December 2023				
Equity securities	-	-	144,016	144,016
Debt securities	260,011	250,480	3,291,383	3,303,818
Total investments	**260,011**	**250,480**	**3,435,399**	**3,447,834**

4. Principal Risks (continued)

4.3 Liquidity and Funding Risk (continued)

4.3.2 Liquidity regulation

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

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

As at 30 June 2024, the Group was in compliance with all regulatory liquidity requirements. As at 30 June 2024, the Group's LCR stood at 304% (compared to 359% at 31 December 2023) and the Group's NSFR stood at 156% (compared to 158% at 31 December 2023).

4.3.3 Liquidity reserves

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

Composition of the liquidity reserves	**30 June 2024**			31 December 2023		
	Internal Liquidity Reserves	**Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible**		Internal Liquidity Reserves	Liquidity reserves as per LCR Delegated Regulation (EU) 2015/61 LCR eligible	
		Level 1	**Level 2A & 2B**		Level 1	Level 2A & 2B
	€000	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**7,099,641**	**7,099,641**	**-**	9,428,052	9,428,052	-
Placements with banks	**215,532**	**-**	**-**	214,588	-	-
Liquid investments	**4,265,274**	**3,711,833**	**369,895**	3,299,967	2,801,667	354,128
Available ECB Buffer	**1,918,086**	**-**	**-**	92,088	-	-
Total	**13,498,533**	**10,811,474**	**369,895**	13,034,695	12,229,719	354,128

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

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

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

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

4. Principal Risks (continued)

4.4 Operational Risk

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

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

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

Operational Risk Management (ORM) Framework

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

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

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

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

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

Operational Risk Appetite

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

Risk Control Self-Assessment (RCSA)

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

4. Principal Risks (continued)

4.4 Operational Risk (continued)

Operational Risk Management (ORM) Framework (continued)

Incident recording and analysis
An operational risk event is defined as any incident where through the failure or lack of a control, the Group has incurred an actual or potential loss/gain, or could have had a negative reputational or regulatory impact.

Operational risk loss events are classified and recorded in the Group's Risk and Compliance Management System (RCMS), which serves as an enterprise tool integrating all risk-control data (e.g. risks, loss incidents, KRIs) to provide a holistic view with regards to risk identification, corrective action and statistical analysis. During the six months ended 30 June 2024, 335 loss events with gross loss equal to or greater than €1,000 each were recorded including incidents of prior years (mostly legal cases) for which losses materialised in 2024 (30 June 2023: 406 loss events).

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

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

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

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

4.4.1 Fraud Risk Management

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

- Developing and maintaining a framework and supporting policies for the management of internal and external fraud risks;
- Undertaking Specialised Fraud Risk Assessments and ensuring that divisions and business departments have a sound process for identifying new and emerging fraud risks;
- Promoting and adopting automated / alert-based systems and controls for the prevention and early detection of external and internal fraud;
- Establishing structured Fraud Incident response management processes and plans;
- Analysing data and emerging fraud trends for the proactive management of emerged fraud;
- Providing direction through policy, education, tools and training;
- Ensuring compliance with relevant regulations and assessing new regulations or amendments to existing ones with regards to fraud related issues, by performing regulatory gap analysis in cooperation with other related stakeholders.

4. Principal Risks (continued)

4.4 Operational Risk (continued)

4.4.1 Fraud Risk Management (continued)

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

4.4.2 Third-Party Risk Management

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

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

4.4.3 Business Continuity Risk Management (BCRM)

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

5. Other principal risks and uncertainties

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

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

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

5. Other principal risks and uncertainties (continued)

5.1 Business Model and Strategic Risks

Business model and strategic risks refer to the uncertainty in implementing the Group's strategy and achieving its business targets. Such risks can arise from changes in the external environment, including economic trends, competition, geopolitics, and regulatory changes, or due to operational factors, such as inadequate planning or implementation. The Group faces competition from banks, financial institutions, insurance and financial technology companies operating locally or abroad. Also, deterioration of the macroeconomic environment can lead to poor financial performance impacting the Group's profitability, asset quality or capital resources.

Furthermore, the Group's business environment and operational performance are heavily dependent on current and future economic conditions and prospects in Cyprus where the Group's operations are based and earnings are predominantly 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 considering the Group's risk bearing capacity. The strategy is closely monitored on a regular basis. Furthermore, the Group remains ready to explore opportunities that complement its strategy including diversification of income.

The Group monitors and manages business model risk within its Risk Appetite Framework, by setting limits in respect of measures such as financial performance, portfolio performance, concentration and capital levels. At a more operational level, the risk is mitigated by monitoring deviations from the Group's Financial Plan, while during the year, periodic reforecast updates of the financial plan are prepared. The frequency of reforecast updates during each year is determined by the prevailing business and economic conditions. Performance against the plan is monitored on a monthly basis, both at Group and Business Line levels, and reported to the EXCO and the Board.

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

5.2 Geopolitical Risk

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business services. As a result, external factors such as economic and geopolitical events that are beyond the control of the Group, can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, a higher interest rate environment for longer, and higher competition in the financial services industry, could negatively affect the Group's business environment, results and operations.

Geopolitical tensions remain high as a result of the continuing war in Ukraine and the military conflict in the Middle East. The continuation of these conflicts add considerable uncertainty to the outlook for the global economy with the impact largely dependent on how these conflicts are resolved.

Up until now, the Cyprus economy has proved robust and flexible to withstand external shocks and has displayed the ability to sufficiently diversify income in order to maintain GDP growth and suppress unemployment.

These factors, as well as the current political context in the United States and Europe, increase the uncertainty about the evolution of the global economy and the risk of having a higher inflation and interest rates than expected as of the date of this report. The Group closely monitors these events and their impact on the economy and the business and remains vigilant to take any precautionary measures as required.

5. Other principal risks and uncertainties (continued)

5.2 Geopolitical Risk (continued)

Although, there have been distinct improvements in Cyprus' risk profile after the banking crisis, risks do remain given the open structure of the Cypriot economy.

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

5.3 Legal Risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings and regulatory investigations against the Group (Information on pending litigation, claims, regulatory and other matters is disclosed in Note 28 of the Consolidated Condensed Interim Financial Statements). In the event that legal issues are not properly dealt with by the Group, this may result in financial and/or reputational loss to the Group.

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

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

5.4 Technology Risk

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

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

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

5. Other principal risks and uncertainties (continued)

5.5 Digital Transformation Risk

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

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

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

5.6 Information security and cyber risk

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

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

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

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

5.7 Regulatory Compliance Risk

The Group conducts its business subject to on-going regulation and the associated regulatory risk, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations. Regulatory compliance risk is the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal standards and policies, and expectations of key stakeholders such as shareholders, customers, employees and society. Failure to comply with regulatory framework requirements or identify and plan for emerging requirements could lead to, amongst other things, increased costs for the Group, limitation on BOC PCL's capacity to lend and could have a material adverse effect on the business, financial condition and results, operations and prospects of the Group.

5. Other Principal Risks and uncertainties (continued)

5.7 Regulatory Compliance Risk (continued)

There is strong commitment by the management of the Group for an on-going and transparent dialogue with the Regulators of the Group (including the ECB, the CBC and others, such as CySec and CSE). The Regulatory Steering Group, chaired by the CEO and consisting of executive management, is regularly updated on Regulatory Compliance Risk matters, through the Regulatory Affairs Department, which obtains relevant information from Group Compliance, to ensure that all regulatory matters are brought to the attention of management in a timely manner.

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

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

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

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

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

5. Other Principal Risks and uncertainties (continued)

5.8 Insurance risk and re-insurance risk

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

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

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

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

5.9 Climate Related & Environmental Risks

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

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

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

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

5. Other Principal Risks and uncertainties (continued)

5.9 Climate Related & Environmental Risks (continued)

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

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

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

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

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

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

6. Capital management

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

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

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

6. Capital management (continued)

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among others, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing-in this starting from 2022 (phasing-in at 25% in 2022, 50% in 2023 and 75% in 2024) and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020).

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

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

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.

In December 2023 the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most provisions of the CRR III will become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased-in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

The Regulatory CET1 ratio of the Group as at 30 June 2024 stands at 18.3% and the Total Capital ratio at 23.3%. The ratios as at 30 June 2024 include reviewed profits for the six months ended 30 June 2024 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 a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges, as further described in Section 'Distributions' under 'Balance Sheet Analysis' of the Interim Management Report.

6. Capital management (continued)

Minimum CET1 Regulatory Capital Requirements	**30 June 2024**	**2023**
Pillar I – CET1 Requirement	**4.50%**	4.50%
Pillar II – CET1 Requirement	**1.55%**	1.73%
Capital Conservation Buffer (CCB)*	**2.50%**	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	**1.875%**	1.50%
Countercyclical Buffer (CcyB)	**0.94%**	0.48%
Minimum CET1 Regulatory Requirements	**11.36%**	10.72%

** Fully phased in as of 1 January 2019*
*** Increasing by 0.0625%. every year thereafter, until being fully implemented on 1 January 2026 at 2.00%.*

Minimum Total Capital Regulatory Requirements	**30 June 2024**	**2023**
Pillar I – Total Capital Requirement	**8.00%**	8.00%
Pillar II – Total Capital Requirement	**2.75%**	3.08%
Capital Conservation Buffer (CCB)*	**2.50%**	2.50%
Other Systematically Important Institutions (O-SII) Buffer**	**1.875%**	1.50%
Countercyclical Buffer (CcyB)	**0.94%**	0.48%
Minimum Total Capital Regulatory Requirements	**16.06%**	15.56%

** Fully phased in as of 1 January 2019*
*** Increasing by 0.0625%. every year thereafter, until being fully implemented on 1 January 2026 at 2.00%.*

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

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

The capital position of the Group and BOC PCL as at 30 June 2024 exceeds both their Pillar I and their Pillar II add-on capital requirements. However, the Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described in this law.

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. 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, effective from 2 June 2024. The CcyB for the Group as at 30 June 2024 has been calculated at approximately 0.94% (31 December 2023: 0.48%).

6. Capital management (continued)

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII Buffer requirement for these systemically important banks. BOC PCL has been designated as an O-SII. The O-SII Buffer as at 31 December 2023 stood at 1.50% and increased by 37.5 bps to 1.875% on 1 January 2024, following a revision of the O-SII buffer by the CBC in October 2023. In April 2024, following a revision by the CBC of its policy for the designation of credit institutions that meet the definition of O-SII institutions and the setting of an O-SII buffer to be observed, the Group's O-SII buffer has been set to 2.00% from 1 January 2026 (from the previous assessment carried out in October 2023 of 2.25% from 1 January 2025) to be phased-in by 6.25 bps annually to 1.9375% on 1 January 2025 and 2.00% as of 1 January 2026 from the current level of 1.875%.

The ECB also provides non-public guidance for an additional Pillar II CET1 buffer (P2G) to be maintained.

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

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

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

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

6. Capital management (continued)

Regulatory capital	Group		BOC PCL	
	30 June 2024[1]	31 December 2023[3]	**30 June 2024**[2]	31 December 2023[3]
	€000	€000	**€000**	€000
Common Equity Tier 1 (CET1)[4]	**1,937,413**	1,798,015	**1,897,589**	1,766,707
Additional Tier 1 capital (AT1)	**220,000**	220,000	**220,000**	220,000
Tier 2 capital (T2)	**313,009**	300,000	**314,048**	300,000
Transitional total regulatory capital	**2,470,422**	2,318,015	**2,431,637**	2,286,707
Risk weighted assets – credit risk[5]	**9,252,520**	9,013,267	**9,212,355**	9,005,552
Risk weighted assets – market risk	**-**	-	**-**	-
Risk weighted assets – operational risk	**1,327,871**	1,327,871	**1,292,350**	1,292,350
Total risk weighted assets	**10,580,391**	10,341,138	**10,504,705**	10,297,902
Transitional	**%**	%	**%**	%
Common Equity Tier 1 (CET1) ratio	**18.3**	17.4	**18.1**	17.2
Total capital ratio	**23.3**	22.4	**23.1**	22.2
Leverage ratio	**8.6**	7.6	**8.4**	7.5

1. Includes reviewed profits for the six months ended 30 June 2024 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 a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.

2. Includes unaudited/unreviewed profits for the six months ended 30 June 2024 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 a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.

3. Includes profits for the year ended 31 December 2023 and a deduction for the 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. Similarly, for BOC PCL, amounts include profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.

4. CET1 includes regulatory deductions, comprising, amongst others, intangible assets amounting to €20,821 thousand for the Group and €14,057 thousand for BOC PCL as at 30 June 2024 (31 December 2023: €24,337 thousand for the Group and €16,861 thousand for BOC PCL). As at 30 June 2024 an amount of €16,763 thousand, for the Group and €13,088 thousand for BOC PCL, relating to intangible assets, is considered prudently valued for CRR purposes and is not deducted from CET1 (31 December 2023: €15,337 thousand for the Group and €12,643 thousand for BOC PCL).

5. Includes Credit Valuation Adjustments (CVA).

6. **Capital management** (continued)

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

Fully loaded	**Group**		**BOC PCL**	
	30 June 2024[1,4]	31 December 2023[3,4] (restated)	**30 June 2024[2,4]**	31 December 2023[3,4] (restated)
	%	%	**%**	%
Common Equity Tier 1 ratio	**18.3**	17.3	**18.0**	17.1
Total capital ratio	**23.3**	22.4	**23.1**	22.2
Leverage ratio	**8.6**	7.6	**8.4**	7.5

1. Includes reviewed profits for the six months ended 30 June 2024 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 a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.
2. Includes unaudited/unreviewed profits for the six months ended 30 June 2024 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 a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period, which represents the top-end range of the Group's approved distribution policy in line with the principles of Commission Delegated Regulation (EU) (241/2014) for foreseeable dividends and charges. As per the latest SREP decision, any distribution is subject to regulatory approval. Such distribution accrual does not constitute a binding commitment for a distribution payment nor does it constitute a warranty or representation that such a payment will be made.
3. Includes profits for the year ended 31 December 2023 and a deduction for the 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. Similarly, for BOC PCL amounts include profits for the year ended 31 December 2023 and a deduction for the distribution in respect of 2023 earnings following approval received by the ECB in March 2024 and relevant recommendation by the Board of Directors to the shareholders for a final cash dividend of €137 million.
4. IFRS 9 fully loaded as applicable.

During the six months ended 30 June 2024, the regulatory CET1 was mainly affected by pre-provision income, provisions and impairments, the payment of AT1 coupon, the accrual for a distribution at a payout ratio of 50% of the Group's adjusted recurring profitability for the period and the movement in risk-weighted assets. As a result, the CET1 ratio (on a transitional basis) has increased by c.90 bps during the six months ended 30 June 2024, whereas on a fully loaded basis the ratio has increased by c.100 bps.

A charge, which amounted to 26 bps as at 30 June 2024, is deducted from own funds in relation to ECB expectations for NPEs. In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from own funds since June 2021, the impact of which is 7 bps on the Group's CET1 ratio as at 30 June 2024. Furthermore, the Group is subject to increased capital requirements in relation to its real estate repossessed portfolio which follow a SREP provision to ensure minimum capital levels retained on long-term holdings of real estate assets, with such requirements being dynamic by reference to the in-scope REMU assets remaining on the balance sheet of the Group and the value of such assets. As at 30 June 2024 the impact of these requirements was 47 bps on the Group's CET1 ratio compared to 24 bps on 31 December 2023. The above-mentioned requirements are within the capital plans of the Group and incorporated within its capital projections.

6. Capital management (continued)

Capital requirements of subsidiaries

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and Eurolife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO), complies with the minimum capital adequacy ratio requirements. In 2021 the new prudential regime for Investment Firms ('IFs') as per the Investment Firm Regulation (EU) 2019/2033 ('IFR') on the prudential requirements of IFs and the Investment Firm Directive (EU) 2019/2034 ('IFD') on the prudential supervision of IFs came into effect. Under the new regime CISCO has been classified as a Non-Systemic 'Class 2' company and is subject to the new IFR/IFD regime in full. The payment services subsidiary of the Group, JCC Payment Systems Ltd, complies with the regulatory capital requirements under the Provision and Use of Payment Services and Access to Payment Systems Laws of 2018 to 2023.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

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

In January 2024, BOC PCL received final notification from the SRB regarding the 2024 MREL decision, by which the final MREL requirement is now set at 25.00% of risk weighted assets (30.3% of risk-weighted assets when taking into account the expected prevailing CBR as at 31 December 2024 which needs to be met with own funds on top of the MREL) and 5.91% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met by 31 December 2024.

BOC PCL must comply with the MREL requirement at the consolidated level, comprising BOC PCL and its subsidiaries.

In April 2024, BOC PCL proceeded with an issue of €300 million green senior preferred notes (the 'Notes'). The Notes comply with the MREL criteria and contribute towards BOC PCL's MREL requirement.

The MREL ratio as at 30 June 2024, calculated according to the SRB's eligibility criteria currently in effect and based on internal estimate, stood at 33.4% of RWAs (including capital used to meet the CBR) and at 14.0% of LRE (based on the regulatory Total Capital as at 30 June 2024). The CBR stood at 5.31% as at 30 June 2024 (compared to 4.48% as at 31 December 2023), reflecting the increase of the O-SII buffer from 1.50% to 1.875% on 1 January 2024 and the increase of the CcyB to approximately 0.94% in June 2024. The CBR is expected to increase further as a result of the phasing-in of O-SII buffer from 1.875% to 1.9375% on 1 January 2025 and to 2.00% on 1 January 2026.

Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	**€000**	€000
Interest income	*8*	**504,330**	403,852
Income similar to interest income	*8*	**67,456**	22,172
Interest expense	*9*	**(87,237)**	(56,083)
Expense similar to interest expense	*9*	**(64,666)**	(11,599)
Net interest income		**419,883**	358,342
Fee and commission income		**89,872**	93,879
Fee and commission expense		**(3,657)**	(4,275)
Net foreign exchange gains		**13,034**	15,839
Net gains on financial instruments	*10*	**729**	5,680
Net gains on derecognition of financial assets measured at amortised cost		**1,106**	5,861
Net insurance finance income/(expense) and net reinsurance finance income/(expense)		**(311)**	263
Net insurance service result		**34,949**	34,086
Net reinsurance service result		**(11,863)**	(9,788)
Net (losses)/gains from revaluation and disposal of investment properties		**(1,257)**	788
Net gains on disposal of stock of property		**2,584**	3,906
Other income		**5,218**	12,200
Total operating income		**550,287**	516,781
Staff costs	*11*	**(96,135)**	(93,043)
Special levy on deposits and other levies/contributions	*12*	**(18,784)**	(18,236)
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	*28*	**(2,562)**	(14,148)
Other operating expenses	*12*	**(70,989)**	(70,456)
Operating profit before credit losses and impairment		**361,817**	320,898
Credit losses on financial assets	*13*	**(17,471)**	(36,772)
Impairment net of reversals on non-financial assets	*13*	**(24,760)**	(23,206)
Profit before tax		**319,586**	260,920
Income tax	*14*	**(48,203)**	(39,768)
Profit after tax for the period		**271,383**	221,152
Attributable to:			
Owners of the Company		**270,353**	220,247
Non-controlling interests		**1,030**	905
Profit for the period		**271,383**	221,152
Basic profit per share attributable to the owners of the Company (€ cent)	*15*	**60.6**	49.4
Diluted profit per share attributable to the owners of the Company (€ cent)	*15*	**60.4**	49.3

		Six months ended 30 June	
		2024	2023
	Notes	**€000**	€000
Profit for the period		**271,383**	221,152
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods		**(1,202)**	3,299
Fair value reserve (debt instruments)		**(1,194)**	3,373
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)		**(1,194)**	3,705
Transfer to the consolidated income statement on disposal		**-**	(332)
Foreign currency translation reserve		**(8)**	(74)
Loss on translation of net investments in foreign subsidiaries		**(8)**	(71)
Loss on hedging of net investments in foreign subsidiaries	*17*	**-**	(3)
OCI not to be reclassified in the consolidated income statement in subsequent periods		**1,481**	486
Fair value reserve (equity instruments)		**180**	(681)
Net gains/(losses) on investments in equity instruments designated at FVOCI		**180**	(681)
Property revaluation reserve		**100**	824
Net fair value gains before tax		**-**	798
Deferred tax	*14*	**100**	26
Actuarial gains on defined benefit plans		**1,201**	343
Remeasurement gains on defined benefit plans		**1,201**	343
Other comprehensive income for the period net of taxation		**279**	3,785
Total comprehensive income for the period		**271,662**	224,937
Attributable to:			
Owners of the Company		**270,654**	224,026
Non-controlling interests		**1,008**	911
Total comprehensive income for the period		**271,662**	224,937

	Notes	30 June 2024 €000	31 December 2023 €000
Assets			
Cash and balances with central banks	30	**7,287,221**	9,614,502
Loans and advances to banks	30	**384,112**	384,802
Reverse repurchase agreements		**1,014,858**	403,199
Derivative financial assets	17	**67,112**	51,055
Investments at FVPL	16	**119,201**	135,275
Investments at FVOCI	16	**410,437**	443,420
Investments at amortised cost	16	**3,429,116**	3,116,714
Loans and advances to customers	19	**10,084,967**	9,821,788
Life insurance business assets attributable to policyholders		**722,582**	649,212
Prepayments, accrued income and other assets	21	**596,292**	584,919
Stock of property	20	**763,913**	826,115
Investment properties		**55,614**	62,105
Deferred tax assets	14	**202,717**	201,268
Property and equipment		**282,342**	285,568
Intangible assets		**45,686**	48,635
Total assets		**25,466,170**	26,628,577
Liabilities			
Deposits by banks		**405,438**	471,556
Funding from central banks	22	**-**	2,043,868
Derivative financial liabilities	17	**21,966**	17,980
Customer deposits	23	**19,722,692**	19,336,915
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	17	**(7,261)**	-
Insurance contract liabilities		**702,196**	658,424
Accruals, deferred income, other liabilities and other provisions	25	**563,284**	469,265
Provisions for pending litigations, claims, regulatory and other matters	28	**111,470**	131,503
Debt securities in issue	24	**970,790**	671,632
Subordinated liabilities	24	**313,009**	306,787
Deferred tax liabilities	14	**32,934**	32,306
Total liabilities		**22,836,518**	24,140,236
Equity			
Share capital	26	**44,481**	44,620
Share premium	26	**594,358**	594,358
Revaluation and other reserves		**88,628**	89,920
Retained earnings		**1,659,916**	1,518,182
Equity attributable to the owners of the Company		**2,387,383**	2,247,080
Other equity instruments	26	**220,000**	220,000
Non-controlling interests		**22,269**	21,261
Total equity		**2,629,652**	2,488,341
Total liabilities and equity		**25,466,170**	26,628,577

Mr. E.G. Arapoglou
Chairman

Mr. P. Nicolaou
Chief Executive Officer

Mr. A.J. Lewis
Director

Mrs. E. Livadiotou
Executive Director Finance

	Attributable to the owners of the Company												
	Share capital (Note 26)	Share premium (Note 26)	Capital redemption reserve (Note 26)	Treasury shares (Note 26)	Other capital reserves (Note 11)	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 26)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2024	44,620	594,358	-	(21,463)	917	1,518,182	84,239	9,553	16,674	**2,247,080**	220,000	21,261	**2,488,341**
Profit for the period	-	-	-	-	-	270,353	-	-	-	**270,353**	-	1,030	**271,383**
Other comprehensive income/(loss) after tax for the year	-	-	-	-	-	1,201	122	(1,014)	(8)	**301**	-	(22)	**279**
Total comprehensive income/(loss) after tax for the year	-	-	-	-	-	271,554	122	(1,014)	(8)	**270,654**	-	1,008	**271,662**
Dividends (Note 27)	-	-	-	-	-	(111,550)	-	-	-	**(111,550)**	-	-	**(111,550)**
Share-based benefits - cost (Note 11)	-	-	-	-	493	-	-	-	-	**493**	-	-	**493**
Transfers to retained earnings	-	-	-	-	-	583	-	(583)	-	**-**	-	-	**-**
Payment of coupon to AT1 holders (Note 26)	-	-	-	-	-	(13,063)	-	-	-	**(13,063)**	-	-	**(13,063)**
Share buyback-repurchase of shares and cancellation (Note 26)	(139)	-	139	(441)	-	(5,790)	-	-	-	**(6,231)**	-	-	**(6,231)**
30 June 2024	**44,481**	**594,358**	**139**	**(21,904)**	**1,410**	**1,659,916**	**84,361**	**7,956**	**16,666**	**2,387,383**	**220,000**	**22,269**	**2,629,652**

	Attributable to the owners of the Company											
	Share capital (Note 26)	Share premium (Note 26)	Treasury shares (Note 26)	Other capital reserves (Note 11)	Retained earnings	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 26)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2023	44,620	594,358	(21,463)	322	1,090,349	74,170	7,142	16,768	**1,806,266**	220,000	22,300	**2,048,566**
Profit for the period	-	-	-	-	220,247	-	-	-	**220,247**	-	905	**221,152**
Other comprehensive income/(loss) after tax for the period	-	-	-	-	343	818	2,692	(74)	**3,779**	-	6	**3,785**
Total comprehensive income/(loss) after tax for the period	-	-	-	-	220,590	818	2,692	(74)	**224,026**	-	911	**224,937**
Shared-based benefits-cost (Note 11)	-	-	-	311	-	-	-	-	**311**	-	-	**311**
Dividends (Note 27)	-	-	-	-	(22,310)	-	-	-	**(22,310)**	-	-	**(22,310)**
Payment of coupon to AT1 holders (Note 26)	-	-	-	-	(13,750)	-	-	-	**(13,750)**	-	-	**(13,750)**
Issue of other equity instruments (Note 26)	-	-	-	-	(3,530)	-	-	-	**(3,530)**	220,000	-	**216,470**
Repurchase of other equity instruments (Note 26)	-	-	-	-	(6,554)	-	-	-	**(6,554)**	(204,483)	-	**(211,037)**
30 June 2023	**44,620**	**594,358**	**(21,463)**	**633**	**1,264,795**	**74,988**	**9,834**	**16,694**	**1,984,459**	**235,517**	**23,211**	**2,243,187**

		Six months ended 30 June	
		2024	2023
	Note	**€000**	€000
Profit before tax		**319,586**	260,920
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		**17,706**	16,901
Impairment net of reversals on non-financial assets		**24,760**	23,206
Credit losses on financial assets		**17,471**	36,772
Net gains on derecognition of financial assets measured at amortised cost		**(1,106)**	(5,861)
Amortisation of discounts/premiums and interest on debt securities		**(47,663)**	(24,735)
Dividend income		**(166)**	(439)
Net loss on disposal of investment in debt securities measured at FVOCI		**-**	433
Gains from revaluation of financial instruments designated as fair value hedges		**(17,399)**	(9,473)
Interest on subordinated liabilities and debt securities in issue		**29,447**	13,956
Interest on reverse repurchase agreements		**(11,666)**	-
Interest on funding from central banks		**21,842**	27,806
Share-based benefits cost	*11*	**493**	311
Net gains on disposal of stock of property and investment properties		**(2,725)**	(4,868)
Profit on sale and write offs of property and equipment and intangible assets		**(26)**	(12)
Interest expense on lease liability		**482**	1,433
Premium tax included in net insurance service result as directly attributable expense		**1,195**	1,070
Net losses from revaluation of investment properties		**1,398**	174
Net exchange differences		**(8,454)**	2,290
		345,175	339,884
Change in:			
Loans and advances to banks		**32,333**	3,696
Deposits by banks		**(66,118)**	(58,945)
Obligatory balances with central banks		**(60,247)**	(23,925)
Customer deposits		**385,777**	167,836
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		**(7,261)**	-
Life insurance business assets attributable to policyholders and Insurance contract liabilities		**(29,598)**	(13,636)
Loans and advances to customers		**(245,144)**	(82,889)
Prepayments, accrued income and other assets		**(20,761)**	(4,941)
Provisions for pending litigations, claims, regulatory and other matters		**(20,033)**	(110)
Accruals, deferred income, other liabilities and other provisions		**50,403**	12,287
Derivative financial instruments		**(12,071)**	1,073
Investments measured at FVPL		**16,074**	51,548
Stock of property		**48,368**	61,778
		416,897	453,656
Tax paid		**(5,188)**	(764)
Net cash from operating activities		**411,709**	452,892
Cash flows from investing activities			
Purchases of debt securities, treasury bills and equity securities		**(787,525)**	(828,338)
Purchase of reverse repurchase agreements		**(600,000)**	-
Proceeds on disposal/redemption of investments in debt and equity securities		**525,909**	166,577
Interest received from debt securities		**36,207**	18,299
Dividend income from equity securities		**166**	439
Payment for purchase of Kedipes portfolio (2023: Velocity 2)		**(46,276)**	(3,604)
Purchases of property and equipment		**(4,378)**	(2,246)
Additions to intangible assets		**(6,268)**	(4,484)
Proceeds on disposal of property and equipment and intangible assets		**33**	167
Proceeds on disposal of investment properties		**7,697**	2,921
Net cash used in investing activities		**(874,435)**	(650,269)

		Six months ended 30 June	
		2024	2023
	Note	**€000**	€000
Cash flow from financing activities			
Payment of AT1 coupon	*26*	**(13,063)**	(13,750)
Issue of other equity instruments (net of transaction costs)	*26*	**-**	216,470
Repurchase of other equity instruments	*26*	**-**	(211,037)
Share repurchase (buyback)	*26*	**(6,231)**	-
Repayment of funding from central banks		**(2,065,710)**	-
Proceeds from the issue of debt securities in issue (net of transaction costs)		**297,767**	-
Dividend paid on ordinary shares		**(92,750)**	(16,614)
Interest on debt securities in issue		**(7,500)**	(7,500)
Principal elements of lease payments		**(5,675)**	(3,430)
Net cash used in financing activities		**(1,893,162)**	(35,861)
Net decrease in cash and cash equivalents		**(2,355,888)**	(233,238)
Cash and cash equivalents 1 January		**9,838,321**	9,586,153
Cash and cash equivalents 30 June	*30*	**7,482,433**	9,352,915

Non-cash transactions

Repossession of collaterals
During the six months ended 30 June 2024, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €12,156 thousand (30 June 2023: €5,815 thousand).

Recognition of RoU assets and lease liabilities
During the six months ended 30 June 2024 the Group recognised RoU assets and corresponding lease liabilities of €895 thousand (30 June 2023: €2,234 thousand).

1. Corporate information

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

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

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

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

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

Consolidated Condensed Interim Financial Statements
The Consolidated Condensed Interim Financial Statements of the Company for the six months ended 30 June 2024 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 7 August 2024.

2. Unaudited financial statements

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

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

3. Summary of accounting policies

3.1 Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, investments at fair value through other comprehensive income (FVOCI), financial assets (including loans and advances to customers and investments) at fair value through profit or loss (FVPL) and derivative financial assets and derivative financial liabilities that have been measured at fair value, non-current assets held for sale measured at fair value less costs to sell and stock of property measured at net realisable value where this is lower than cost. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The Group has elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, including the provisions related to macro-fair value hedge accounting (IAS 39 'carve-out').

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

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 31.

3. Summary of accounting policies (continued)

3.1 Basis of preparation (continued)

Comparative information

i. Following a change in the definition of 'Turnover' introduced in the 2023 Consolidated Financial Statements included within the 2023 Annual Financial Report, comparative information on 'Turnover' was restated in order to align to the new definition. Turnover is now aligned to the 'Total operating income' caption as presented in the Consolidated Income Statement and is considered to be the most representative for the Group. The restatement is presented in the table below:

	Turnover 30 June 2023 (as previously presented)	Restatements to Turnover definition	Turnover 30 June 2023 (restated)
	€000	€000	€000
Interest income and income similar to interest income	426,024	(426,024)	-
Net interest income	n/a	358,342	358,342
Fees and commission income	93,879	(93,879)	-
Net fee and commission income	n/a	89,604	89,604
Net foreign exchange gains	15,839	-	15,839
Net gains/(losses) on financial instruments	n/a	5,680	5,680
Net gains on derecognition of financial assets measured at amortised cost	n/a	5,861	5,861
Gross insurance premiums	116,773	(116,773)	n/a
Net insurance result	n/a	24,561	24,561
Net gains from revaluation and disposal of investment properties	788	-	788
Net gains on disposal of stock of property	3,906	-	3,906
Impairment of stock of property	(23,206)	23,206	n/a
Other income	12,200	-	12,200
Turnover	646,203	(129,422)	516,781

ii. In addition, comparative information was restated following a change in the presentation of segmental analysis as detailed in Note 7. This change led to a respective restatement in Notes 19, 23, 32.2 and 32.4 where analysis by business is presented. The relevant tables are identified as restated.

The restatements did not have an impact on the results for the period or equity of the Group.

3.2 Statement of compliance

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

The Consolidated Financial Statements do not comprise statutory financial statements for the purposes of the Companies Act 2014 of Ireland. The Company’s statutory financial statements for the purposes of Chapter 4 of Part 6 of the Companies Act 2014 of Ireland for the year ended 31 December 2023, upon which the auditors have expressed an unqualified opinion, were published on 28 March 2024 and are expected to be delivered to the Registrar of Companies of Ireland within 56 days from 30 September 2024.

The Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the Annual Consolidated Financial Statements of Bank of Cyprus Holdings Group for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and ESEF requirements, which are available at the Group’s website (www.bankofcyprus.com).

3. Summary of accounting policies (continued)

3.3 Changes in accounting policies, presentation and disclosures

The accounting policies adopted are consistent with those followed for the preparation of the annual consolidated financial statements for the year ended 31 December 2023 and set out in Note 2 of those consolidated financial statements except for macro fair value hedging as explained below which was applied in 2024, and the adoption of new and amended standards and interpretations as explained in Note 3.3.1.

Portfolio Hedging (Macro-Hedging)
The Group applies macro fair value hedging to non-maturing deposits (NMDs), in accordance with IAS 39, as adopted by the EU (IAS 39 carve-out). The hedged items are determined through behavioural modelling identifying the 'core' Non-Maturing Deposits (NMDs), which are stable demand deposits with behavioural maturity of up to ten years. Deposits within the identified portfolios are allocated to repricing/maturity time buckets based on expected, rather than contractual, maturity dates. The hedging instruments (pay floating/receive fixed rate interest rate swaps) are designated appropriately to those repricing/maturity time buckets. Hedge effectiveness is measured by comparing fair value movements of the hedged amount attributable to the hedged risk, against the fair value movements of the hedging derivatives, to ensure that they are within an 80% to 125% range. The accounting for portfolio hedges is as described in the accounting policy for fair value hedges in Note 2.21 of the annual consolidated financial statements for the year ended 31 December 2023. Further details on the Group's hedge arrangements in relation to macro fair value (portfolio) hedging are set out in Note 17.

3.3.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 and which are explained below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (amendments)
These amendments require the disclosures of an entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles. These amendments did not have an impact on the Group's results and financial position.

IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (amendments)
The Group has adopted since 2023 the 'International Tax Reform - Pillar Two Model Rules (amendments to IAS 12)'. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure. The mandatory exception applies retrospectively. No legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2023 or 30 June 2024 in Cyprus, which is the main jurisdiction in which the Group operates. The Group discloses known or reasonably estimable information that helps users of financial statements to understand the estimated Group's exposure to Pillar Two income taxes in Note 14.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions. These amendments did not have a material impact on the Group's results and financial position.

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

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

3.3.1 **New and amended standards and interpretations** (continued)

IAS 1 Presentation of Financial Statements: classification of Liabilities as Current or Non-current (amendments)
The IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (a) what is meant by a right to defer settlement, (b) that a right to defer must exist at the end of the reporting period and (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument. These amendments did not have an impact on the Group's results and financial position.

3.4 Standards and Interpretations that are issued but not yet effective

3.4.1 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments)
These amendments help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. Rather, it is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of financial Instruments (amendments)
The IASB issued amendments to IFRS 9 and IFRS 7. The amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system, (b) add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, (c) add new disclosures for certain instruments with contractual terms that can change cash flows, (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Group will be assessing the impact that these amendments might have on its results and financial position.

IFRS 18 Presentation and Disclosure in Financial Statements (new standard)
The new standard on presentation and disclosure in financial statements focuses on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures) and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and will also apply to comparative information. The Group does not expect these amendments to have an impact on its results and financial position however, presentational changes and additional disclosures may be required upon adoption.

3. Summary of accounting policies (continued)

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

3.4.1 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures (new standard)
The IASB issued a new accounting standard for subsidiaries. IFRS 19 Subsidiaries without Public Accountability will enable subsidiaries to keep only one set of accounting records in order to meet the needs of both their parent company and the users of their financial statements. In addition, the IFRS 19 will permit reduced disclosures better suited to the needs of the users of the financial statements while still maintaining the usefulness of the information. The new standard does not apply to the financial statements of the Group.

Annual Improvements to IFRS Accounting Standards — Volume 11
The amendments contained in the Annual Improvements relate to:
- (i) IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter
- (ii) IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7
- (iii) IFRS 9 Financial Instruments - Derecognition of lease liabilities and Transaction price
- (iv) IFRS 10 Consolidated Financial Statements - Determination of a 'de facto agent'
- (v) IAS 7 Statement of Cash Flows - Cost Method.

These amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Group will be assessing the impact that these amendments might have on its results and financial position.

4. Going concern

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

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

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

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

Funding and liquidity
The Directors and management have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. The Group continues to hold a significant liquidity buffer at 30 June 2024 that can be monetised in a period of stress.

5. Economic and geopolitical environment

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

5. Economic and geopolitical environment (continued)

There are heightened geopolitical tensions between the world's largest economies adding uncertainty to the global economy outlook. Tensions between Russia and the West also remain high. At the same time in Gaza, a ceasefire remains elusive. Houthi attacks on commercial shipping in the Red Sea and the Indian Ocean continue to divert ships to longer routes, exacerbating the ongoing supply chain crisis.

The economic environment has evolved rapidly since February 2022 following Russia's invasion in Ukraine. In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals. As the war is prolonged and geopolitical tension persists, inflation remains elevated weighing on business confidence and consumers' behaviour.

Several central banks cut their interest rates this year including the ECB, the Bank of Canada, the Swiss National Bank, and the Riksbank of Sweden. The ECB cut its Main Refinancing Operations rate at its June meeting, by 25 bp to 4.25% while inflation is expected at 2.5% in 2024 and 2.2% in 2025, versus a 2% target. Economic activity remains weak in the Euro area with real GDP increasing by 0.4% year-on-year in the first quarter of 2024. Future interest rate decisions will depend on how the economy and inflation develop according to the ECB monetary policy announcement, while markets expect more cuts in the remainder of the year. In the United States, official measures of inflation are still above the target of 2% and the Federal Reserve has kept the interest rates unchanged at 5.25%-5.50% in their June monetary policy meeting.

In this context, the Group is closely monitoring the developments, utilising dedicated governance structures including a Crisis Management Committee as required and has assessed the impact the crisis has on the Group's operations and financial performance.

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

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

Cyprus demonstrates relative strength and resilience in this environment with a growth outlook that outweighs average growth in the EU and with inflation dropping at a faster pace in comparison. Economic momentum is expected to continue in 2024 driven by an easing in monetary policy in the second half of the year, and positive momentum in growth sectors mainly in information and communications, financial services, and international business services.

6. Significant and other judgements, estimates and assumptions

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

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

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

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions for pending litigations, claims, regulatory and other matters, which are presented in Notes 6.1 to 6.4 below. Other judgements, estimates and assumptions are disclosed in Notes 5.5 to 5.13 of the annual consolidated financial statements for the year ended 31 December 2023.

6.1 Classification of financial assets

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

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

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

6.2 Calculation of expected credit losses

The calculation of ECL requires management to apply significant judgement and make estimates and assumptions, involving significant uncertainty at the time these are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised. The Group's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Elements of ECL models that are considered accounting judgements and estimates include:

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

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

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

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

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

6.2 Calculation of expected credit losses (continued)

Following two years of robust growth in 2021 and 2022 with GDP growing respectively by 9.9% and 5.1%, economic activity averaged 2.5% in 2023, amid continued global economic uncertainty and rising interest rates. The economy is expected to pick up again in 2024 and 2025 growing by 2.8% and 2.9% respectively according to the European Commission's Spring 2024 European Forecasts. Inflation measured by the Harmonised Index of Consumer Prices decreased to an average of 3.9% and is expected to continue to decelerate to around 2.4% in 2024 and 2.1% in 2025 after a peak of 8.1% in 2022. A sustained drop in energy prices and tighter monetary conditions underpin the disinflation that is being observed. In the labour market the unemployment rate dropped to 6.1% and is expected to drop further to 5.6% and 5.4% respectively in 2024 and 2025, according to the European Commission. The government balance turned a surplus of 3.1% of GDP in 2023, and is expected to be in surplus of 2.9% of GDP in both in 2024 and 2025. Gross Public debt will thus drop to 70.6% of GDP in 2024 and to 65.4% in 2025 from 77.3% to GDP in 2023.

The credit profile of Cyprus has improved significantly in the more recent period, reflecting solid medium-term growth outlook, good institutional strength and effective policy making. There have been significant improvements in the banking sector and in public finances. Cyprus is a small open economy and therefore more vulnerable to exogenous shocks, but features relatively high levels of wealth, an agile private sector, and an outward orientation. The sovereign risk ratings of the Cypriot government have improved significantly in recent years, now above investment grade by the three major rating agencies.

Cyprus received a total of €263 million from the recovery and resilience facility up until early July 2024. This consisted of €157 million in pre-financing in September 2021 following the approval of the national recovery plan in July 2021. This was pre-financing for 13% of total disbursements over the period 2021-2026. Cyprus received its first disbursement of €85 million in December 2022 following the passage of conditional legislation in parliament, and after approval from the European Commission. In December 2022 Cyprus also received €20.9 million of additional funding, part of the REPowerEU initiative aimed at enhancing energy security and supporting the green transition. The Cyprus government in December 2023 applied for the second and third disbursements for a total of €152.3 million. The release of the funds is conditional on the strict implementation of reforms agreed in the national recovery plan. Funds will be used to increase investment in the digital and green transition, to increase the efficiency of public and local administrations, and to improve the efficiency of the judicial system among others. Cyprus submitted a request for the fourth tranche of funds from the EU Recovery and Resilience Facility (RRF). This request was made in July 2024, and amounts to €77 million. This submission followed the successful completion of 16 milestones and targets specified in Cyprus's national Recovery and Resilience Plan.

Non-performing exposures continued their declining trend, mostly due to sales packages by the two largest banks. Total NPEs in the Cyprus banking system at the end of March 2024 were €1.8 billion or 7.3% of gross loans. About 44.7% of total non-performing exposures are restructured facilities, and the coverage ratio was 58.0%. Private debt, as measured by loans to residents on bank balance sheets, excluding the government, dropped to €20.3 billion at the end of March 2024, or about 68% of GDP.

However, substantial risks remain in terms of the domestic operating environment, as well as the external environment on which it depends. Public debt has dropped in relation to GDP, but government expenditures need more rationalisation. In the banking sector non-performing exposures need to drop further. The current account deficit remains sizable. At the same time the monetary policy of the European Central Bank can remain tight for longer if inflation pressures persist and the extent of crises in Ukraine and the Middle East can sustain elevated tensions for a considerable period of time.

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

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

6.2 Calculation of expected credit losses (continued)

For the ECL calculations, the Group uses an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, as described in Note 2.17.5 of the annual consolidated financial statements for the year ended 31 December 2023. The approach employed, involves scenario generation, where the scenarios applied by the Group are anchored to the baseline scenario. All scenarios are updated on a quarterly basis for the purposes of the ECL calculation in tandem with the baseline scenario. The updated macroeconomic inputs (incorporating any uncertainties and downside risks) are therefore reflected in the scenario parameters, starting from the baseline and updated in turn for the adverse and the favourable scenarios accordingly. If the baseline becomes more pessimistic, then both the favourable and downside scenarios would move accordingly, reflecting the fact that the economic variables used in the scenarios are not constant but are conditional on the economy’s position in the business cycle. A dynamic scenario approach is followed as explained above where the scenario parameters derived, reflect the Group’s view of the economic conditions. The probability weights attached to the scenarios are a function of their relative position on the distribution, with a lower probability weight attached to the scenarios that were assessed to be more distant from the centre of the distribution. The baseline scenario is defined over the range of values corresponding to 50% probability of equidistant deviations around the mean of the historical distribution. The favourable and adverse scenarios are defined over the range of values to the right and left of the distribution respectively, each corresponding to 25% probability.

The most significant macroeconomic variables for each of the scenarios used by the Group as at 30 June 2024 and 31 December 2023 are presented in the table below. The Group uses three different economic scenarios in the calculation of default probabilities and provisions. The scenarios factor-in updated macroeconomic assumptions and other monetary and fiscal developments based on events as at the reporting date. The Group has used the 30-50-20 probability structure for the adverse, baseline and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.17.5 of the annual consolidated financial statements for the year ended 31 December 2023. This reflects management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks.

30 June 2024

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS Properties Price Index (average % change)
2024	Adverse	30.0	2.1	5.8	1.1	0.8
	Baseline	50.0	2.9	5.7	2.0	3.5
	Favourable	20.0	3.3	5.7	2.3	3.9
2025	Adverse	30.0	-1.8	6.3	0.2	-1.8
	Baseline	50.0	2.6	5.6	2.2	2.2
	Favourable	20.0	3.4	5.5	2.6	3.4
2026	Adverse	30.0	-1.2	6.5	1.3	2.2
	Baseline	50.0	2.7	5.4	2.1	2.3
	Favourable	20.0	2.9	5.2	2.0	2.7
2027	Adverse	30.0	2.9	6.1	2.1	2.7
	Baseline	50.0	2.6	5.2	2.1	2.2
	Favourable	20.0	2.6	5.0	2.0	2.5
2028	Adverse	30.0	3.9	5.8	2.0	2.5
	Baseline	50.0	2.5	4.9	2.0	2.2
	Favourable	20.0	2.5	4.7	2.1	2.5

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

6.2 Calculation of expected credit losses (continued)

31 December 2023

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS Properties Price Index (average % change)
2024	Adverse	30.0	-1.6	6.3	0.9	-3.1
	Baseline	50.0	2.7	5.8	2.5	3.0
	Favourable	20.0	3.5	5.6	3.1	3.7
2025	Adverse	30.0	-0.7	6.9	1.2	0.6
	Baseline	50.0	2.6	5.4	2.5	2.3
	Favourable	20.0	3.1	5.2	2.6	2.5
2026	Adverse	30.0	2.2	7.0	1.2	1.9
	Baseline	50.0	2.6	5.1	2.1	2.2
	Favourable	20.0	2.7	4.9	2.0	2.3
2027	Adverse	30.0	3.6	6.7	2.3	2.4
	Baseline	50.0	2.4	4.9	2.3	2.2
	Favourable	20.0	2.6	4.6	2.2	2.3
2028	Adverse	30.0	3.5	6.4	2.2	2.4
	Baseline	50.0	2.3	4.6	2.2	2.3
	Favourable	20.0	2.5	4.2	2.3	2.4

The adverse scenarios may outpace the base and favourable scenarios after the initial shock has been adjusted to and the economy starts to expand from a lower base. Thus, in the adverse scenario GDP will follow a growth trajectory that will ultimately equal and surpass the baseline before converging. Property prices are determined by multiple factors with GDP growth featuring prominently. However, the relationship between GDP growth and property prices entails a lag.

The baseline scenario was updated for the 30 June 2024 reporting, considering available information and relevant developments until then, and is described next. Growth moderated in 2023 following strong recoveries in 2021-2022, but remained above the Euro area average, supported by the continued recovery in tourism and expanding services activity. Real GDP increased by 2.5% on average in 2023 and growth accelerated in the first quarter of 2024, reaching 3.4% from a year earlier seasonally, adjusted. Tourist arrivals in Cyprus exceeded 1.65 million in the first half of 2024, up by an annual 2.4%. Under the baseline scenario the economy is expected to advance by 2.9% in 2024, consumer price inflation will decelerate to 2% and the unemployment rate will continue to drop steadily in the medium term. House prices are expected to rise by 3.5% in 2024 following strong increases in 2022-2023.

The adverse scenario is consistent with assumptions for a global economic slowdown driven by the wars in Ukraine and the Middle East, elevated inflation and continued tight monetary conditions. The Cypriot economy relies on services, particularly on tourism, international business, and information and communication services with an outward orientation. This makes the Cypriot economy more exposed than other economies to the international environment and terms of trade shocks. Weaker external demand and more restricted domestic demand as a result of higher interest rates will lead to a slowdown of economic activity. The adverse scenario assumes a deeper impact of these conditions on the real economy than under the baseline scenario. Under the adverse scenario, real GDP is expected to grow by 2.1% in 2024 as a whole, and contract by 1.8% in 2025. In the labour market the unemployment rate will rise only modestly, and inflation will be lower than under the baseline scenario. House prices will also slow in line with the contraction in real GDP.

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

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

6.2 Calculation of expected credit losses (continued)

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division, endorsed by the Group Provisions Committee and approved by the Board Risk and Audit Committees. Qualitative adjustments or overlays are described in the below sections as applicable.

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

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

Assessment of loss given default (LGD)
For the estimation of loss given default (LGD) key estimates are the timing and net recoverable amount from repossession or realisation of collaterals (including through portfolio sales) which mainly comprise real estate assets.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used as the basis to estimate updated market values of properties, supplemented by management judgement where necessary, given the difficulty in differentiating between short-term impacts and long-term structural changes and the shortage of market evidence for comparison purposes. Assumptions were made on the basis of a macroeconomic scenario for future changes in property prices and qualitative adjustments or overlays were applied to the projected future property value increases to restrict the level of future property price growth to 0% for all scenarios for loans and advances to customers which are secured by property collaterals.

At 30 June 2024, the weighted average haircut (including liquidity haircut and selling expenses) used for the provision calculation for loans and advances to customers (for both Stage 1 and Stage 2 exposures and collectively assessed Stage 3 exposures) is approximately 41.5% under the baseline scenario (31 December 2023: approximately 31.3%). The increase in the haircut percentage is primarily due to the calibration of the collateral realisation model during the first half of 2024, as explained in section 'Calibration of IFRS 9 models and removal of overlays in relation to economic conditions'.

At 30 June 2024, the timing of recovery from real estate collaterals used for the provision calculation for loans and advances to customers (for both Stage 1 and Stage 2 exposures and collectively assessed Stage 3 exposures) has been estimated to be on average seven years under the baseline scenario (31 December 2023: average of six years).

In the 2023 Financial Statements the above disclosures in relation to the weighted average haircut and timing of recovery from real estate collaterals were by reference to exposures that were collectively assessed and not including exposures which were assessed for staging purposes on an individual basis. The comparative information presented above has been updated for aligning with the disclosure for the period ended 30 June 2024.

For the calculation of individually assessed provisions of Stage 3 exposures, the timing of recovery of collaterals as well as the haircuts used, are based on the specific facts and circumstances of each case. For specific cases judgement may also be exercised over staging during the individual assessment.

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

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

6.2 Calculation of expected credit losses (continued)

Expected lifetime of revolving facilities
The expected lifetime of revolving facilities is based on a behavioural maturity model for revolving facilities based on BOC PCL's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned. The behavioural model was updated in the third quarter of 2023 to reflect updates in customers' profile whilst maintaining the same model components.

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

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

Calibration of IFRS 9 models and removal of overlays in relation to economic conditions
During the six months ended 30 June 2024, the Group performed a calibration of its IFRS 9 models which involved the reassessment and update of the ECL model parameters (PDs, LGDs and cure rates) and SICR thresholds so as to incorporate in the models the effects of the recent economic conditions and experience, which were previously reflected in the ECL through the use of overlays. Further, the calibration involved the Group updating and revising the LGD parameter, as part of the Group's ongoing review and update of models as to incorporate updated data information and to reflect an update on realisation paths and rates applied.

More specifically, the Group proceeded with model calibrations affecting the probability of default parameter (the 'PD-macro'), the SICR parameter, the probability of cure model and the collateral realisation model and introducing an LGD floor, as explained below:

i. The calibration of the PD-macro model included the introduction of inflation related variables and the inclusion of post-COVID period data to capture the low-default environment as well as the integration of a dynamic adjustment to calibrate (up or down) the model projection based on the relationship between the past model projections and the actual observed defaults (structural breaks in the relationship e.g. between a specific macro factor and the PD value). The impact of this calibration was €8.1 million ECL release for the six months ended 30 June 2024.
ii. As a result of the PD-macro calibration, the SICR model was revisited following a statistical model methodology calibration, whilst introducing an absolute threshold to increase stability and accuracy. The corresponding impact was €1.4 million ECL release for the six months ended 30 June 2024 and net transfer of related loans from Stage 2 to Stage 1.
iii. With respect to the probability of cure model, a different curability period was introduced for each macro-economic scenario following a detailed statistical analysis examining the relationship of cure rates with macro indicators and concluding that curability should differentiate at the level of the scenario. The respective impact was an ECL charge of €2.1 million for the six months ended 30 June 2024.
iv. As a result of calibrations (i)-(iii), the Group removed the prior year overlays applied in the context of economic conditions (as described in Note 5.2 in the annual consolidated financial statements for the year ended 31 December 2023) with the resulting impact being €16.2 million ECL release for the six months ended 30 June 2024.
v. For the collateral realisation model, the Group has updated its LGD parameter with respect to the path of realisation through portfolio sales, by increasing the likelihood of this realisation path. The resulting impact was an ECL charge of €19.2 million for the six months ended 30 June 2024.

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

6.2 Calculation of expected credit losses (continued)

vi. Lastly, the Group has incorporated a minimum LGD rate which provides for a minimum loss rate (which acts as a floor) irrespective of the realisation path and value of collateral. This minimum LGD was introduced as to capture the subjectivity and uncertainty involved in the value of recovery assumptions (i.e. collateral recoverable amount, maximum recovery period, etc.) which impacts the realisation amount. The corresponding impact was an ECL charge of €20.0 million for the six months ended 30 June 2024.

The IFRS 9 models are reviewed regularly in order to incorporate the most recent information available and to ensure that they perform adequately and that they are suitably representative when applied to the current portfolio for the calculation of impairment loss allowances.

The Group has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 30 June 2024. The Group will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments, are timely captured.

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. Following the wars in Ukraine and the Middle East, the selection criteria were further enhanced to include significant exposures to customers with passport of origin or residency in Russia, Ukraine or Belarus and/or business activity within these countries and significant exposures with repayment deriving from Israel.

Further details on impairment allowances and related credit information are set out in Note 32.

6.3 Stock of property - estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, taking into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters. Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a high degree of uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 20.

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

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

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigations, claims, regulatory and other matters refer to Note 28.

7. Segmental analysis

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

As from the first quarter of 2024, following an internal re-organisation, the activities previously reported under segment 'Wealth Management' were reorganised and are now reported as follows: part of the activities were allocated to the newly set up unit, Affluent Banking which is presented and monitored under 'Retail' and part of the activities were allocated to the Institutional Wealth Management and Custody, which was transferred under and is now presented and monitored as part of 'Treasury'. As a result of the changes, 'Wealth Management' no longer comprises a separately reportable segment. The activities of the subsidiary companies of the Group, CISCO and its subsidiary, which were part of the 'Wealth Management' segment and whose activities relate to investment banking, brokerage, discretionary asset management and investment advice services do not qualify as a material segment and are now presented within 'Other'. Comparative information in 'Analysis by business line', 'Analysis of total revenue' and 'Analysis of assets and liabilities' in this note and comparative information in the 'By business line' analysis in Notes 19, 23, 32.2 and 32.4 was restated to reflect this change.

In addition, as from the year ended 31 December 2023 the results of the subsidiary company JCC Payment Systems Ltd (JCC), previously reported under segment 'Other', are presented separately under segment 'Payment services'. The business segments 'International Corporate' and 'IBU' have been combined and the results of these business segments, previously reported separately, are presented combined under segment 'IBU & International Corporate' business segment. Comparative information in 'Analysis by business line' and 'Analysis of total revenue' was restated to account for these changes as well.

'Analysis by business Line' and 'Analysis of total revenue' has been restated by reference to available information for the year 2023 for customers allocated in segment 'Wealth Management' in 2023.

The operating segments are analysed below:

i. The Corporate, Small and Medium-sized Enterprises (SME) and Retail business lines are managing loans and advances to customers. As from the first quarter of 2024, Retail business line also reports and monitors the Affluent Banking unit, which offers exclusive and upgraded customer experience in protecting, managing and growing customers' wealth through offering a personalised, holistic and bespoke approach for all banking and investment needs. Categorisation of loans per customer group is detailed further below.
ii. IBU & International Corporate comprises of:
    1. IBU, which specialises in the offering of banking services to the international corporate customers based in Cyprus, particularly international business companies whose ownership and business activities lie outside Cyprus, and non resident individual customers of BOC PCL.
    2. International Corporate, which comprises of International Corporate Banking, Project Finance & Loan Syndication and Shipping Centre. International Corporate Banking provides financing from Cyprus in respect of projects based overseas with main focus being in Greece and the United Kingdom. Project Finance & Loan Syndication acts as arranger or participant in large international loan syndication transactions. Shipping Centre provides shipping financing primarily for ocean-going cargo vessels.
iii. Restructuring and Recoveries is the specialised unit which was set up to tackle the Group's loan portfolio quality and manages exposures to borrowers in distress situation through innovative solutions.
iv. The Real Estate Management Unit (REMU) manages properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 and executes exit strategies in order to monetise these assets. REMU also includes other subsidiary property companies of the Group.
v. Treasury is responsible for managing assets and liabilities within the Risk Appetite Framework set by the Board of Directors. Treasury manages the Group's liquid assets, investing in fixed income securities and interbank market. This business line manages the interest rate and foreign exchange risks to which the Group is exposed to and is also responsible for liquidity management and for ensuring compliance with internal and regulatory liquidity guidelines. It is also responsible for raising funding through the issuance of debt in the wholesale markets. As from the first quarter of 2024, Treasury also reports and monitors the Institutional Wealth Management and Custody unit, which comprises of market execution and custody unit services along with asset management.
vi. The Insurance business line is involved in both life and non-life insurance business.

7. Segmental analysis (continued)

vii. Payment Services comprise the subsidiary company JCC, which is involved in the development of inter-banking systems, acquiring and processing of debit and credit card transactions and other payment services.

viii. The segment 'Other' includes central functions of BOC PCL such as finance, risk management, compliance, legal, information technology, corporate affairs and human resources. These functions provide services to the operating segments. Segment 'Other' also includes the subsidiary company, CISCO and other small subsidiary companies in Cyprus (excluding the insurance subsidiaries, property companies under REMU and the payment services subsidiary of the Group (JCC)), as well as the overseas legacy activities of the Group.

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

i. Retail – all individuals, regardless of the facility amount, and legal entities with facilities from BOC PCL of up to €500 thousand, excluding business property loans, and/or annual credit turnover up to €1 million.

ii. Small and medium-sized enterprises (SME) – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with facilities from BOC PCL in the range of €500 thousand to €4 million and/or annual credit turnover in the range of €1 million to €10 million.

iii. Corporate – any company or group of companies (including personal and housing loans to the directors or shareholders of a company) with available credit lines with BOC PCL of over €4 million and/or having a minimum annual credit turnover of over €10 million. These companies are either local larger corporations or international companies or companies in the shipping sector. Lending includes direct lending or through syndications.

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

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

Income and expenses associated with each business line are included within the business line results for determining its performance. Fund transfer pricing and internal charges methodologies are applied between the business lines as to reflect the performance of each business line. Income and expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect income and expenses are re-allocated from the central functions to the business lines. For the purposes of the Cyprus analysis by business line, notional tax rate is charged/credited to the profit or loss before tax of each business line.

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

7. Segmental analysis (continued)

Analysis by business line

	Corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	REMU	Insurance	Treasury	Payment services	Other	**Total**
Six months ended 30 June 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	79,536	81,083	29,456	213,857	8,055	(13,696)	(124)	24,173	-	(2,457)	**419,883**
Net fee and commission income/(expense)	10,248	23,790	4,574	32,218	960	(61)	(4,107)	2,100	13,962	2,531	**86,215**
Net foreign exchange gains/(losses)	650	3,147	365	1,271	22	-	-	6,928	(23)	674	**13,034**
Net gains/(losses) on financial instruments	536	-	-	-	-	4	146	(48)	44	47	**729**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	(4,631)	102	(909)	(7)	6,554	-	-	-	-	(3)	**1,106**
Net insurance result	-	-	-	-	-	-	22,775	-	-	-	**22,775**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	(625)	8	-	-	(640)	**(1,257)**
Net gains on disposal of stock of property	-	-	-	-	-	2,812	-	-	-	(228)	**2,584**
Other income	7	9	6	90	63	2,123	359	-	1,858	703	**5,218**
Total operating income	86,346	108,131	33,492	247,429	15,654	(9,443)	19,057	33,153	15,841	627	**550,287**
Staff costs	(3,802)	(7,145)	(2,961)	(27,757)	(4,653)	(1,649)	(1,604)	(1,483)	(3,840)	(41,241)	**(96,135)**
Special levy on deposits and other levies/contributions	(2,083)	(3,714)	(990)	(11,847)	(20)	-	-	(130)	-	-	**(18,784)**
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	-	-	-	-	-	-	-	-	-	(2,562)	**(2,562)**
Other operating expenses	(15,798)	(9,290)	(7,436)	(45,318)	(5,142)	(6,956)	(1,959)	(6,222)	(6,017)	33,149	**(70,989)**
Operating profit/(loss) before credit losses and impairment	64,663	87,982	22,105	162,507	5,839	(18,048)	15,494	25,318	5,984	(10,027)	**361,817**
Credit losses on financial assets	13,177	(1,435)	(57)	(8,725)	(19,813)	214	(118)	(439)	-	(275)	**(17,471)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	(19,326)	-	-	-	(5,434)	**(24,760)**
Profit/(loss) before tax	77,840	86,547	22,048	153,782	(13,974)	(37,160)	15,376	24,879	5,984	(15,736)	**319,586**
Income tax	(11,676)	(12,982)	(3,307)	(23,067)	2,096	5,106	(1,415)	(3,732)	(834)	1,608	**(48,203)**
Profit/(loss) after tax	66,164	73,565	18,741	130,715	(11,878)	(32,054)	13,961	21,147	5,150	(14,128)	**271,383**
Non-controlling interests-(profit)/loss	-	-	-	-	-	587	-	-	(1,283)	(334)	**(1,030)**
Profit/(loss) after tax attributable to the owners of the Company	**66,164**	**73,565**	**18,741**	**130,715**	**(11,878)**	**(31,467)**	**13,961**	**21,147**	**3,867**	**(14,462)**	**270,353**

7. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	REMU	Insurance	Treasury	Payment services	Other	**Total**
Six months ended 30 June 2023 (restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expense)	77,412	71,184	25,803	173,746	9,360	(19,315)	-	21,357	(26)	(1,179)	**358,342**
Net fee and commission income/(expense)	10,342	27,123	5,325	31,614	1,369	(75)	(4,332)	1,528	13,513	3,197	**89,604**
Net foreign exchange gains/(losses)	475	2,687	291	1,236	20	-	-	11,261	30	(161)	**15,839**
Net gains/(losses) on financial instruments	(9)	-	-	-	-	-	1,746	2,651	686	606	**5,680**
Net gains/(losses) on derecognition of financial assets measured at amortised cost	3,839	43	(924)	(233)	3,195	-	-	(41)	-	(18)	**5,861**
Net insurance result	-	-	-	-	-	-	24,509	-	-	52	**24,561**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	889	-	-	-	(101)	**788**
Net gains on disposal of stock of property	-	-	-	-	-	3,704	-	-	-	202	**3,906**
Other income	10	2	8	84	64	3,937	5,121	12	1,773	1,189	**12,200**
Total operating income	92,069	101,039	30,503	206,447	14,008	(10,860)	27,044	36,768	15,976	3,787	**516,781**
Staff costs	(3,707)	(6,581)	(2,578)	(25,827)	(4,596)	(2,120)	(1,370)	(2,114)	(3,329)	(40,821)	**(93,043)**
Special levy on deposits and other levies/contributions	(1,756)	(3,894)	(908)	(11,558)	(32)	-	-	(88)	-	-	**(18,236)**
Provisions for pending litigations, claims, regulatory and other matters (net of reversals)	-	-	-	-	-	-	-	-	-	(14,148)	**(14,148)**
Other operating expenses	(18,889)	(9,378)	(7,066)	(41,066)	(5,567)	(7,423)	(1,528)	(4,350)	(5,387)	30,198	**(70,456)**
Operating profit/(loss) before credit losses and impairment	67,717	81,186	19,951	127,996	3,813	(20,403)	24,146	30,216	7,260	(20,984)	**320,898**
Credit losses on financial assets	(3,795)	(319)	547	(8,475)	(18,185)	(6,131)	(112)	(375)	-	73	**(36,772)**
Impairment net of reversals on non-financial assets	-	-	-	-	-	(22,836)	-	-	-	(370)	**(23,206)**
Profit/(loss) before tax	63,922	80,867	20,498	119,521	(14,372)	(49,370)	24,034	29,841	7,260	(21,281)	**260,920**
Income tax	(7,990)	(10,109)	(2,562)	(14,942)	1,797	5,186	(1,962)	(3,728)	(1,120)	(4,338)	**(39,768)**
(Profit)/loss after tax	55,932	70,758	17,936	104,579	(12,575)	(44,184)	22,072	26,113	6,140	(25,619)	**221,152**
Non-controlling interests-(profit)/loss	-	-	-	-	-	-	-	-	(1,535)	630	**(905)**
Profit/(loss) after tax attributable to the owners of the Company	**55,932**	**70,758**	**17,936**	**104,579**	**(12,575)**	**(44,184)**	**22,072**	**26,113**	**4,605**	**(24,989)**	**220,247**

7. **Segmental analysis** (continued)

Analysis of total revenue

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

	Corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	REMU	Insurance	Treasury	Payment Services	Other	**Total**
Six months ended 30 June 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Revenue from third parties	99,544	60,485	29,311	126,532	16,416	4,735	23,088	174,509	13,325	2,342	**550,287**
Inter-segment (expense)/revenue	(13,198)	47,646	4,181	120,897	(762)	(14,178)	(4,031)	(141,356)	2,516	(1,715)	**-**
Total revenue	**86,346**	**108,131**	**33,492**	**247,429**	**15,654**	**(9,443)**	**19,057**	**33,153**	**15,841**	**627**	**550,287**
Six months ended 30 June 2023 (restated)											
Revenue from third parties	107,136	61,031	27,362	115,191	14,341	8,271	31,099	132,109	13,584	6,657	**516,781**
Inter-segment (expense)/revenue	(15,067)	40,008	3,141	91,256	(333)	(19,131)	(4,055)	(95,341)	2,392	(2,870)	**-**
Total revenue	**92,069**	**101,039**	**30,503**	**206,447**	**14,008**	**(10,860)**	**27,044**	**36,768**	**15,976**	**3,787**	**516,781**

Analysis of assets and liabilities

	Corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	REMU	Insurance	Treasury	Payment Services	Other	**Total**
30 June 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Assets											
Assets	3,622,681	937,946	966,751	4,438,945	162,793	847,973	994,018	12,533,453	111,924	1,054,900	**25,671,384**
Inter-segment assets	(44,305)	-	-	-	-	(47,060)	(21,508)	-	(24,419)	(67,922)	**(205,214)**
Total assets	**3,578,376**	**937,946**	**966,751**	**4,438,945**	**162,793**	**800,913**	**972,510**	**12,533,453**	**87,505**	**986,978**	**25,466,170**
31 December 2023 (restated)											
Assets											
Assets	3,469,090	880,219	942,490	4,351,607	213,477	895,374	919,427	13,971,313	93,536	1,055,699	**26,792,232**
Inter-segment assets	(35,367)	-	-	-	-	(39,843)	(19,443)	-	(33,058)	(35,944)	**(163,655)**
Total assets	**3,433,723**	**880,219**	**942,490**	**4,351,607**	**213,477**	**855,531**	**899,984**	**13,971,313**	**60,478**	**1,019,755**	**26,628,577**

7. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

	Corporate	IBU & International corporate	SME	Retail	Restructuring and recoveries	REMU	Insurance	Treasury	Payment Services	Other	**Total**
30 June 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Liabilities											
Liabilities	2,322,649	3,880,272	1,073,039	12,398,577	19,938	34,114	866,112	1,859,681	53,976	533,374	**23,041,732**
Inter-segment liabilities	(142,157)	-	-	-	-	(17,111)	(18,050)	-	-	(27,896)	**(205,214)**
Total liabilities	**2,180,492**	**3,880,272**	**1,073,039**	**12,398,577**	**19,938**	**17,003**	**848,062**	**1,859,681**	**53,976**	**505,478**	**22,836,518**
31 December 2023 (restated)											
Liabilities											
Liabilities	2,197,945	3,901,025	1,019,245	12,216,209	29,045	24,695	803,319	3,588,480	40,635	483,293	**24,303,891**
Inter-segment liabilities	(111,192)	-	-	-	-	(11,667)	(16,404)	-	-	(24,392)	**(163,655)**
	2,086,753	**3,901,025**	**1,019,245**	**12,216,209**	**29,045**	**13,028**	**786,915**	**3,588,480**	**40,635**	**458,901**	**24,140,236**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 23 and Notes 19, 32.2 and 32.4 respectively.

7. Segmental analysis (continued)

Analysis of turnover

	Six months ended 30 June	
	2024	2023 (restated)
	€000	€000
Net interest income	**419,883**	358,342
Net fee and commission income	**86,215**	89,604
Net foreign exchange gains	**13,034**	15,839
Net gains on financial instruments	**729**	5,680
Net gains on derecognition of financial assets measured at amortised cost	**1,106**	5,861
Net insurance result	**22,775**	24,561
Net (losses)/gains from revaluation and disposal of investment properties	**(1,257)**	788
Net gains on disposal of stock of property	**2,584**	3,906
Other income	**5,218**	12,200
	550,287	516,781

8. Interest income and income similar to interest income

Interest income

	Six months ended 30 June	
	2024	2023
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**272,311**	237,519
- Loans and advances to banks and central banks	**164,060**	132,500
- Reverse repurchase agreements	**11,666**	-
- Debt securities	**43,488**	20,742
- Other financial assets (Note 21)	**8,630**	9,098
Debt securities at FVOCI	**4,175**	3,993
	504,330	403,852

Income similar to interest income

	Six months ended 30 June	
	2024	2023
	€000	€000
Loans and advances to customers measured at FVPL	**4,678**	6,263
Derivative financial instruments	**62,778**	15,909
	67,456	22,172

9. Interest expense and expense similar to interest expense

Interest expense

	Six months ended 30 June	
	2024	2023
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**31,318**	10,671
- Funding from central banks and deposits by banks	**26,138**	31,301
- Debt securities in issue	**19,341**	3,878
- Subordinated liabilities	**10,106**	10,078
Interest expense on lease liabilities	**334**	155
	87,237	56,083

Expense similar to interest expense

	Six months ended 30 June	
	2024	2023
	€000	€000
Derivative financial instruments	**64,666**	11,599

10. Net gains on financial instruments

	Six months ended 30 June	
	2024	2023
	€000	€000
Trading portfolio:		
- derivative financial instruments	**22**	16
Other investments at FVPL:		
- non-equity securities	**63**	980
- mutual funds	**193**	1,780
- equity securities	**(85)**	1,962
Net losses on disposal of FVOCI debt securities	**-**	(433)
Net gains/(losses) on loans and advances to customers at FVPL	**536**	(9)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**(17,788)**	(8,843)
- hedged items	**17,788**	10,227
	729	5,680

11. Staff costs

Staff costs

	Six months ended 30 June	
	2024	2023
	€000	€000
Salaries	**71,436**	69,571
Employer's contributions	**13,844**	11,355
Variable compensation:		
Accrual for short-term incentive award (Note 11.2)	**4,421**	3,450
Share-based benefits expense (Note 11.1)	**493**	311
Retirement benefit plan costs	**5,781**	5,556
Exit cost and other termination benefits	**160**	2,800
	96,135	93,043

The number of persons employed by the Group as at 30 June 2024 was 2,860 (31 December 2023: 2,830 and 30 June 2023: 2,902).

Staff costs are presented in the Consolidated Income Statement net of software capitalisation costs and costs included in the insurance contracts fulfilment cash flow liabilities under IFRS 17. An analysis of expenses by nature incurred by the Group is included in Note 12.

11.1 Share-based compensation plan

Long-Term Incentive Plan
At the Annual General Meeting of the shareholders of the Company which took place on 20 May 2022, a special resolution was approved for the establishment and implementation of the share based Long-Term Incentive Plan (the 'LTIP') of Bank of Cyprus Holdings Public Limited Company.

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 three-year period. The performance conditions are set by the Human Resources & Remuneration Committee (HRRC) each year and may be differentiated at the HRRC's discretion to reflect the Group's strategic targets and employees' personal performance. Performance will be assessed against an evaluation scorecard consistent with the Group's Medium-Term Strategic Targets containing both financial and non-financial objectives, and including targets in the areas of: (i) Profitability; (ii) Asset quality; (iii) Capital adequacy; (iv) Risk control & compliance; and (v) Environmental, Social and Governance ('ESG'). From 2024, targets in the area of customer experience have been introduced for non-control functions. The awards ordinarily vest in six tranches, with 40% vesting in the year following the year the performance period ends and the remaining 60% vesting in tranches (12%), on each of the first, second, third, fourth and fifth anniversary of the first vesting date. For any award to vest the employee must be in the employment of the Group up until the date of the vesting of such an award. Under certain circumstances the HRRC has the discretion to determine whether the award will lapse and/or the extent to which the award will be vested.

The maximum number of shares that may be issued pursuant to the LTIP until the tenth anniversary of the relevant resolution shall not exceed 5% of the issued ordinary share capital of 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).

Under the LTIP the following share awards were granted as of 30 June 2024:

i. On 3 April 2024 (grant date) 403,990 share awards were granted by the Company to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in April 2024 are subject to a three-year performance period 2024-2026 (with all performance conditions being non-market performance conditions).

11. Staff costs (continued)

11.1 Share-based compensation plan (continued)

ii. On 3 October 2023 (grant date) 479,160 share awards were granted by the Company to 21 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in October 2023 are subject to a three-year performance period 2023-2025 (with all performance conditions being non-market performance conditions).

iii. On 22 December 2022 (grant date) 819,860 share awards were granted by the Company to 22 eligible employees, comprising the Extended Executive Committee of the Group. The awards granted in December 2022 are subject to a three-year performance period 2022-2024 (with all performance conditions being non-market performance conditions).

Each of the share awards granted thereon vest in six tranches, with the first tranche vesting in the year following the year the performance period ends and the last tranche vesting on the fifth anniversary of the first vesting date. Vesting is also subject to service conditions. Awards are subject to potential forfeiture under certain leaver scenarios.

11.2 Short-term incentive plan

Short-Term Incentive Plan
Short-term incentive award refers to a Short-Term Incentive Plan first introduced by the Group in 2023. This is an annual incentive which involves variable remuneration in the form of cash to selected employees, and is driven by both delivery of the Group's Strategy, as well as individual performance, in the relevant year. Executive Management are also eligible to be considered for the short-term incentive award. The short-term incentive award is generally paid in cash and is non-deferred, however, in cases where the amount exceeds a specified threshold as per regulatory guidelines, 50% of the award is awarded in shares and 50% in cash. In cases the award for an individual comprises both a cash and a share component then the award vests, similarly to LTIP vesting, i.e., 40% vests in the year following the performance year to which the incentive award relates to, and the remaining 60% vests in tranches (12%) over five years.

Shares vesting as part of the short-term incentive award are subject to one-year retention period and 100% of the award is subject to clawback provisions.

12. Other operating expenses

	Six months ended 30 June	
	2024	2023
	€000	€000
Repairs and maintenance expenses	**17,785**	16,263
Property-related costs	**5,360**	5,058
Consultancy, legal and other professional services fees	**8,970**	8,224
Insurance	**3,137**	4,203
Advertising and marketing	**3,539**	2,646
Depreciation of property and equipment	**7,705**	6,660
Amortisation of intangible assets	**7,345**	7,974
Communication expenses	**2,924**	3,010
Printing and stationery	**924**	794
Cash transfer expenses	**1,562**	1,417
Other operating expenses	**11,738**	11,950
	70,989	68,199
Advisory and other transformation costs (non-recurring)	**-**	2,257
	70,989	70,456

Advisory and other transformation costs comprise mainly fees to external advisors in relation to the transformation program and other strategic projects of the Group and are considered to be non-recurring.

12. Other operating expenses (continued)

During the six months ended 30 June 2024, the Group recognised €25 thousand relating to rent expense for short-term leases, included within 'Property-related costs' (30 June 2023: €39 thousand) and €3,972 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (30 June 2023: €2,752 thousand).

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	Six months ended 30 June	
	2024	2023
	€000	€000
Special levy on deposits of credit institutions in Cyprus	**14,481**	8,816
Single Resolution Fund contribution	**-**	5,477
Contribution to Deposit Guarantee Fund	**4,303**	3,943
	18,784	18,236

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund ('SRF') contribution, which is charged annually by the Single Resolution Board ('SRB'), reduces the charge of the Special Levy up to the level of the total annual Special Levy charge. In February 2024, the SRB announced that no regular annual contributions will be collected in 2024 from the institutions falling in scope of the SRF and contributions would only be collected in the event of specific circumstances.

As from 1 January 2020 and until 3 July 2024 BOC PCL is subject to a contribution to the Deposit Guarantee Fund (DGF) on a semi-annual basis. The contributions are calculated based on the Risk Based Methodology (RBM) as approved by the management committee of the Deposit Guarantee and Resolution of Credit and Other Institutions Schemes (DGS) and is publicly available on the CBC's website. In line with the RBM, the contributions are broadly calculated on the covered deposits of all authorised institutions and the target level was to reach at least 0.8% of covered deposits by 3 July 2024. The management committee of the DGS can decide to collect additional ex-ante contributions to achieve a higher return.

12.1. Expenses by nature

Analysis of staff costs and other operating expenses incurred by the Group by nature, is presented in the table below:

	30 June 2024				
	Directly attributable expenses	**Capitalised as internally developed computer software**	**Staff costs** (Note 11)	**Other operating expenses** (Note 12)	**Total**
	€000	**€000**	**€000**	**€000**	**€000**
Salaries and employer's contributions	**5,117**	**1,146**	**85,280**	**-**	**91,543**
Variable compensation:					
Accrual for short-term incentive award	**-**	**-**	**4,421**	**-**	**4,421**
Share-based benefits expense	**-**	**-**	**493**	**-**	**493**
Retirement benefit plan costs	**496**	**-**	**5,781**	**-**	**6,277**
Exit cost and other termination benefits	**-**	**-**	**160**	**-**	**160**
Depreciation	**212**	**-**	**-**	**3,733**	**3,945**
Depreciation of RoU assets	**581**	**-**	**-**	**3,972**	**4,553**
Amortisation of intangible assets	**1,863**	**-**	**-**	**7,345**	**9,208**
Other operating expenses	**1,812**	**-**	**-**	**55,939**	**57,751**
Total	**10,081**	**1,146**	**96,135**	**70,989**	**178,351**

12. **Other operating expenses** (continued)

12.1. **Expenses by nature** (continued)

	30 June 2023				
	Directly attributable expenses	Capitalised as internally developed computer software	Staff costs (Note 11)	Other operating expenses (Note 12)	Total
	€000	€000	€000	€000	€000
Salaries and employer's contributions	4,672	851	80,926	-	86,449
Variable compensation:					
Accrual for short-term incentive award	-	-	3,450	-	3,450
Share-based benefits expense	-	-	311	-	311
Retirement benefit plan costs	466	-	5,556	-	6,022
Exit cost and other termination benefits	-	-	2,800	-	2,800
Depreciation	263	-	-	3,908	4,171
Depreciation of RoU assets	492	-	-	2,752	3,244
Amortisation of intangible assets	1,512	-	-	7,974	9,486
Other operating expenses	1,641	-	-	55,822	57,463
Total	**9,046**	**851**	**93,043**	**70,456**	**173,396**

Directly attributable expenses are expenses incurred by the insurance subsidiaries of the Group that relate directly to the fulfilment of insurance and re-insurance contracts within the scope of IFRS 17.

13. **Credit losses on financial assets and impairment net of reversals on non-financial assets**

	Six months ended 30 June	
	2024	2023
Credit losses on financial assets	**€000**	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment net of reversals on loans and advances to customers (Note 32.4)	**25,734**	38,514
Recoveries of loans and advances to customers previously written off	**(5,509)**	(8,376)
Changes in expected cash flows	**(2,206)**	(426)
Financial guarantees and commitments	**(874)**	578
	17,145	30,290
Credit losses on other financial instruments		
Amortised cost debt securities	**260**	120
FVOCI debt securities	**(25)**	18
Loans and advances to banks	**(2)**	(181)
Balances with central banks	**(86)**	415
Reverse repurchase agreements	**7**	-
Other financial assets (Note 21)	**172**	6,110
	326	6,482
	17,471	36,772

	Six months ended 30 June	
	2024	2023
Impairment net of reversals on non-financial assets	**€000**	€000
Stock of property (Note 20)	**24,760**	23,206
	24,760	23,206

14. Income tax

	Six months ended 30 June	
	2024	2023
	€000	€000
Current tax:		
- Cyprus	**47,360**	39,473
Cyprus special defence contribution	**38**	30
Deferred tax credit	**(721)**	(9)
Prior years' tax adjustments	**453**	(11)
Other tax charges	**1,073**	285
	48,203	39,768

The corporate income tax rate in Cyprus is 12.5% on taxable income (2023: 12.5%). The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for the six months ended 30 June 2024 were: Greece 22% (2023: 22%), Romania 16% (2023: 16%) and Russia 20% (2023: 20%).

For life insurance business there is a minimum income tax charge of 1.5% on gross premiums (this is included within 'Net insurance service result'), which amounted to €1,168 thousand for the six months ended 30 June 2024 (30 June 2023: €1,070 thousand). Special defence contribution is payable on rental income at a rate of 3% (2023: 3%) and on interest income from activities outside the ordinary course of business at a rate of 17% (2023: 30%).

The Group is subject to income taxes in the various jurisdictions in which it operates and the calculation of the Group's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open income tax returns with various income tax authorities and liabilities relating to these judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

On 22 December 2022, the European Commission approved Directive 2022/2523 which provides for a minimum effective tax rate of 15% for the global activities of large multinational groups (Pillar Two tax). The Directive that follows closely the OECD Inclusive Framework on Base Erosion and Profit Shifting should have been transposed by the Member States throughout 2023, entering into force on 1 January 2024. In Cyprus, the legislation has not been substantively enacted at the balance sheet date, however it is expected to be enacted within 2024. The Group expects to be in scope of the legislation and has performed an assessment of the potential impact of Pillar Two income taxes with the current estimate being a charge of approximately 1.5% on profit before tax as at 30 June 2024. Because of the calculation complexity resulting from these rules and as the final legislation has yet to be enacted, the impact of this reform has been estimated to range up to 2% of profit before tax and will be further refined upon the enactment and implementation of relevant legislation.

Deferred tax

The net deferred tax assets comprise:

	30 June 2024	31 December 2023
	€000	€000
Deferred tax assets	**202,717**	201,268
Deferred tax liabilities	**(32,934)**	(32,306)
Net deferred tax assets	**169,783**	168,962

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

14. **Income tax** (continued)

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

	30 June 2024	31 December 2023
	€000	€000
1 January	**168,962**	193,300
Deferred tax recognised in the consolidated income statement - tax credit/(charge)	**721**	(26,001)
Deferred tax recognised in the consolidated statement of comprehensive income - tax credit/(charge)	**100**	(3,234)
Transfer to current tax payables following the adoption of IFRS 17	**-**	4,871
Other transfers	**-**	26
30 June/31 December	**169,783**	168,962

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

Income Tax Law Amendment 28(I) of 2019
On 1 March 2019 the Cyprus Parliament adopted legislative amendments to the Income Tax Law (the 'Law') which were published in the Official Gazette of the Republic on 15 March 2019 ('the amendments').

BOC PCL has DTA that meets the requirements of the Income Tax Law Amendment 28(I) of 2019 relating to income tax losses transferred to BOC PCL as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised upon the acquisition of certain operations of Laiki in 2013 amounted to €417 million (corresponding to €3.3 billion tax losses) for which BOC PCL paid a consideration as part of the respective acquisition. The period of utilisation of the tax losses which may be converted into tax credits is eleven years following the amendment of the Law in 2019, starting from 2018 i.e., by end of 2028.

As a result of the above Law, the Group has DTA amounting to €189,546 thousand as at 30 June 2024 (31 December 2023: €189,546 thousand) that meet the requirements under this Law, the recovery of which is guaranteed. On an annual basis, an amount is either converted to annual tax credit and is reclassified from the DTA to current tax receivables or it is used in the determination of the taxable income of the relevant year, as the annual instalment can be claimed as a deductible expense in which case the annual instalment is reflected as a charge in the Consolidated Income Statement.

The DTA subject to the Law is accounted for on the same basis as described in Note 2.11 of the annual consolidated financial statements for the year ended 31 December 2023.

Accumulated income tax losses

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

	Total income tax losses	**Income tax losses for which a deferred tax asset was recognised**	**Income tax losses for which no deferred tax asset was recognised**
30 June 2024	**€000**	**€000**	**€000**
Expiring within 5 years	**1,590**	**-**	**1,590**
Utilisation in annual instalments up to 2028	**1,516,364**	**1,516,364**	**-**
	1,517,954	**1,516,364**	**1,590**
31 December 2023			
Expiring within 5 years	45,851	-	45,851
Utilisation in annual instalments up to 2028	1,516,364	1,516,364	-
	1,562,215	1,516,364	45,851

15. Earnings per share

Basic earnings per share

	Six months ended 30 June	
	2024	2023
Profit for the period attributable to the owners of the Company (€ thousand) (basic)	**270,353**	220,247
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**445,760**	446,058
Basic earnings per share attributable to the owners of the Company (€ cent)	**60.6**	49.4

Diluted earnings per share

	Six months ended 30 June	
	2024	2023
Profit for the period attributable to the owners of the Company (€ thousand)	**270,353**	220,247
Weighted average number of shares in issue during the period, excluding treasury shares adjusted for the dilutive effect of all rights on shares (thousand)	**447,308**	446,755
Diluted earnings per share attributable to the owners of the Company (€ cent)	**60.4**	49.3

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted for the dilutive effect of ordinary shares that may arise in respect of share awards granted to executive directors and senior management of the Group under the Long-Term Incentive Plan (LTIP) for the performance years 2022-2024, 2023-2025 and 2024-2027 and the STIP award granted for the performance year 2023.

16. Investments

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

	30 June 2024	31 December 2023
	€000	€000
Investments at FVPL	**119,201**	135,275
Investments at FVOCI	**410,437**	443,420
Investments at amortised cost	**3,429,116**	3,116,714
	3,958,754	3,695,409

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

	30 June 2024	31 December 2023
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**-**	25,458
Investments at amortised cost	**40,641**	234,553
	40,641	260,011

Investments pledged as collateral as at 30 June 2024 are mainly used as supplementary assets for the covered bond (Note 34). As at 31 December 2023, debt securities collateralised were primarily used for the amounts borrowed from the ECB Targeted Longer-Term Refinancing Operations (TLTRO III) (Note 22) which was fully repaid in the six months ended 30 June 2024. Encumbered assets are disclosed in Note 34.

The maximum exposure to credit risk for debt securities is disclosed in Note 32.1.

The increase in the investment portfolio as at 30 June 2024 is consistent with the strategy of the Group to prudently grow the fixed income portfolio.

16. Investments (continued)

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	30 June 2024	31 December 2023
	€000	€000
Other non-equity securities	**3,754**	3,611
Equity securities	**837**	903
Mutual funds	**114,610**	130,761
	119,201	135,275

Investments at FVOCI

	30 June 2024	31 December 2023
	€000	€000
Debt securities	**398,967**	431,068
Equity securities	**11,470**	12,352
	410,437	443,420

Investments at amortised cost

	30 June 2024	31 December 2023
	€000	€000
Debt securities	**3,429,116**	3,116,714

Further analysis of the Group's investments is provided in the tables below.

Equity securities

	FVPL	**FVOCI**	**Total**
30 June 2024	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	266	**266**
Listed on other stock exchanges	837	60	**897**
Unlisted	-	11,144	**11,144**
	837	**11,470**	**12,307**

	FVPL	FVOCI	Total
31 December 2023	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	728	728
Listed on other stock exchanges	903	58	961
Unlisted	-	11,566	11,566
	903	12,352	13,255

The Group irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €11,470 thousand at 30 June 2024 and is equal to their fair value (31 December 2023: €12,352 thousand).

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

Dividend income amounting to €166 thousand has been received and recognised during the six months ended 30 June 2024 in other income (30 June 2023: €439 thousand).

16. Investments (continued)

During the six months ended 30 June 2024, holdings of equity investments measured at FVOCI with a carrying value of €667 thousand have been disposed of (31 December 2023: €702 thousand).

Mutual funds

	FVPL
30 June 2024	**€000**
Listed on other stock exchanges	26,193
Unlisted	88,417
	114,610

	FVPL
31 December 2023	€000
Listed on other stock exchanges	35,192
Unlisted	95,569
	130,761

The majority of the unlisted mutual funds relate to investments whose underlying assets are listed on stock exchanges and are therefore presented in Level 2 hierarchy in Note 18.

Debt securities and other non-equity securities

Analysis by issuer type	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
30 June 2024	€000	€000	€000	**€000**
Cyprus government	-	282,784	700,015	**982,799**
Other governments	-	22,033	869,577	**891,610**
Financial institutions	-	68,265	1,075,227	**1,143,492**
Other financial corporations	3,754	-	46,574	**50,328**
Supranational organisations	-	20,978	586,591	**607,569**
Other non-financial corporations	-	4,907	151,132	**156,039**
	3,754	**398,967**	**3,429,116**	**3,831,837**

	FVPL	FVOCI	Amortised cost	Total
31 December 2023	€000	€000	€000	€000
Cyprus government	-	315,640	610,781	926,421
Other governments	-	10,316	751,247	761,563
Financial institutions	-	81,727	1,046,184	1,127,911
Other financial corporations	3,611	-	47,477	51,088
Supranational organisations	-	18,438	550,394	568,832
Other non-financial corporations	-	4,947	110,631	115,578
	3,611	431,068	3,116,714	3,551,393

16. Investments (continued)

Geographic dispersion by country of issuer	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
30 June 2024	€000	€000	€000	**€000**
Cyprus	-	282,784	710,871	**993,655**
Greece	-	10,250	75,951	**86,201**
Germany	-	2,889	224,569	**227,458**
France	-	27,467	289,393	**316,860**
Other European Union countries	-	28,261	957,780	**986,041**
United Kingdom	-	-	18,167	**18,167**
USA and Canada	3,754	4,052	234,661	**242,467**
Other countries	-	22,286	331,133	**353,419**
Supranational organisations	-	20,978	586,591	**607,569**
	3,754	**398,967**	**3,429,116**	**3,831,837**

	FVPL	FVOCI	Amortised cost	Total
31 December 2023	€000	€000	€000	€000
Cyprus	-	315,640	621,162	936,802
Greece	-	18,726	60,297	79,023
Germany	-	-	210,507	210,507
France	-	31,659	283,235	314,894
Other European Union countries	-	20,342	741,157	761,499
United Kingdom	-	-	18,089	18,089
USA and Canada	3,611	4,077	273,447	281,135
Other countries	-	22,186	358,426	380,612
Supranational organisations	-	18,438	550,394	568,832
	3,611	431,068	3,116,714	3,551,393

'Other countries' include exposures in Israel amounting to €46,385 thousand as at 30 June 2024 (31 December 2023: €46,715 thousand).

Listing analysis	**FVPL**	**FVOCI**	**Amortised cost**	**Total**
30 June 2024	€000	€000	€000	**€000**
Listed on the Cyprus Stock Exchange	-	-	12,925	**12,925**
Listed on other stock exchanges	-	398,967	3,416,191	**3,815,158**
Unlisted	3,754	-	-	**3,754**
	3,754	**398,967**	**3,429,116**	**3,831,837**

	FVPL	FVOCI	Amortised cost	Total
31 December 2023	€000	€000	€000	€000
Listed on the Cyprus Stock Exchange	-	-	4,566	4,566
Listed on other stock exchanges	-	431,068	3,112,148	3,543,216
Unlisted	3,611	-	-	3,611
	3,611	431,068	3,116,714	3,551,393

The Group uses fair value hedging to manage the interest rate risk in relation to its FVOCI bonds (Note 17).

There were no reclassifications of investments during the six months ended 30 June 2024 and the year ended 31 December 2023.

16. Investments (continued)

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €6,525 thousand at 30 June 2024 (31 December 2023: €7,149 thousand). The fair value loss that would have been recognised in the consolidated income statement during the six months ended 30 June 2024 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €3 thousand (30 June 2023: fair value gain of €100 thousand). The effective interest rate of these instruments is 1.6%-4.9% (30 June 2023: 1.6%-5.0%) per annum and the respective interest income during the six months ended 30 June 2024 amounts to €103 thousand (30 June 2023: €105 thousand).

17. Derivative financial instruments

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

	30 June 2024			31 December 2023		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**47,454**	**369**	**276**	23,960	205	184
Currency swaps	**805,161**	**5,251**	**354**	986,259	136	13,278
Interest rate swaps	**8,862**	**58**	**56**	13,460	189	181
Currency options	**276**	**226**	**50**	44	2	42
Interest rate caps/floors	**163,096**	**1,904**	**1,904**	166,075	1,843	1,844
	1,024,849	**7,808**	**2,640**	1,189,798	2,375	15,529
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**1,642,500**	**58,717**	**4,193**	1,401,531	48,679	2,451
Portfolio fair value hedges - interest rate swaps	**2,500,000**	**587**	**15,132**	-	-	-
Net investments - forward exchange rate contracts	**1,136**	**-**	**1**	1,200	1	-
	4,143,636	**59,304**	**19,326**	1,402,731	48,680	2,451
Total	**5,168,485**	**67,112**	**21,966**	2,592,529	51,055	17,980

Hedge accounting

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

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

17. Derivative financial instruments (continued)

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate debt securities measured at FVOCI, debt securities in issue and subordinated liabilities, as well as customer deposits.

As part of its structural interest rate risk management, during the six months ended 30 June 2024, the Group has contracted fixed-rate receiver swaps to hedge interest rate risk by setting up fair value hedges for a portfolio of liabilities (i.e. core NMDs). This strategy is designated as a fair value hedge, under the IAS 39 as adopted by the EU (IAS 39 carve-out) and its effectiveness is assessed by comparing changes in the fair value of the designated hedged item, attributable to changes in the benchmark interest rate, with the respective changes in the fair value of the interest rate swaps used as hedging instruments.

Changes in the fair value of derivatives designated as fair value hedges (both for micro hedges and macro hedges) and the fair value of the hedged items in relation to the risk being hedged are recognised in the consolidated income statement.

In the case of fair value macro hedges, fair value changes of the hedged portfolios are recognised in the liability side of the consolidated balance sheet under caption 'Changes in the fair value of hedged items in portfolio hedges of interest rate risk', which as at 30 June 2024 amounted to a cumulative fair value change of €7,261 thousand (31 December 2023: n/a).

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

As at 30 June 2024, forward exchange rate contracts amounting to €1,136 thousand (30 June 2023: forward exchange rate contracts amounting to €3,288 thousand) have been designated as hedging instruments and have given rise to approximately a nil loss (30 June 2023: loss of €3 thousand which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and other foreign operations).

17. Derivative financial instruments (continued)

The accumulated fair value adjustment arising from the hedging relationships is presented in the table below:

	Carrying amount of hedged items		**Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item**	
30 June 2024	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities - investments	376,360	-	(43,708)	-
-debt securities in issue	-	970,790	-	1,029
-subordinated liabilities	-	313,009	-	(354)
-customer deposits (macro hedge)	-	2,500,000	-	7,261
Net investments - forward exchange rate contracts				
Net assets	-	1,136	-	1
Total	**376,360**	**3,784,935**	**(43,708)**	**7,937**

	Carrying amount of hedged items		Accumulated amount of fair value hedging adjustments gains/(losses) on the hedged item	
31 December 2023	Assets	Liabilities	Assets	Liabilities
Derivatives qualifying for hedge accounting	€000	€000	€000	€000
Fair value hedges - interest rate swaps				
-debt securities - investments	439,043	-	(43,441)	-
-debt securities in issue	-	671,632	-	(9,421)
-subordinated liabilities	-	306,787	-	(4,237)
Net investments - forward exchange rate contracts				
Net assets	1,200	-	1	-
Total	440,243	978,419	(43,440)	(13,658)

18. Fair value measurement

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

	30 June 2024		31 December 2023	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**7,287,221**	**7,287,221**	9,614,502	9,614,502
Loans and advances to banks	**384,112**	**373,733**	384,802	370,853
Investments at FVPL	**119,201**	**119,201**	135,275	135,275
Investments at FVOCI	**410,437**	**410,437**	443,420	443,420
Investments at amortised cost	**3,429,116**	**3,400,339**	3,116,714	3,119,618
Reverse repurchase agreements	**1,014,858**	**1,011,986**	403,199	411,654
Derivative financial assets	**67,112**	**67,112**	51,055	51,055
Loans and advances to customers	**10,084,967**	**10,069,245**	9,821,788	9,972,249
Life insurance business assets attributable to policyholders	**710,932**	**710,932**	637,562	637,562
Other financial assets	**416,504**	**426,240**	388,244	406,602
	23,924,460	**23,876,446**	24,996,561	25,162,790
Financial liabilities				
Funding from central banks and deposits by banks	**405,438**	**369,883**	2,515,424	2,472,718
Derivative financial liabilities	**21,966**	**21,966**	17,980	17,980
Customer deposits	**19,722,692**	**19,687,329**	19,336,915	19,300,867
Debt securities in issue	**970,790**	**994,121**	671,632	655,428
Subordinated liabilities	**313,009**	**319,440**	306,787	300,098
Other financial liabilities and lease liabilities	**419,718**	**419,718**	362,152	362,152
	21,853,613	**21,812,457**	23,210,890	23,109,243

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

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

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

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

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

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

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

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

18. **Fair value measurement** (continued)

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

The Group calculates the CVA by applying the PD of the counterparty, conditional on the non default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying BOC PCL's PD, conditional on the non default of the counterparty, to the expected positive exposure of the counterparty to the Group and multiplying the result by the loss expected in the event of default.

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

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

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

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan. The discount rate used in the determination of the fair value of the loans and advances to customers measured at FVPL during the six months ended 30 June 2024 is 7.49% (31 December 2023: 7.56%).

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

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

Reverse repurchase agreements
Fair values of reverse repurchase agreements that are held on a non trading basis are determined by calculating the present value of future cash flows. The cashflows are discounted using an appropriate risk free rate plus the appropriate credit spread.

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

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

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.

18. Fair value measurement (continued)

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

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

30 June 2024	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Financial assets measured at fair value				
Loans and advances to customers measured at FVPL	-	-	134,835	**134,835**
Trading derivatives				
Forward exchange rate contracts	-	369	-	**369**
Currency swaps	-	5,251	-	**5,251**
Interest rate swaps	-	58	-	**58**
Currency options	-	226	-	**226**
Interest rate caps/floors	-	1,904	-	**1,904**
	-	7,808	-	**7,808**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	58,717	-	**58,717**
Portfolio fair value hedges - interest rate swaps	-	587	-	**587**
	-	59,304	-	**59,304**
Investments at FVPL	27,030	88,417	3,754	**119,201**
Investments at FVOCI	399,293	-	11,144	**410,437**
	426,323	**155,529**	**149,733**	**731,585**
Other financial assets not measured at fair value				
Loans and advances to banks	-	373,733	-	**373,733**
Investments at amortised cost	3,214,852	185,487	-	**3,400,339**
Reverse repurchase agreements	-	1,011,986	-	**1,011,986**
Loans and advances to customers	-	-	9,934,410	**9,934,410**
	3,214,852	**1,571,206**	**9,934,410**	**14,720,468**

For loans and advances to customers measured at FVPL categorised as Level 3 as at 30 June 2024, an increase in the discount factor by 10% would result in a decrease of €2,541 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €620 thousand in their fair value.

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €3,754 thousand as at 30 June 2024, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €375 thousand.

18. Fair value measurement (continued)

30 June 2024	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Financial liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	276	-	**276**
Currency swaps	-	354	-	**354**
Interest rate swaps	-	56	-	**56**
Currency options	-	50	-	**50**
Interest rate caps/floors	-	1,904	-	**1,904**
	-	2,640	-	**2,640**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	4,193	-	**4,193**
Portfolio fair value hedges - interest rate swaps	-	15,132	-	**15,132**
Net investments - forward exchange rate contracts	-	1	-	**1**
	-	19,326	-	**19,326**
	-	**21,966**	**-**	**21,966**
Other financial liabilities not measured at fair value				
Deposits by banks	-	369,883	-	**369,883**
Customer deposits	-	-	19,687,329	**19,687,329**
Debt securities in issue	994,121	-	-	**994,121**
Subordinated liabilities	319,440	-	-	**319,440**
	1,313,561	**369,883**	**19,687,329**	**21,370,773**

18. Fair value measurement (continued)

31 December 2023	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets measured at fair value				
Loans and advances to customers measured at FVPL	-	-	138,727	138,727
Trading derivatives				
Forward exchange rate contracts	-	205	-	205
Currency swaps	-	136	-	136
Interest rate swaps	-	189	-	189
Currency options	-	2	-	2
Interest rate caps/floors	-	1,843	-	1,843
	-	2,375	-	2,375
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	48,679	-	48,679
Net investments-forward exchange rate contracts and currency swaps	-	1	-	1
	-	48,680	-	48,680
Investments at FVPL	36,095	95,569	3,611	135,275
Investments at FVOCI	431,854	-	11,566	443,420
	467,949	146,624	153,904	768,477
Other financial assets not measured at fair value				
Loans and advances to banks	-	370,853	-	370,853
Investments at amortised cost	2,958,793	160,825	-	3,119,618
Reverse repurchase agreements	-	411,654	-	411,654
Loans and advances to customers	-	-	9,833,522	9,833,522
	2,958,793	943,332	9,833,522	13,735,647

For loans and advances to customers measured at FVPL categorised as Level 3 as at 31 December 2023, an increase in the discount factor by 10% would result in a decrease of €2,714 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €622 thousand in their fair value.

For one investment included in other non-equity securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 with a carrying amount of €3,611 thousand as at 31 December 2023, a change in the conversion factor by 10% would result in a change in the value of the other non-equity securities by €361 thousand.

18. Fair value measurement (continued)

31 December 2023	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	184	-	184
Currency swaps	-	13,278	-	13,278
Interest rate swaps	-	181	-	181
Currency options	-	42	-	42
Interest rate caps/floors	-	1,844	-	1,844
	-	15,529	-	15,529
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	2,451	-	2,451
	-	17,980	-	17,980
Other financial liabilities not measured at fair value				
Funding from central banks	-	2,043,868	-	2,043,868
Deposits by banks	-	428,850	-	428,850
Customer deposits	-	-	19,300,867	19,300,867
Debt securities in issue	655,428	-	-	655,428
Subordinated liabilities	300,098	-	-	300,098
	955,526	2,472,718	19,300,867	22,729,111

The cash and balances with central banks are financial instruments whose carrying value is a reasonable approximation of fair value because they are mostly short-term in nature or are repriced to current market rates frequently. The carrying value of other financial assets, other than the deferred purchase payment consideration (Note 21), and other financial liabilities is a close approximation of their fair value and they are categorised as Level 3.

During the six months ended 30 June 2024 and the year ended 31 December 2023 there were no significant transfers between Level 1 and Level 2.

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

18. Fair value measurement (continued)

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

	30 June 2024			31 December 2023		
	Loans and advances to customers	**Financial instruments**	**Total**	Loans and advances to customers	Financial instruments	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**138,727**	**15,177**	**153,904**	214,359	21,233	235,592
Disposals	**-**	**(125)**	**(125)**	-	-	-
Conversion of instruments into common shares	**-**	**-**	**-**	-	(6,521)	(6,521)
Fair value (losses)/gains	**-**	**(234)**	**(234)**	-	569	569
Net gains on loans and advances to customers measured at FVPL (Note 10)	**536**	**-**	**536**	2,401	-	2,401
Derecognition/repayment of loans	**(9,106)**	**-**	**(9,106)**	(89,522)	-	(89,522)
Interest on loans (Note 8)	**4,678**	**-**	**4,678**	11,489	-	11,489
Foreign exchange adjustments	**-**	**80**	**80**	-	(104)	(104)
30 June/31 December	**134,835**	**14,898**	**149,733**	138,727	15,177	153,904

19. Loans and advances to customers

	30 June 2024	31 December 2023
	€000	€000
Gross loans and advances to customers at amortised cost	**10,123,148**	9,862,514
Allowance for ECL for impairment of loans and advances to customers (Note 32.4)	**(173,016)**	(179,453)
	9,950,132	9,683,061
Loans and advances to customers measured at FVPL	**134,835**	138,727
	10,084,967	9,821,788

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

	Stage 1	Stage 2	Stage 3	POCI	**Total**
30 June 2024	€000	€000	€000	€000	**€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,927,672	933,797	252,907	69,823	**10,184,199**
Residual fair value adjustment on initial recognition	(51,244)	(9,482)	1,180	(1,505)	**(61,051)**
Gross loans at amortised cost	**8,876,428**	**924,315**	**254,087**	**68,318**	**10,123,148**

31 December 2023					
Gross loans at amortised cost before residual fair value adjustment on initial recognition	8,334,929	1,168,745	328,177	100,197	9,932,048
Residual fair value adjustment on initial recognition	(59,340)	(7,474)	(1,294)	(1,426)	(69,534)
Gross loans at amortised cost	8,275,589	1,161,271	326,883	98,771	9,862,514

Residual fair value adjustment

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

Loans and advances to customers measured at FVPL are managed in Cyprus.

19. Loans and advances to customers (continued)

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

30 June 2024 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	2,977,199	456,232	32,489	12,985	**3,478,905**
IBU & International corporate					
- IBU	102,124	19,413	335	111	**121,983**
- International corporate	774,221	46,003	42	13	**820,279**
SMEs	889,361	72,397	7,874	4,460	**974,092**
Retail					
- housing	3,206,908	228,743	17,440	9,804	**3,462,895**
- consumer, credit cards and other	907,661	81,664	9,159	11,060	**1,009,544**
Restructuring					
- corporate	2,712	3,365	41,708	11,934	**59,719**
- SMEs	9,053	4,651	8,640	2,326	**24,670**
- retail housing	5,603	9,990	36,138	1,664	**53,395**
- retail other	1,548	1,857	13,167	716	**17,288**
Recoveries					
- corporate	-	-	2,897	909	**3,806**
- SMEs	-	-	12,395	1,265	**13,660**
- retail housing	-	-	49,323	6,875	**56,198**
- retail other	38	-	22,480	4,196	**26,714**
	8,876,428	**924,315**	**254,087**	**68,318**	**10,123,148**

31 December 2023 (restated) **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	2,709,523	519,134	96,289	32,799	3,357,745
IBU & International corporate					
- IBU	99,009	21,409	320	140	120,878
- International corporate	744,955	17,220	38	15	762,228
SMEs	824,503	109,865	5,583	9,042	948,993
Retail					
- housing	3,038,339	345,135	23,508	9,897	3,416,879
- consumer, credit cards and other	836,679	103,710	9,814	13,839	964,042
Restructuring					
- corporate	3,770	21,747	13,461	10,073	49,051
- SMEs	9,831	8,089	13,715	2,431	34,066
- retail housing	6,450	12,429	39,696	1,912	60,487
- retail other	2,471	2,533	13,474	733	19,211
Recoveries					
- corporate	-	-	6,378	967	7,345
- SMEs	-	-	15,812	1,587	17,399
- retail housing	-	-	65,070	10,255	75,325
- retail other	59	-	23,725	5,081	28,865
	8,275,589	1,161,271	326,883	98,771	9,862,514

During 2023, BOC PCL entered into an agreement with Cyprus Asset Management Company ('KEDIPES') to acquire a portfolio of performing and restructured loans with gross book value of approximately €58 million with reference date 31 December 2022 (the 'Transaction'). The Transaction was completed in March 2024.

Loans and advances to customers pledged as collateral are disclosed in Note 34.

Additional analysis and information regarding credit risk and analysis of the allowance for ECL of loans and advances to customers are set out in Note 32.

20. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During the six months ended 30 June 2024 an impairment loss of €24,760 thousand (30 June 2023: €23,206 thousand) was recognised in 'Impairment net of reversals on non-financial assets' in the consolidated income statement. At 30 June 2024, stock of property of €423,457 thousand (31 December 2023: €445,009 thousand) is carried at net realisable value.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels and land (fields and plots). There is no stock of property pledged as collateral.

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

	30 June 2024	31 December 2023
	€000	€000
Net book value at 1 January	**826,115**	1,041,032
Additions	**14,189**	19,531
Disposals	**(49,084)**	(170,595)
Net transfers to investment properties	**(2,547)**	-
Net transfer to property and equipment	**-**	(17,827)
Impairment for the period/year (Note 13)	**(24,760)**	(46,026)
Net book value at 30 June/31 December	**763,913**	826,115

Analysis by type and country	**Cyprus**	**Greece**	**Total**
30 June 2024	**€000**	**€000**	**€000**
Residential properties	47,850	5,748	**53,598**
Offices and other commercial properties	86,973	6,953	**93,926**
Manufacturing and industrial properties	19,206	6,536	**25,742**
Hotels	13,245	339	**13,584**
Land (fields and plots)	573,975	3,088	**577,063**
Total	**741,249**	**22,664**	**763,913**

31 December 2023			
Residential properties	47,841	8,091	55,932
Offices and other commercial properties	91,114	9,978	101,092
Manufacturing and industrial properties	23,373	9,263	32,636
Hotels	17,345	437	17,782
Land (fields and plots)	614,990	3,683	618,673
Total	794,663	31,452	826,115

21. Prepayments, accrued income and other assets

	30 June 2024 €000	31 December 2023 €000
Financial assets		
Debtors	**65,497**	34,662
Insurance contract assets	**-**	1,255
Receivable relating to tax	**2,868**	3,263
Deferred purchase payment consideration	**251,244**	243,013
Other assets	**96,895**	106,051
	416,504	388,244
Non-financial assets		
Insurance and reinsurance contract assets	**59,136**	56,239
Current tax receivable	**61,839**	73,943
Prepaid expenses	**1,363**	867
Retirement benefit plan assets	**1,880**	669
Other assets	**55,570**	64,957
	179,788	196,675
	596,292	584,919

Within other non-financial assets an amount of €18,550 thousand as at 30 June 2024 (31 December 2023: €18,550 thousand) relates to contract assets from contracts with customers.

On the completion date of the sale of Project Helix 2 (the 'Transaction') in June 2021, the Group recognised an amount of €381,567 thousand in other financial assets, which represented the fair value of the deferred consideration receivable from the Transaction (the 'DPP'). The remaining amount outstanding is payable in two instalments up to December 2025 and each instalment carries interest up to each payment date. An amount of €8,214 thousand, which represents the interest income on the DPP has been recognised in the Consolidated Income Statement for the six months ended 30 June 2024 (30 June 2023: €9,098 thousand) within 'Interest income - Financial assets at amortised cost - Other financial assets' (Note 8). There are no other conditions attached. The DPP is classified as Stage 1 as at 30 June 2024 and 31 December 2023.

During the six months ended 30 June 2024, credit losses of €172 thousand (30 June 2023: €6,110 thousand) were recognised in relation to other financial assets.

22. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	30 June 2024 €000	31 December 2023 €000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**-**	2,043,868

As at 30 June 2024, there was no outstanding ECB funding (31 December 2023: €2 billion) as amount outstanding as at 31 December 2023 was fully repaid during the six months ended 30 June 2024.

Details on encumbered assets are disclosed in Note 34.

23. Customer deposits

	30 June 2024 €000	31 December 2023 €000
By type of deposit		
Demand	**10,297,855**	10,167,622
Savings	**2,995,776**	2,979,275
Time or notice	**6,429,061**	6,190,018
	19,722,692	19,336,915
By geographical area		
Cyprus	**15,798,935**	15,355,445
Greece	**1,509,033**	1,473,491
United Kingdom	**415,095**	386,057
United States	**146,429**	166,673
Germany	**72,921**	77,288
Romania	**24,853**	29,729
Russia	**98,499**	128,489
Ukraine	**197,371**	183,316
Belarus	**2,766**	3,762
Israel	**174,657**	195,580
Other countries	**1,282,133**	1,337,085
	19,722,692	19,336,915

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

	30 June 2024 €000	31 December 2023 €000
By currency		
Euro	**17,921,252**	17,514,400
US Dollar	**1,435,204**	1,448,753
British Pound	**301,687**	300,867
Russian Rouble	**1,393**	1,322
Swiss Franc	**9,321**	8,947
Other currencies	**53,835**	62,626
	19,722,692	19,336,915

23. **Customer deposits** (continued)

	30 June 2024	31 December 2023 (restated)
	€000	€000
By business line		
Corporate	**2,180,492**	2,086,753
IBU & International corporate		
- IBU	**3,742,302**	3,779,571
- International corporate	**137,970**	121,454
SMEs	**1,073,039**	1,019,245
Retail	**12,398,577**	12,216,209
Restructuring		
– corporate	**7,736**	12,565
– SMEs	**3,550**	5,954
– retail other	**7,587**	9,428
Recoveries		
– corporate	**1,065**	1,098
Institutional Wealth Management and Custody	**170,374**	84,638
	19,722,692	19,336,915

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

			30 June 2024		31 December 2023	
			Nominal value	**Carrying value**	Nominal value	Carrying value
Subordinated liabilities	**Contractual interest rate**	**Issuer**	**€000**	**€000**	€000	€000
Subordinated Tier 2 Capital Note - April 2021	6.625% up to 23 October 2026	BOCH	**300,000**	**313,009**	300,000	306,787
Debt securities in issue						
Senior Preferred Notes - June 2021	2.50% up to 24 June 2026	BOC PCL	**300,000**	**296,515**	300,000	303,466
Senior Preferred Notes - July 2023	7.375% up to 25 July 2027	BOC PCL	**350,000**	**374,062**	350,000	368,166
Green Senior Preferred Notes - May 2024	5% up to 2 May 2028	BOC PCL	**300,000**	**300,213**	-	-
			950,000	**970,790**	650,000	671,632

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

Subordinated Liabilities

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

The fair value of the subordinated liabilities as at 30 June 2024 and 31 December 2023 is disclosed in Note 18.

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

Debt securities in issue

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

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

Green Senior Preferred Notes - May 2024
In May 2024, BOC PLC issued a €300 million green senior preferred note under the EMTN Programme. The note was priced at par with a fixed coupon of 5.00% per annum, payable annually in arrear and resettable on 2 May 2028. The note matures on 2 May 2029. BOC PCL has the option to redeem the note early on 2 May 2028, subject to applicable regulatory consents. The note is listed on the Luxembourg Stock Exchange's Euro MTF market. The note complies with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards BOC PCL's MREL requirements.

The fair value of the debt securities in issue as at 30 June 2024 and 31 December 2023 is disclosed in Note 18.

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

	30 June 2024	31 December 2023
	€000	€000
Income tax payable and related provisions	**98,393**	66,479
Special defence contribution payable	**562**	1,308
Retirement benefit plan liabilities	**-**	565
Provisions for financial guarantees and commitments	**18,026**	19,192
Liabilities arising from non-participating investment contracts	**106,892**	87,756
Accrued expenses and other provisions	**66,924**	83,738
Deferred income	**20,329**	19,569
Items in the course of settlement	**74,143**	69,519
Lease liabilities	**25,406**	30,217
Other liabilities	**152,609**	90,922
	563,284	469,265

Other liabilities include an amount of €10,385 thousand (31 December 2023: €10,385 thousand) relating to the guarantee fee for the conversion of DTA into tax credits (Note 14) and an amount of €23,738 thousand (31 December 2023: €19,354 thousand) relating to card processing transactions. As at 30 June 2024, other liabilities include an amount of €18,880 thousand (31 December 2023: €1,965 thousand) which relates to dividends declared in May 2024 in respect of earnings for the year ended 31 December 2023 and in May 2023 in respect of earnings for the year ended 31 December 2022.

26. Share capital

	30 June 2024		31 December 2023	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued				
1 January	**446,200**	**44,620**	446,200	44,620
Share buyback - repurchase and cancellation of shares	**(1,388)**	**(139)**	-	-
30 June/31 December	**444,812**	**44,481**	446,200	44,620

Authorised and issued share capital

All issued ordinary shares carry the same rights.

The authorised capital of the Company is €1,000,000 thousand divided into 10,000,000 thousand ordinary shares of a nominal value €0.10 each. There were no changes to the authorised share capital during the six months ended 30 June 2024 and the year ended 31 December 2023.

As of 30 June 2024, the Company had 444,812 thousand issued shares (31 December 2023: 446,200 thousand issued shares) of a nominal value of €0.10 each. During the six months ended 30 June 2024, the number of shares issued decreased by 1,388 thousand shares and the value of the share capital decreased by €139 thousand, as shares were repurchased and cancelled under the share repurchase program. As a result, an equivalent amount of €139 thousand has been transferred to the Company's capital redemption reserve by 30 June 2024.

26. Share capital (continued)

Share premium reserve

There were no changes to the share premium reserve during the six months ended 30 June 2024 and the year ended 31 December 2023.

Share repurchase programme (Buyback)

In April 2024, the Group launched its inaugural programme to buy back ordinary shares of the Company for an aggregate consideration of up to €25 million (the 'Programme'). The purpose of the Programme is to reduce the Company's share capital and therefore the shares purchased under the Programme are cancelled. The Programme takes place on both the London Stock Exchange and the Cyprus Stock Exchange and may continue until 14 March 2025 subject to market conditions, the ongoing capital requirements of the business and early termination rights customary for a transaction of this nature. The implementation of the share buyback programme complies with the Company's general authority to repurchase the Company's ordinary shares as approved by the shareholders at the Company's Annual General Meeting on 26 May 2023, which has been renewed at the Annual General Meeting on 17 May 2024. The maximum number of shares that may be repurchased under the ECB approval is 1.6% of the total outstanding shares as at 31 December 2023 (i.e. up to 7,343,249 shares). During the six months ended 30 June 2024 1,497 thousand shares were repurchased at a total cost of €6,231 thousand of which 1,388 thousand shares had been cancelled by 30 June 2024.

Capital redemption reserve

The capital redemption reserve is a legal reserve arising as a result of the acquisition and cancellation of the Company's ordinary shares under the buyback programme announced in April 2024, and represents transfers from share capital, retained earnings and other reserves required under applicable law. The capital redemption reserve is not distributable. As at 30 June 2024, the capital redemption reserve amounted to €139 thousand further to the buyback and the cancellation of 1,388 thousand of Company's shares.

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 the Company and by entities controlled by the Group is deducted from equity attributable to the owners of the Company as treasury shares, until these shares are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares.

The life insurance subsidiary of the Group, as at 30 June 2024, held a total of 142 thousand ordinary shares of the Company of a nominal value of €0.10 each (31 December 2023 and 30 June 2023: 142 thousand ordinary shares of a nominal value of €0.10 each), as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21,463 thousand (31 December 2023 and 30 June 2023: €21,463 thousand). In addition, 109 thousand ordinary shares repurchased under the buyback programme at a total cost (including transaction costs) of €441 thousand remain as treasury shares as at 30 June 2024.

Other equity instruments

	30 June 2024	31 December 2023
	€000	€000
2023 Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000
	220,000	220,000

26. Share capital (continued)

In June 2023, the Company issued €220,000 thousand Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the 'Capital Securities'). The Capital Securities constitute unsecured and subordinated obligations of the Company, are perpetual and 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 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 Capital Securities are listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market.

Transaction costs of €3,530 thousand in relation to the issuance of the Capital Securities were recorded directly in equity during the six months ended 30 June 2023.

In addition, in June 2023 the Company invited the holders of its outstanding €220,000 thousand 2018 Reset Perpetual Additional Tier 1 Capital Securities to tender for cash purchase by the Company at a price equal to 103% of their principal amount. As a result of the tender offer €204,483 thousand in aggregate nominal amount were purchased and cancelled by the Company as at 30 June 2023 and a cost of €6,554 thousand was recorded directly in equity in June 2023. In July 2023, the Company purchased in the open market approximately €7,000 thousand of the outstanding nominal amount of such capital securities. In November 2023, the Board of Directors resolved to exercise the option to redeem the remaining nominal amount outstanding of the 2018 Capital Securities in December 2023.

During the six months ended 30 June 2024, a coupon payment for the total amount of €13,063 thousand (30 June 2023: €13,750 thousand) was made to the holders of the AT1 instruments and has been recognised in retained earnings.

27. Distributions

Based on the 2023 SREP decision, effective from 1 January 2024, 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.

In March 2024, the Company obtained the approval of the European Central Bank to pay a cash dividend and to conduct a share buyback (together the ‘Distribution’) in respect of earnings for the year ended 31 December 2023. The Distribution amounted to €137 million in total, comprising a cash dividend of €112 million and a share buyback of up to €25 million (Note 26-Share repurchase programme (Buyback)). The AGM, on 17 May 2024, approved a final cash dividend of €0.25 per ordinary share in respect of earnings for the year ended 31 December 2023.

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. The AGM, on 26 May 2023, declared a final cash dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022. The dividend amounted to €22,310 thousand in total.

28. Provisions for pending litigations, claims, regulatory and other matters

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

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. Nevertheless, provisions have been made where: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 6.4). Where an individual provision is material, the fact that a provision has been made is stated except to the extent that doing so would be prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. There are also situations where the Group may enter into a settlement agreement. This may occur only if such settlement is in the Group's interest (such settlement does not constitute an admission of wrongdoing) and only takes place after obtaining legal advice and all approvals by the appropriate bodies of management. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, regulatory and other matters as at 30 June 2024 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

28.1 Pending litigations and claims

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

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

BOC PCL is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be demonstrated that the relevant BOC PCL's officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', BOC PCL may face significant difficulties.

To date, a number of cases have been tried in Greece. BOC PCL has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years.

So far, four capital securities cases have been adjudicated in favour of BOC PCL and five cases have been adjudicated against BOC PCL at Areios Pagos (Supreme Court of Greece). None of the cases won at the Court of Appeal have been reversed by the Supreme Court. The cases that BOC PCL has won will be retried by the Court of Appeal as per the direction of the Supreme Court. One of the said cases has already been retried by the Court of Appeal and the ruling was in favour of BOC PCL. There has been a new petition for annulment against this decision of the Court of Appeal and the case will be retried before the Supreme Court in 2024. The five cases that BOC PCL has lost will not be retried and are therefore deemed as concluded.

In Cyprus, twenty-five judgments have been issued so far with regards to BOC PCL capital securities. Seventeen of the said judgments have been issued in favour of BOC PCL (dismissing the plaintiffs' claims) and eight of them against BOC PCL. BOC PCL has filed appeals with regards to five of the cases where the judgment was issued against it. In nine of the seventeen cases that BOC PCL won, the plaintiffs have filed an appeal. It is to be noted that the statutory limitation period for filing claims with respect to this and other matters for which the cause of action arose prior and up to 31 December 2015, expired on 31 December 2021.

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

28.1 Pending litigations and claims (continued)

The Court of Appeal has issued its first judgment in regards to BOC PCL capital securities and it is in favour of BOC PCL. The Court of Appeal rejected the appeal filed by the Applicant against a decision issued by the District Court in favour of BOC PCL. In its ruling, the Court of Appeal found that the District Court had been correct in its assessment of the facts, including the fact that MiFid Law (Law 144(I)/2007) did not apply in this instance. The Applicant may file an appeal to the Supreme Court.

Provision has been made based on management's best estimate of probable outflows for capital securities related litigation.

Bail-in related litigation
Depositors
A number of BOC PCL's depositors, who allege that they were adversely affected by the bail-in, filed claims against BOC PCL and other parties (such as the CBC and the Ministry of Finance of Cyprus) including against BOC PCL as the alleged successor of Laiki Bank on the grounds that, inter alia, the 'Resolution Law of 2013' and the Bail-in Decrees were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. BOC PCL is defending these actions.

BOC PCL has won five cases with regards to bail-in related litigation (on failure to follow instructions). The plaintiffs have filed appeals with respect to two of the said judgments. BOC PCL lost four cases with regards to bail-in related litigation (on failure to follow instructions) and has filed appeals with respect to three of the said judgements.

BOC PCL also won fifteen bail-in decree related cases. In summary, the court ruled that the measures that the government implemented were necessary to prevent the collapse of the financial sector, which would have detrimental consequences for the country's economy. Under the circumstances the government could rely on the doctrine of necessity when it imposed the bail-in. Up to the date of the Consolidated Financial Statements only four appeals have been filed with respect to the above-mentioned judgments. One of the said appeals relates to six cases that have been jointly litigated. BOC PCL lost one Laiki Bail-in decree case but it is the opinion of legal advisors of BOC PCL that this case is an one-off case which turned on its own particular facts. An appeal by BOC PCL has been filed with respect to this case.

BOC PCL won two and lost three bail-in wrongful application related cases. The two appeals that have been filed by BOC PCL are still pending with regards to this matter. With regards to the cases that BOC PCL won, the plaintiffs have not filed an appeal.

Provision has been made based on management's best estimate of probable outflows for depositors related litigation.

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

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

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

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

28.1 Pending litigations and claims (continued)

Employment litigation
Former employees of the Group have instituted a number of employment claims including unfair dismissals. The Group does not consider that the pending cases in relation to employment will have a material impact on its financial position. A judgment has been issued in one of the unfair dismissal cases and BOC PCL lost. BOC PCL has filed an appeal with respect to this case and similarly, the plaintiff has also filed an appeal. The facts of this case are unique and it is not expected to affect the rest of the cases where unfair dismissal is claimed.

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

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to BOC PCL's standard policies and procedures allegedly resulting to damages and other losses for the claimants (including cases where it is alleged that BOC PCL misled borrowers and/or misrepresented matters, in violation of applicable laws for matters such as foreign currency lending and advancing/misselling loans for the purchase of property in Cyprus by UK nationals). Further, there are several other banking claims, where the amounts involved are not as significant. Management has assessed either the probability of loss as remote and/or does not expect any future outflows with respect to these cases to have a material impact on the financial position of the Group. Such matters arise as a result of the Group’s activities and management appropriately assesses the facts and the risks of each case accordingly.

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

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

28.2 Regulatory matters

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

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

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

28.2 Regulatory matters (continued)

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC has concluded (in two stages) during 2013 and 2014 its investigation with respect to BOC PCL exposure to Greek Government Bonds and the non-disclosure of material information and other corporate governance deficiencies relating to the said exposure. In this respect, CySEC has issued two decisions, coming to the conclusion that BOC PCL was in breach of certain laws regarding disclosure of information. At all times, BOC PCL had filed recourses before the Administrative Court regarding the decisions of CySEC and the fines imposed upon it.

In October 2021, the Administrative Court ruled in favour of BOC PCL in relation to the fine of €160 thousand on the ground of flawed constitution of the CySEC Board. An appeal to this judgment was filed. In March 2024 the appeal was rejected. With the abovementioned rulings, the said fine has been cancelled. In May 2022, the Administrative Court (under a different bench) ruled against BOC PCL in relation to the fine of €950 thousand and found that the constitution of the CySEC Board was not flawed. BOC PCL filed an appeal and in March 2024 the appeal overturned the ruling of the Administrative Court on the grounds that the constitution of the CySEC Board was flawed and in this case there was a violation of the objective aspect of the principle of impartiality. With the abovementioned ruling, the said fine has been cancelled. In May 2023, the Administrative Court ruled in favour of BOC PCL in relation to the fine of €70 thousand on the ground of flawed constitution of the CySEC Board. CySEC filed an appeal but in May 2024 it decided to withdraw the said appeal, following the ruling of the appeal court in the abovementioned cases.

As at 30 June 2024 and 31 December 2023 there were no pending CySEC investigations against BOC PCL.

Central Bank of Cyprus (CBC)
The CBC had conducted an investigation in the past into BOC PCL's issuance of capital securities and concluded that BOC PCL breached certain regulatory requirements concerning the issuance of Convertible Capital Securities (Perpetual) in 2009, but not in relation to the CECS in 2011. The CBC had, in 2013, imposed a fine of €4 thousand upon BOC PCL, who filed a recourse. The Administrative Court cancelled both the CBC's decision and the fine that was imposed upon BOC PCL in a respective judgment dated in 2020. In 2021, CBC decided to re-examine this matter and to re-open the investigation. This matter is still pending as at the period end.

Commission for the Protection of Competition Investigation (CPC)
In April 2014, following an investigation which began in 2010, CPC issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, BOC PCL and JCC Payment Systems Ltd (JCC), a card processing business currently 75% owned by BOC PCL. There was also an allegation concerning BOC PCL's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that BOC PCL (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition and imposed a fine of €18 million upon BOC PCL. BOC PCL filed a recourse against the decision and the fine. In June 2018, the Administrative Court accepted BOC PCL's position and cancelled the decision as well as the fine imposed upon BOC PCL. During 2018, the Attorney General has filed an appeal before the Supreme court with respect to such decision. Following the decision of the appeal court in the CySEC case mentioned above, the Attorney General acting on behalf of CPC withdrew his appeal. In July 2024, the Group was informed that the CPC had resolved to refrain from re-opening the investigation and the matter is now considered closed.

In 2019, the CPC initiated an ex officio investigation with respect to unfair contract terms and into the contractual arrangements/facilities offered by BOC PCL for the period from 2012 to 2016. To date no charges have been put forward nor have any formal proceedings been instituted against BOC PCL in this case. The Group is not aware of any further developments in this case.

Association for the Protection of Bank Borrowers (CYPRODAT)
CYPRODAT filed a complaint with the Commission for the Protection of Competition (CPC) in January 2022, claiming that BOC PCL and another bank have concerted in practices regarding the recent revisions of their commissions and charges. In April 2022, CPC informed BOC PCL of the initiation of an investigation with respect to this matter but for which no formulation of a Statement of Objections has been received to date which would indicate the initiation of formal proceedings.

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

28.2 Regulatory matters (continued)

Consumer Protection Service (CPS)
In July 2017, CPS imposed a fine of €170 thousand upon BOC PCL after concluding an ex officio investigation regarding some terms in both BOC PCL's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. BOC PCL has filed a recourse before the Administrative Court against this decision. The Administrative Court has issued its judgment in 2022 in favour of BOC PCL, and the CPS decision along with the fine have been cancelled. An appeal has been submitted by CPS with regards to this judgment, which is still pending as at 30 June 2024.

In March 2020, BOC PCL has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for BOC PCL to cease the use of a number of terms in the contracts of BOC PCL which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering BOC PCL to undertake measures to remedy the situation. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 30 June 2024.

In April 2021, the director of CPS filed an application for the issuance of a court order against BOC PCL, prohibiting the use of a number of contractual terms included in BOC PCL's consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such unfair terms. This matter is still pending before the court as at 30 June 2024.

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

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

There have been no further developments on the aforementioned investigations since.

Cyprus Consumers' Association (CCA)
In March 2021, BOC PCL was served with an application filed by the CCA for the issuance of a court order prohibiting the use of a number of contractual terms included in BOC PCL's consumer contracts and requiring the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against BOC PCL in 2016 and 2017. BOC PCL will take all necessary steps for the protection of its interests. This matter is still pending before the court as at 30 June 2024.

The Consumer Protection Law 2021 brings under one umbrella the existing legislation on unfair contract terms and practices with some enhanced powers vested in the Consumer Protection Service, i.e. power to impose increased fines which are immediately payable. The Consumer Protection Law 2021 has a retrospective effect in that it also applies to all contracts/practices entered into and/or terminated prior to this law coming into effect as opposed to contracts/practices which are only entered into/adopted as from the date of publication of the new Law on Consumer Protection.

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

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

28.3 Other matters

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

28. Provisions for pending litigations, claims, regulatory and other matters (continued)

28.3 Other matters (continued)

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

28.4 Provisions for pending litigations, claims, regulatory and other matters

	Pending litigations and claims (Note 28.1)	Regulatory matters (Note 28.2)	Other matters (Note 28.3)	**Total**
2024	€000	€000	€000	**€000**
1 January	60,968	14,741	55,794	**131,503**
Net increase in provisions including unwinding of discount	12,686	-	7,871	**20,557**
Utilisation of provisions	(20,190)	(29)	(5,598)	**(25,817)**
Release of provisions	(5,797)	(9,000)	-	**(14,797)**
Foreign exchange adjustments	-	24	-	**24**
30 June	**47,667**	**5,736**	**58,067**	**111,470**

	Pending litigations and claims (Note 28.1)	Regulatory matters (Note 28.2)	Other matters (Note 28.3)	**Total**
2023	€000	€000	€000	**€000**
1 January	63,947	14,918	48,742	**127,607**
Net increase in provisions including unwinding of discount	14,682	-	4,095	**18,777**
Utilisation of provisions	(14,289)	-	-	**(14,289)**
Release of provisions	(4,629)	-	-	**(4,629)**
Transfer	-	-	767	**767**
Foreign exchange adjustments	-	34	-	**34**
30 June	59,711	14,952	53,604	**128,267**

Provisions for pending litigations, claims, regulatory and other matters recorded in the consolidated income statement during the six months ended 30 June 2024 amounted to €2,562 thousand (30 June 2023: €14,148 thousand), include a credit amount of €3,198 thousand representing an amount recovered on the conclusion of open examinations of governmental bodies and amounts from litigations settled, directly recognised in the consolidated income statement (30 June 2023: nil).

Some information required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

29. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the consolidated balance sheet, they do entail credit risk and are therefore part of the overall credit risk exposure of the Group (Note 32.1).

29.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 30 June 2024 amount to €18,824 thousand (31 December 2023: €20,139 thousand).

29. Contingent liabilities and commitments (continued)

29.2. Contingent liabilities

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

A provision has been recognised, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable (Note 28.3).

30. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2024	31 December 2023
	€000	€000
Cash and non-obligatory balances with central banks	**7,167,795**	9,555,323
Loans and advances to banks with original maturity less than three months	**314,638**	282,998
	7,482,433	9,838,321

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

	30 June 2024	31 December 2023
	€000	€000
Cash and non-obligatory balances with central banks	**7,167,795**	9,555,323
Obligatory balances with central banks	**119,426**	59,179
Total cash and balances with central banks	**7,287,221**	9,614,502

Loans and advances to banks with original maturity less than three months	**314,638**	282,998
Restricted loans and advances to banks	**69,474**	101,804
Total loans and advances to banks	**384,112**	384,802

Restricted loans and advances to banks include collaterals under derivative transactions of €16,017 thousand (31 December 2023: €13,970 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated. As at 30 June 2024, no cash collaterals were placed for the reverse repurchase agreements (31 December 2023: €29,524 thousand).

The average balance of obligatory deposits that should be maintained with central banks was set at €187,854 thousand for the period of June 2024 to July 2024 (31 December 2023: €186,794 thousand for the period December 2023 to January 2024).

31. Analysis of assets and liabilities by expected maturity

	30 June 2024			31 December 2023		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**7,167,795**	**119,426**	**7,287,221**	9,555,323	59,179	9,614,502
Loans and advances to banks	**314,638**	**69,474**	**384,112**	282,998	101,804	384,802
Derivative financial assets	**5,909**	**61,203**	**67,112**	859	50,196	51,055
Investments	**592,120**	**3,366,634**	**3,958,754**	736,664	2,958,745	3,695,409
Reverse repurchase agreements	**-**	**1,014,858**	**1,014,858**	-	403,199	403,199
Loans and advances to customers	**1,144,117**	**8,940,850**	**10,084,967**	1,192,800	8,628,988	9,821,788
Life insurance business assets attributable to policyholders	**30,754**	**691,828**	**722,582**	27,632	621,580	649,212
Prepayments, accrued income and other assets	**356,901**	**239,391**	**596,292**	350,152	234,767	584,919
Stock of property	**185,670**	**578,243**	**763,913**	191,818	634,297	826,115
Investment properties	**12,661**	**42,953**	**55,614**	10,605	51,500	62,105
Deferred tax assets	**37,909**	**164,808**	**202,717**	37,909	163,359	201,268
Property, equipment and intangible assets	**-**	**328,028**	**328,028**	-	334,203	334,203
	9,848,474	**15,617,696**	**25,466,170**	12,386,760	14,241,817	26,628,577
Liabilities						
Deposits by banks	**159,750**	**245,688**	**405,438**	202,850	268,706	471,556
Funding from central banks	**-**	**-**	**-**	2,043,868	-	2,043,868
Derivative financial liabilities	**736**	**21,230**	**21,966**	14,079	3,901	17,980
Customer deposits	**6,133,559**	**13,589,133**	**19,722,692**	5,984,800	13,352,115	19,336,915
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**(7,261)**	**(7,261)**	-	-	-
Insurance liabilities	**89,394**	**612,802**	**702,196**	88,616	569,808	658,424
Accruals, deferred income and other liabilities and provisions for pending litigations, claims, regulatory and other matters	**465,736**	**209,018**	**674,754**	371,498	229,270	600,768
Debt securities in issue and subordinated liabilities	**-**	**1,283,799**	**1,283,799**	-	978,419	978,419
Deferred tax liabilities	**1,622**	**31,312**	**32,934**	1,622	30,684	32,306
	6,850,797	**15,985,721**	**22,836,518**	8,707,333	15,432,903	24,140,236

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

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

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

31. Analysis of assets and liabilities by expected maturity (continued)

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 Loans are classified in the 'Over one year' time band except cash flows from expected receipts which are included within time bands, according to historic amounts of receipts in the recent months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioural analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

32. Risk management - Credit risk

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

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

The Credit Risk Management department, develops and sets credit risk policies, guidelines and approval limits which are necessary to manage and control or mitigate the credit and concentration risk of the Group. The Credit Risk Control and Monitoring department monitors compliance with credit risk policies applicable to each business line and the quality of the Group's loans and advances portfolio. The credit exposures of related accounts are aggregated and monitored on a consolidated basis.

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

The credit policies are complemented by the methods/models used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

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

The credit risk exposure of the Group is diversified across the various industry sectors of the economy. Credit Risk Management department determines concentration limits for each industry sector, sets prohibited sectors and defines sectors which may require prior approval before credit applications are submitted.

The Market & Liquidity Risk department assesses the credit risk relating to exposures to Credit Institutions and Governments and other debt securities as well as reverse repurchase agreements.

Models and limits are presented to and approved by the Board of Directors, through the relevant authority based on the authorisation level limits.

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

32. Risk management - Credit risk (continued)

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

Loans and advances to customers
The Credit Risk Management department determines the effective credit standards required for the granting of new loans to customers. The assessment of financial position/repayment ability is the determining factor when assessing the granting of a new loan. The Group obtains collaterals which are used for risk mitigation.

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

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

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

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

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

In accordance with the terms of the reverse repurchase agreements of a carrying value of €1,015 million (31 December 2023: €403 million) that are held by the Group as at 30 June 2024, the Group accepts collateral that it is permitted to sell. At 30 June 2024, the total fair value of the collateral received was €987 million (31 December 2023: €426 million), none of which had been resold or repledged. As at 30 June 2024, cash collateral of €21 million has been received from the counterparties (31 December 2023: cash collateral of €30 million was placed with the counterparties). The effective yield of the reverse repurchase agreements is approximately 3.0% p.a. and the average duration is estimated at approximately 2.5 years.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions. As at 30 June 2024, the majority of derivative exposures are covered by ISDA netting arrangements. An analysis of derivative asset and liability exposures is available in Note 17. Information about the Group's collaterals under derivative transactions is provided in Note 30.

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

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

32. Risk management - Credit risk (continued)

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

	30 June 2024	31 December 2023
	€000	€000
Balances with central banks	**7,201,357**	9,521,961
Loans and advances to banks (Note 30)	**384,112**	384,802
Other non-equity securities at FVPL (Note 16)	**3,754**	3,611
Debt securities classified at amortised cost and FVOCI (Note 16)	**3,828,083**	3,547,782
Reverse repurchase agreements	**1,014,858**	403,199
Derivative financial instruments (Note 17)	**67,112**	51,055
Loans and advances to customers (Note 19)	**10,084,967**	9,821,788
Debtors (Note 21)	**65,497**	34,662
Insurance and reinsurance contract assets (Note 21)	**59,136**	57,494
Deferred purchase payment consideration (Note 21)	**251,244**	243,013
Other assets (Note 21)	**99,763**	109,314
On-balance sheet total	**23,059,883**	24,178,681
Contingent liabilities		
Acceptances and endorsements	**2,549**	2,580
Guarantees	**693,164**	703,044
Commitments		
Documentary credits	**10,973**	10,251
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,942,980**	1,948,482
Off-balance sheet total	**2,649,666**	2,664,357
	25,709,549	26,843,038

32.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. The Group’s Risk Appetite Statement may impose stricter concentration limits which are monitored by the Group.

The credit risk concentration, which is based on industry (economic activity) and business line, as well as the geographical concentration, is presented below.

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

The table below presents the geographical concentration of loans and advances to customers by country of risk based on the country of residency for individuals and the country of registration for companies.

32. Risk management - Credit risk (continued)

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

30 June 2024	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	913,816	8,706	1	-	15,313	**937,836**
Manufacturing	292,882	43,367	148	-	37,100	**373,497**
Hotels and catering	998,397	35,337	37,644	-	39,351	**1,110,729**
Construction	462,985	8,612	4	-	314	**471,915**
Real estate	840,164	109,379	1,899	-	34,276	**985,718**
Private individuals	4,609,039	8,997	41,218	10,879	45,815	**4,715,948**
Professional and other services	578,374	578	5,231	6	50,992	**635,181**
Shipping	38,430	4	-	-	233,062	**271,496**
Other sectors	561,499	13,773	1	5	45,550	**620,828**
	9,295,586	**228,753**	**86,146**	**10,890**	**501,773**	**10,123,148**

30 June 2024	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
Corporate	3,427,941	50,644	151	-	169	**3,478,905**
IBU & International corporate						
- IBU	90,195	1,439	5,673	6,974	17,702	**121,983**
- International corporate	152,727	172,006	44,430	-	451,116	**820,279**
SMEs	970,147	477	1,144	-	2,324	**974,092**
Retail						
- housing	3,420,183	2,361	23,949	82	16,320	**3,462,895**
- consumer, credit cards and other	1,001,927	1,754	452	-	5,411	**1,009,544**
Restructuring						
- corporate	58,763	-	616	32	308	**59,719**
- SMEs	24,504	-	166	-	-	**24,670**
- retail housing	51,450	-	1,140	123	682	**53,395**
- retail other	17,254	2	4	-	28	**17,288**
Recoveries						
- corporate	3,245	-	124	157	280	**3,806**
- SMEs	10,173	1	969	1,403	1,114	**13,660**
- retail housing	41,667	51	6,639	1,825	6,016	**56,198**
- retail other	25,410	18	689	294	303	**26,714**
	9,295,586	**228,753**	**86,146**	**10,890**	**501,773**	**10,123,148**

31 December 2023	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000
Trade	868,039	277	40	-	15,340	883,696
Manufacturing	287,524	43,971	192	-	31,194	362,881
Hotels and catering	928,910	29,454	36,704	-	39,368	1,034,436
Construction	486,622	8,332	14	-	331	495,299
Real estate	871,544	108,635	1,863	-	51,349	1,033,391
Private individuals	4,543,985	9,680	56,074	12,075	48,080	4,669,894
Professional and other services	535,994	572	5,242	352	54,846	597,006
Shipping	20,622	15	-	-	222,422	243,059
Other sectors	512,666	-	-	2	30,184	542,852
	9,055,906	200,936	100,129	12,429	493,114	9,862,514

32. Risk management - Credit risk (continued)

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

31 December 2023 (restated)	Cyprus	Greece	United Kingdom	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000
Corporate	3,326,556	30,487	193	324	185	3,357,745
IBU & International corporate						
- IBU	87,127	1,688	6,544	6,901	18,618	120,878
- International corporate	115,212	164,103	43,401	-	439,512	762,228
SMEs	945,018	482	1,177	-	2,316	948,993
Retail						
- housing	3,369,111	2,320	27,728	86	17,634	3,416,879
- consumer, credit cards and other	956,834	1,775	480	-	4,953	964,042
Restructuring						
- corporate	48,440	-	611	-	-	49,051
- SMEs	33,212	-	261	532	61	34,066
- retail housing	57,685	-	2,468	122	212	60,487
- retail other	19,164	22	2	-	23	19,211
Recoveries						
- corporate	6,079	-	182	173	911	7,345
- SMEs	13,419	1	1,173	1,623	1,183	17,399
- retail housing	50,927	50	14,718	2,399	7,231	75,325
- retail other	27,122	8	1,191	269	275	28,865
	9,055,906	200,936	100,129	12,429	493,114	9,862,514

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 30 June 2024 of €158,574 thousand (31 December 2023: €128,705 thousand).

The loans and advances to customers reported within 'Other countries' as at 30 June 2024 include exposures of €1,3 million in Ukraine (31 December 2023: €1,7 million) and €4,6 million in Israel (31 December 2023: €4,9 million).

32.3 Analysis of loans and advances to customers

The movement of the gross loans and advances to customers at amortised cost by staging is presented in the tables below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
30 June 2024	€000	€000	€000	€000	**€000**
1 January	8,275,589	1,161,271	326,883	98,771	**9,862,514**
Transfers to stage 1	446,343	(446,343)	-	-	**-**
Transfers to stage 2	(219,562)	249,275	(29,713)	-	**-**
Transfers to stage 3	(6,976)	(499)	7,475	-	**-**
Foreign exchange and other adjustments	-	-	4	-	**4**
Write offs	(306)	(431)	(30,409)	(3,555)	**(34,701)**
Interest accrued and other adjustments	222,795	33,990	21,935	2,528	**281,248**
New loans originated or purchased and drawdowns of existing facilities	1,102,448	57,803	1,477	11,344	**1,173,072**
Loans derecognised or repaid (excluding write offs)	(945,783)	(130,942)	(43,772)	(40,698)	**(1,161,195)**
Changes to contractual cash flows due to modifications	1,880	191	207	(72)	**2,206**
30 June	**8,876,428**	**924,315**	**254,087**	**68,318**	**10,123,148**

32. Risk management - Credit risk (continued)

32.3 Analysis of loans and advances to customers (continued)

31 December 2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
1 January	7,867,256	1,565,603	371,018	113,458	9,917,335
Transfers to stage 1	786,990	(785,026)	(1,964)	-	-
Transfers to stage 2	(514,415)	546,249	(31,834)	-	-
Transfers to stage 3	(38,959)	(83,436)	122,395	-	-
Foreign exchange and other adjustments	-	-	10	-	10
Write offs	(594)	(588)	(79,286)	(5,282)	(85,750)
Interest accrued and other adjustments	388,970	39,662	47,804	8,001	484,437
New loans originated or purchased and drawdowns of existing facilities	1,827,530	89,118	8,125	1,847	1,926,620
Loans derecognised or repaid (excluding write offs)	(2,038,389)	(210,331)	(107,490)	(22,753)	(2,378,963)
Changes to contractual cash flows due to modifications	(2,800)	20	(1,895)	(149)	(4,824)
Acquisition of Velocity 2 portfolio	-	-	-	3,649	3,649
31 December	8,275,589	1,161,271	326,883	98,771	9,862,514

For revolving facilities, overdrafts and credit cards, the net positive change in balance by stage excluding write-offs is reported in 'New loans originated' and the net negative change is reported in 'Loans derecognised or repaid'.

The analysis of gross loans and advances to customers at amortised cost by staging and by business line concentration is included in Note 19.

32.4 Credit losses of loans and advances to customers

The movement in ECL of loans and advances to customers is as follows:

30 June 2024	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
1 January	24,205	30,257	103,996	20,995	**179,453**
Transfers to stage 1	9,120	(9,120)	-	-	**-**
Transfers to stage 2	(634)	3,224	(2,590)	-	**-**
Transfers to stage 3	(101)	(602)	703	-	**-**
Impact on transfer between stages during the period*	(6,726)	3,820	3,840	(133)	**801**
Foreign exchange and other adjustments	-	2	(22)	-	**(20)**
Write offs	(306)	(431)	(30,409)	(3,555)	**(34,701)**
Interest (provided) not recognised in the income statement	-	-	1,989	561	**2,550**
New loans originated or purchased*	1,593	-	-	250	**1,843**
Loans derecognised or repaid (excluding write offs)*	(3,126)	(559)	(6,576)	(320)	**(10,581)**
Write offs*	235	285	6,022	185	**6,727**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(12,890)	11,617	27,169	909	**26,805**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(119)	87	181	(10)	**139**
30 June	**11,251**	**38,580**	**104,303**	**18,882**	**173,016**
Individually assessed	3,127	14,379	45,446	12,864	**75,816**
Collectively assessed	8,124	24,201	58,857	6,018	**97,200**
	11,251	**38,580**	**104,303**	**18,882**	**173,016**

32. Risk management - Credit risk (continued)

32.4 Credit losses of loans and advances to customers (continued)

* Individual components of the 'Impairment net of reversals on loans and advances to customers' (Note 13).

The impairment loss for the six months ended 30 June 2024 was driven mainly from the calibration of the provisioning models, the removal of prior year overlays, as well as the introduction of a floor to LGD during the first half of 2024, as disclosed in Note 6.2 under section 'Calibration of IFRS 9 models and removal of overlays in relation to economic conditions'.

	Stage 1	Stage 2	Stage 3	POCI	Total
30 June 2023	€000	€000	€000	€000	€000
1 January	22,288	27,041	113,573	15,540	178,442
Transfers to stage 1	8,441	(8,441)	-	-	-
Transfers to stage 2	(933)	4,583	(3,650)	-	-
Transfers to stage 3	(62)	(455)	517	-	-
Impact on transfer between stages during the period*	(4,696)	2,670	2,572	(2)	544
Foreign exchange and other adjustments	-	2	10	-	12
Write offs	(188)	(310)	(17,728)	(2,958)	(21,184)
Interest (provided) not recognised in the income statement	-	-	1,653	464	2,117
New loans originated or purchased*	1,124	-	-	4	1,128
Loans derecognised or repaid (excluding write offs)*	(771)	(159)	(308)	(241)	(1,479)
Write offs*	170	244	3,171	623	4,208
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(3,514)	8,466	24,083	5,005	34,040
Changes to contractual cash flows due to modifications not resulting in derecognition*	(601)	498	352	(176)	73
30 June	21,258	34,139	124,245	18,259	197,901
Individually assessed	8,928	11,882	58,998	11,640	91,448
Collectively assessed	12,330	22,257	65,247	6,619	106,453
	21,258	34,139	124,245	18,259	197,901

* Individual components of the 'Impairment net of reversals on loans and advances to customers' (Note 13).

32. Risk management - Credit risk (continued)

32.4 Credit losses of loans and advances to customers (continued)

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

30 June 2024	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,801	13,688	16,093	1,782	**35,364**
IBU & International corporate					
- IBU	102	583	91	3	**779**
- International corporate	1,487	2,002	42	6	**3,537**
SMEs	1,028	2,959	3,068	130	**7,185**
Retail					
- housing	2,807	12,892	4,848	544	**21,091**
- consumer, credit cards and other	1,828	4,881	4,883	811	**12,403**
Restructuring					
- corporate	16	259	23,040	11,310	**34,625**
- SMEs	105	300	3,136	445	**3,986**
- retail housing	37	801	15,661	454	**16,953**
- retail other	40	215	8,225	502	**8,982**
Recoveries					
- corporate	-	-	1,011	300	**1,311**
- SMEs	-	-	3,418	179	**3,597**
- retail housing	-	-	10,884	1,100	**11,984**
- retail other	-	-	9,903	1,316	**11,219**
	11,251	**38,580**	**104,303**	**18,882**	**173,016**

31 December 2023 (restated)	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	12,993	11,727	32,761	5,169	62,650
IBU & International corporate					
- IBU	161	323	40	5	529
- International corporate	1,498	816	38	6	2,358
SMEs	2,424	2,403	1,200	303	6,330
Retail					
- housing	3,098	6,435	3,804	486	13,823
- consumer, credit cards and other	3,693	5,665	4,969	1,164	15,491
Restructuring					
- corporate	21	1,635	6,962	9,964	18,582
- SMEs	134	589	4,334	553	5,610
- retail housing	75	440	12,393	204	13,112
- retail other	108	224	7,060	489	7,881
Recoveries					
- corporate	-	-	3,342	267	3,609
- SMEs	-	-	4,794	150	4,944
- retail housing	-	-	13,772	1,094	14,866
- retail other	-	-	8,527	1,141	9,668
	24,205	30,257	103,996	20,995	179,453

During the six months ended 30 June 2024 the total non-contractual write-offs recorded by the Group amounted to €25,103 thousand (30 June 2023: €11,582 thousand). The contractual amount outstanding on financial assets that were written off during the six months ended 30 June 2024 and that are still subject to enforcement activity is €187,830 thousand (31 December 2023: €566,451 thousand).

32. Risk management - Credit risk (continued)

32.4 Credit losses of loans and advances to customers (continued)

For the calculation of expected credit losses three scenarios were used; base, adverse and favourable with 50%, 30% and 20% probability respectively both for the six months ended 30 June 2024 and the year ended 31 December 2023.

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

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

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

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents more than 99% of the total loan portfolio of the Group with reference date 30 June 2024 and 31 December 2023.

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

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	30 June 2024	31 December 2023
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**2,050**	1,297
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(2,063)**	(1,629)
Increase the expected recovery period by 1 year	**4,506**	6,090
Decrease the expected recovery period by 1 year	**(3,728)**	(7,863)
Increase the collateral realisation haircut by 5%	**8,151**	8,816
Decrease the collateral realisation haircut by 5%	**(6,600)**	(9,495)
Increase in the PDs of stages 1 and 2 by 20%*	**14,714**	5,424
Decrease in the PDs of stages 1 and 2 by 20%*	**(8,020)**	(5,880)

32. Risk management - Credit risk (continued)

32.4 Credit losses of loans and advances to customers (continued)

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

30 June 2024	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	285	475	1,290	**2,050**
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(282)	(491)	(1,290)	**(2,063)**
Increase the expected recovery period by 1 year	181	876	3,449	**4,506**
Decrease the expected recovery period by 1 year	(137)	(710)	(2,881)	**(3,728)**
Increase the collateral realisation haircut by 5%	307	1,442	6,402	**8,151**
Decrease the collateral realisation haircut by 5%	(200)	(1,040)	(5,360)	**(6,600)**
Increase in the PDs of stages 1 and 2 by 20%*	1,530	13,184	-	**14,714**
Decrease in the PDs of stages 1 and 2 by 20%*	(1,940)	(6,080)	-	**(8,020)**

31 December 2023	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	295	204	798	1,297
Decrease the adverse weight by 5% and increase the favourable weight by 5%	(235)	(267)	(1,127)	(1,629)
Increase the expected recovery period by 1 year	727	1,201	4,162	6,090
Decrease the expected recovery period by 1 year	(695)	(1,121)	(6,047)	(7,863)
Increase the collateral realisation haircut by 5%	1,037	1,692	6,087	8,816
Decrease the collateral realisation haircut by 5%	(900)	(1,406)	(7,189)	(9,495)
Increase in the PDs of stages 1 and 2 by 20%*	2,624	2,800	-	5,424
Decrease in the PDs of stages 1 and 2 by 20%*	(1,325)	(4,555)	-	(5,880)

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

32. Risk management - Credit risk (continued)

32.4 Credit losses of loans and advances to customers (continued)

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

	Increase the collateral realisation haircut by 5%	**Decrease the collateral realisation haircut by 5%**	Increase the collateral realisation haircut by 5%	Decrease the collateral realisation haircut by 5%
	30 June 2024	**30 June 2024**	31 December 2023 (restated)	31 December 2023 (restated)
	€000	**€000**	€000	€000
Corporate	**810**	**(681)**	2,708	(2,521)
IBU & International corporate				
- IBU	**11**	**(5)**	9	(6)
- International corporate	**25**	**(15)**	65	(55)
SMEs	**491**	**(417)**	365	(324)
Retail				
- housing	**1,080**	**(763)**	1,128	(811)
- consumer, credit cards and other	**291**	**(219)**	336	(286)
Restructuring				
- corporate	**1,706**	**(1,695)**	1,029	(3,337)
- SMEs	**258**	**(219)**	233	(300)
- retail housing	**1,041**	**(872)**	694	(616)
- retail other	**209**	**(186)**	196	(175)
Recoveries				
- corporate	**69**	**(42)**	123	(111)
- SMEs	**462**	**(314)**	932	(319)
- retail housing	**1,171**	**(775)**	693	(455)
- retail other	**527**	**(397)**	305	(179)
	8,151	**(6,600)**	8,816	(9,495)

32.5 Currency concentration of loans and advances to customers

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

Gross loans at amortised cost	**30 June 2024 €000**	31 December 2023 €000
Euro	**9,558,764**	9,336,828
US Dollar	**471,825**	409,555
British Pound	**75,276**	87,610
Russian Rouble	**-**	324
Swiss Franc	**16,556**	27,358
Other currencies	**727**	839
	10,123,148	9,862,514

32.6 Forbearance/Restructuring

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

32. Risk management - Credit risk (continued)

32.6 Forbearance/Restructuring (continued)

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

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

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

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

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

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

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

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

32. Risk management - Credit risk (continued)

32.6 Forbearance/Restructuring (continued)

xi. Additional Financing: This solution can be granted, simultaneously with the restructuring of the existing credit facilities of the borrower, to cover any financing gap.
xii. Partial or total write off: This solution corresponds to the Group forfeiting the right to legally recover part or the whole of the amount of debt outstanding by the borrower.
xiii. Debt/equity swaps: debt restructuring that allows partial or full repayment of the debt in exchange of obtaining an equivalent amount of equity in the company (either private or limited) by the Group, with the remaining debt right sized to the cash flows of the borrower to allow repayment. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
xiv. Debt/asset swaps: agreement between the Group and the borrower to voluntarily transfer the mortgaged asset or other immovable property to the Group, to partially or fully repay the debt. Any residual debt may be restructured with an appropriate repayment schedule in line with the borrower's reassessed repayment ability.

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

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

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

The below table presents the movement of the Group's forborne loans and advances to customers measured at amortised cost.

	30 June 2024	31 December 2023
	€000	€000
1 January	**455,740**	1,106,298
New loans and advances forborne in the period/year	**20,727**	47,366
Loans no longer classified as forborne and repayments	**(131,151)**	(705,103)
Write off of forborne loans and advances	**(7,194)**	(41,996)
Interest accrued on forborne loans and advances	**15,781**	49,102
Foreign exchange adjustments	**(3)**	73
30 June/31 December	**353,900**	455,740

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.

32. Risk management - Credit risk (continued)

32.6 Forbearance/Restructuring (continued)

The below tables present the Group's forborne loans and advances to customers by staging, economic activity and business line classification, as well as the ECL allowance and tangible collateral held for such forborne loans.

	30 June 2024	31 December 2023
	€000	€000
Stage 1	-	-
Stage 2	203,802	261,091
Stage 3	121,154	173,728
POCI	28,944	20,921
	353,900	455,740

Fair value of collateral

	30 June 2024	31 December 2023
	€000	€000
Stage 1	-	-
Stage 2	189,277	241,983
Stage 3	104,053	154,051
POCI	27,462	19,734
	320,792	415,768

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

Credit risk concentration

	30 June 2024	31 December 2023
By economic activity	€000	€000
Trade	10,825	15,578
Manufacturing	8,520	10,195
Hotels and catering	35,787	60,129
Construction	52,043	82,849
Real estate	51,480	61,550
Private individuals	157,835	187,537
Professional and other services	34,862	35,197
Other sectors	2,548	2,705
	353,900	455,740

32. Risk management - Credit risk (continued)

32.6 Forbearance/Restructuring (continued)

30 June 2024	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line and staging	€000	€000	€000	€000	**€000**
Corporate	-	115,647	27,363	9,722	**152,732**
IBU & International corporate					
- IBU	-	1,281	295	-	**1,576**
- International corporate	-	710	-	-	**710**
SMEs	-	17,067	1,378	-	**18,445**
Retail					
- housing	-	45,737	11,260	2,267	**59,264**
- consumer, credit cards and other	-	8,988	3,510	73	**12,571**
Restructuring					
- corporate	-	2,106	15,645	10,051	**27,802**
- SMEs	-	2,315	4,700	1,259	**8,274**
- retail housing	-	8,345	18,986	1,313	**28,644**
- retail other	-	1,606	4,467	356	**6,429**
Recoveries					
- corporate	-	-	910	160	**1,070**
- SMEs	-	-	3,850	269	**4,119**
- retail housing	-	-	21,300	2,807	**24,107**
- retail other	-	-	7,490	667	**8,157**
	-	**203,802**	**121,154**	**28,944**	**353,900**

31 December 2023	Stage 1	Stage 2	Stage 3	POCI	Total
By business line and staging	€000	€000	€000	€000	€000
Corporate	-	136,097	71,330	107	207,534
IBU & International corporate					
- IBU	-	2,091	295	-	2,386
- International corporate	-	768	-	-	768
SMEs	-	19,414	1,409	-	20,823
Retail					
- housing	-	51,588	13,479	2,020	67,087
- consumer, credit cards and other	-	13,047	4,089	129	17,265
Restructuring					
- corporate	-	21,254	1,807	10,037	33,098
- SMEs	-	3,686	6,760	1,303	11,749
- retail housing	-	11,341	21,633	1,564	34,538
- retail other	-	1,805	5,249	345	7,399
Recoveries					
- corporate	-	-	2,250	230	2,480
- SMEs	-	-	5,668	489	6,157
- retail housing	-	-	30,643	3,853	34,496
- retail other	-	-	9,116	844	9,960
	-	261,091	173,728	20,921	455,740

32. Risk management - Credit risk (continued)

32.6 Forbearance/Restructuring (continued)

ECL allowance

	30 June 2024	31 December 2023
	€000	€000
Stage 1	**-**	-
Stage 2	**9,656**	8,643
Stage 3	**45,230**	47,840
POCI	**12,173**	11,510
	67,059	67,993

33. Risk management - Market risk

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

Interest rate risk

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

Interest rate risk is measured primarily by reference to the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis, where the assets, liabilities and off-balance sheet items are classified according to their remaining repricing period. Interest rate risk is managed through a 1-Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group TIER 1 regulatory capital and as a percentage of the net interest income.

Sensitivity analysis
The table below sets out the impact on the Group’s net interest income, over a one-year period, from reasonably possible changes in the interest rates of the Euro and the US Dollar, being the main currencies, using the assumption of the prevailing market risk policy as at 30 June 2024 and 31 December 2023 respectively.

33. Risk management - Market risk (continued)

Currency	Interest Rate Scenario	Impact on Net Interest Income €000	
		30 June 2024 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)	31 December 2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)
All	Parallel up	104,283	147,348
All	Parallel down	(97,965)	(135,973)
All	Steepening	(54,715)	(81,265)
All	Flattening	75,339	112,104
All	Short up	103,009	150,679
All	Short down	(98,841)	(140,778)
Euro	Parallel up	98,441	142,318
Euro	Parallel down	(93,853)	(132,297)
Euro	Steepening	(53,237)	(79,595)
Euro	Flattening	72,222	108,998
Euro	Short up	97,753	145,795
Euro	Short down	(95,039)	(137,046)
US Dollar	Parallel up	5,842	5,030
US Dollar	Parallel down	(4,112)	(3,676)
US Dollar	Steepening	(1,478)	(1,670)
US Dollar	Flattening	3,117	3,106
US Dollar	Short up	5,256	4,884
US Dollar	Short down	(3,802)	(3,732)

The above sensitivities incorporate assumptions on the pass through rate of time deposits of 40% for the upside scenario and 50% for the downside scenario for Euro denominated deposits for the six months ended 30 June 2024 (31 December 2023: 40% for the upside scenario and 50% for the downside scenario for Euro denominated deposits).

33. Risk management - Market risk (continued)

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

		Impact on Equity €000	
Currency	**Interest Rate Scenario**	**30 June 2024 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)**	31 December 2023 (+140 bps/-120 bps for Euro and +170 bps/-110 bps for US Dollar)
All	Parallel up	(24,684)	62,584
All	Parallel down	(15,832)	(89,615)
All	Steepening	40,551	(511)
All	Flattening	(104,642)	(11,035)
All	Short up	(102,801)	14,117
All	Short down	36,994	(40,727)
Euro	Parallel up	(33,851)	114,640
Euro	Parallel down	(1,896)	(60,469)
Euro	Steepening	74,197	6,669
Euro	Flattening	(96,733)	20,775
Euro	Short up	(103,443)	48,756
Euro	Short down	75,544	(27,450)
US Dollar	Parallel up	18,334	10,529
US Dollar	Parallel down	(13,936)	(29,146)
US Dollar	Steepening	6,905	(3,846)
US Dollar	Flattening	(7,909)	(21,422)
US Dollar	Short up	1,283	(10,261)
US Dollar	Short down	(778)	(13,277)

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

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

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

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

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit/loss before tax**	**Impact on equity**
30 June 2024	**€000**	**€000**
+1.7% for US Dollar +1.4% for Euro +3% for British Pound	**(2,406)**	**(2,017)**
-1.1% for US Dollar -1.2% for Euro -3% for British Pound	**2,062**	**1,728**

33. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	Impact on profit/loss before tax	Impact on equity
	€000	€000
31 December 2023		
+1.7% for US Dollar +1.4% for Euro +3% for British Pound	(2,468)	(773)
-1.1% for US Dollar -1.2% for Euro -3% for British Pound	2,115	663

Currency risk

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

In order to manage currency risk, the ALCO has approved open position limits for the total foreign currency positions. The foreign currency position limits are lower than those prescribed by the regulator. These limits are managed by Treasury and monitored daily by Market and Liquidity Risk Department.

The Group does not maintain a currency trading book.

Price risk

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

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes mainly for fixed rate securities. The Group invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Group as at 30 June 2024 was A1 (31 December 2023: A1). The average rating excluding the Cyprus Government bonds and non-rated debt securities as at 30 June 2024 was Aa2 (31 December 2023: Aa2).

Property price risk

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

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

34. Risk management - Liquidity and funding risk

Liquidity Risk

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

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

34. Risk management - Liquidity and funding risk (continued)

In order to limit this risk, management has in place an established Liquidity Risk Policy of managing assets, taking liquidity into consideration and monitoring cash flows and liquidity on a regular basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

Management and structure

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

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

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

The Treasury Division is responsible for liquidity management at Group level, ensuring compliance with internal policies and regulatory liquidity requirements and providing direction as to the actions to be taken regarding liquidity needs. The Treasury Division assesses on a regular basis the adequacy of the liquid assets and takes the necessary actions to ensure adequate liquidity position.

Liquidity is also monitored by Market and Liquidity Risk department, to ensure compliance with both internal policies and limits, and with the limits set by the regulatory authorities. Market and Liquidity Risk department reports the liquidity position to ALCO at least monthly. It also provides the results of various stress tests to ALCO and the Board Risk Committee at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: establishes the Group's Risk Appetite Statement together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity Risk Policy: sets the principles, the roles and responsibilities for managing liquidity risk as well as the liquidity and funding risk management framework, stress testing and the reporting on liquidity and funding.

(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a regular basis. Where applicable, a traffic light system (RAG) is used for ratios, in order to raise flags and take action when the ratios deteriorate.

(iv) Early Warning Indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk so as to maximise the time available to execute appropriate mitigating actions.

(v) Liquidity Contingency Plan: maintenance of a Liquidity Contingency Plan (LCP) which is designed to provide a framework where a liquidity stress could be effectively identified and managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.

(vi) Recovery Plan: the Group has developed a Recovery Plan (RP), the key objectives of which are, among others, to set key Recovery and Early Warning Indicators and to set in advance a range of recovery options to enable the Group to be adequately prepared to respond to stressed conditions and restore the Group's liquidity position.

Monitoring process

Daily

The daily monitoring of the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market and Liquidity Risk department prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. Results are made available to members of the Risk and Treasury Divisions. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds.

Market and Liquidity Risk department also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable BOC PCL to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

34. Risk management - Liquidity and funding risk (continued)

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The designing of the stress tests follows guidance and is based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations, as well as the Annual Risk Identification Process of the Group. The stress test assumptions are reviewed on an annual basis and approved by the Board through its Risk Committee. Whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

Weekly
Market and Liquidity Risk department prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Monthly
Market and Liquidity Risk department prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of International business unit deposits over total deposits and the percentage of instant access deposits are also presented. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is presented to ALCO and the resulting mismatch between assets and liabilities is compared to previous month’s mismatch.

Market and Liquidity Risk department also reports the Liquidity Coverage Ratio (LCR) and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB on a monthly basis.

Quarterly
The results of the stress testing scenarios are reported to ALCO and the Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market and Liquidity Risk department also reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

Annually
The Group prepares on an annual basis its ILAAP package. The ILAAP package provides a holistic view of the Group’s liquidity adequacy under normal and stress conditions. Within ILAAP, the Group evaluates its liquidity risk in the context of established policies and processes for the identification, measurement, management and monitoring of liquidity risk as implemented by the institution.

Market and Liquidity Risk department also prepares annually an ECB/SRB liquidity report, the 'Joint liquidity template' that runs for five consecutive days. The report includes information on deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity Ladder analysis), concentration of funding and collateral details. It concludes on the overall liquidity position of BOC PCL and describes the measures implemented and to be implemented in the short-term to improve liquidity position if needed.

As part of the Group’s procedures for monitoring and managing liquidity risk, there is a Group Liquidity Contingency Plan (LCP) for handling liquidity difficulties. The LCP details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the Crisis Management Committee for LCP (CMC-LCP). The LCP sets out the members of this committee and a series of the possible actions that can be taken. The LCP is reviewed and tested at least annually.

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%. The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

34. Risk management - Liquidity and funding risk (continued)

Funding risk

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

Main sources of funding

As at 30 June 2024, the Group's main source of funding were its deposit base and wholesale funding. Wholesale funding is becoming an important source of funding, following the refinancing of the Tier 2 for €300 million in April 2021, the issuances of senior preferred debt of an aggregate nominal amount of €950 million and the refinancing of AT1 for €220 million in June 2023.

With respect to funding from TLTRO III operations, this was fully repaid in the six months ended 30 June 2024.

Funding to subsidiaries

The funding provided by BOC PCL to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

The subsidiaries may proceed with dividend distributions in the form of cash to BOC PCL, provided that they are not in breach of their regulatory capital and liquidity requirements, where applicable.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 30 June 2024 and 31 December 2023 are summarised below:

	30 June 2024	31 December 2023
	€000	€000
Cash and other liquid assets	**71,132**	72,800
Investments	**40,641**	260,011
Loans and advances	**3,387,454**	3,349,118
	3,499,227	3,681,929

Cash is mainly used to cover collateral required for derivatives, trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

As at 30 June 2024 investments are used as supplementary assets for the covered bond. As at 31 December 2023 investments were mainly used as collateral for ECB funding or as supplementary assets for the covered bond.

Loans and advances indicated as encumbered as at 30 June 2024 and 31 December 2023 are mainly used as collateral for ECB funding and for the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,004 million as at 30 June 2024 (31 December 2023: €1,008 million) in Cyprus, pledged as collateral for the covered bond issued by BOC PCL in 2011 under its Covered Bond Programme. As at 30 June 2024, although there is no outstanding funding from the ECB, housing loans of a nominal amount of €2,351 million (31 December 2023: €2,329 million) in Cyprus, remain in the collateral pool of the CBC part of the available credit line.

34. Risk management - Liquidity and funding risk (continued)

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

Other disclosures
Deposits by banks include balances of €16,999 thousand as at 30 June 2024 (31 December 2023: €20,462 thousand) relating to borrowings from international financial and similar institutions for funding, aiming to facilitate access to finance and improve funding conditions for small or medium sized enterprises, active in Cyprus. The carrying value of the respective loans and advances granted to such enterprises serving this agreement amounts to €32,597 thousand as at 30 June 2024 (31 December 2023: €40,049 thousand).

35. Risk management - Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the related uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is largely random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are largely random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

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

Life and Accident and Health insurance contracts
The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes, pandemics and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The following sensitivity analysis shows the impact on profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions are changed on an individual basis while holding all other assumptions constant. It should be noted that movements in these assumptions are non–linear. Sensitivity information also varies according to the current economic assumptions.

35. Risk management - Insurance risk (continued)

30 June 2024	**Change in assumptions**	**Impact on Profit before Tax**	**Impact on equity**
	%	**€000**	**€000**
Change in mortality rates	**-10%**	**1,532**	**1,341**
Change in lapsation and surrender rates	**+10%**	**(262)**	**(299)**
Change in expenses	**+5%**	**(1,012)**	**(1,157)**
Change in inflation	**+1%**	**(1,879)**	**(2,147)**
Change in discount rate curve at each projection year	**-0,25%**	**131**	**114**

31 December 2023	Change in assumptions	Impact on Profit before Tax	Impact on equity
	%	€000	€000
Change in mortality rates	-10%	1,956	1,711
Change in lapsation and surrender rates	+10%	(143)	(163)
Change in expenses	+5%	(891)	(1,019)
Change in inflation	+1%	(1,673)	(1,912)
Change in discount rate curve at each projection year	-0,25%	119	104

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

Non-life insurance contracts other than accident and health
Non-life insurance business is concentrated in Cyprus and the main claims during the six months ended 30 June 2024 and the year ended 31 December 2023 related to fire and natural forces and other damage to property, motor vehicle liability and general liability.

Risks under these policies are usually covered for a period of 12 months, with the exception of the goods in transit class that covers shorter periods and the contractors all risks class that covers longer periods.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are based on experts' estimates and facts known at the balance sheet date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements in the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on experience and market trends, taking into consideration claims handling costs, inflation and claim numbers for each accident year. Also, external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration.

The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of court cases, is very difficult to be quantified. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

The risk of a non-life insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore, the level of risk is determined by the frequency of such claims, their severity and their evolution from one period to the next.

The main risks for the non-life insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from non-life insurance contracts is also mitigated by the following measures: adherence to underwriting policies, frequent review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements to minimise the impact of risks, especially for catastrophic events.

36. Capital management

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

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

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

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing-in this starting from 2022 (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).

The Group and BOC PCL have complied with the minimum capital requirements (Pillar I and Pillar II).

In October 2021, the European Commission adopted legislative proposals for further amendments to the CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In addition, in the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. In December 2023, the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most provisions of CRR III will become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

The insurance subsidiaries of the Group, the General Insurance of Cyprus Ltd and EuroLife Ltd, comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated Cyprus Investment Firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) complies with the minimum capital adequacy ratio requirements. The payment services subsidiary of the Group, JCC Payment Services Ltd, complies with regulatory capital requirements under the Provision and Use of Payment Services and Access to Payment Systems Laws of 2018 to 2023.

Additional information on regulatory capital is disclosed in the 'Risk and Capital Management Report', which is included in the Interim Financial Report 2024.

37. Related party transactions

Related parties of the Group include associates and joint ventures, key management personnel, members of the Board of Directors and their connected persons. Connected persons for the purpose of this disclosure include spouses, minor/dependent children and companies in which the directors/key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Aggregate amounts outstanding and additional transactions

The tables below show the deposits, loans and advances and other credit balances held by the members of the Board of Directors and key management personnel and their connected persons, as at the balance sheet date.

	30 June 2024	31 December 2023
	€000	€000
Loans and advances		
- members of the Board of Directors and key management personnel	**1,817**	1,926
- connected persons	**539**	577
	2,356	2,503
Deposits		
- members of the Board of Directors and key management personnel	**3,267**	3,923
- connected persons	**3,309**	3,371
	6,576	7,294

The above table does not include period/year-end balances for members of the Board of Directors, key management personnel and their connected persons who resigned during the period/year, nor balances of customers that do not meet the definition of connected persons as at the reporting dates.

The aggregate expected credit loss allowance on the above loans and credit facilities is below €9 thousand as at 30 June 2024 (31 December 2023: below €11 thousand). All principal and interest that has fallen due on these loans or credit facilities has been paid.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions, including interest rates, with customers of a similar credit standing. A number of loans and advances have been extended to key management personnel on the same terms as those applicable to the rest of the Group's employees and to their connected persons on the same terms as those of customers.

The table below discloses interest, commission and insurance premium income, as well as other transactions and expenses with the members of the Board of Directors, key management personnel and their connected persons for the reference period.

	Six months ended 30 June	
	2024	2023
	€000	€000
Interest income for the period	**53**	49
Interest expense for the period	**16**	2
Commission income for the period	**-**	1
Insurance premium income for the period	**221**	236
Insurance expenses and subscriptions for the period	**3**	381
Fees and emoluments for the period	**2,824**	2,808

Interest income and expense are disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

37. Related party transactions (continued)

Fees and emoluments are included for the period that they serve as members of the Board of Directors or key management personnel.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €122 thousand as at 30 June 2024 (31 December 2023: €116 thousand).

There were also contingent liabilities and commitments to key management personnel and their connected persons amounting to €1,168 thousand as at 30 June 2024 (31 December 2023: €1,197 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 30 June 2024 amounted to €1,332 thousand (31 December 2023: €1,489 thousand).

During the six months ended 30 June 2024 premiums of €89 thousand (30 June 2023: €89 thousand) and nil claims (30 June 2023: nil) were paid by/to the members of the Board of Directors of the Company and their connected persons to/from the insurance subsidiaries of the Group.

There were no other transactions during the six months ended 30 June 2024 and the six months ended 30 June 2023 with connected persons of the current members of the Board of Directors or with any members who resigned during the periods.

38. Group companies

The main subsidiary companies and branches included in the Consolidated Financial Statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 30 June 2024 are:

Company	Country of incorporation	Activities	Percentage holding (%)
Bank of Cyprus Holdings Public Limited Company	Ireland	Holding company	n/a
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	100
EuroLife Ltd	Cyprus	Life insurance	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
JCC Payment Systems Ltd	Cyprus	Development of inter-banking systems, processing of card transactions, other payment services and other activities	75
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, brokerage, discretionary asset management and investment advice services	100
Jinius Ltd	Cyprus	Digital Economy Platform	100
LCP Holdings and Investments Public Ltd	Cyprus	Investments in securities and participations in companies and schemes that are active in various business sectors and projects	67
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of BOC PCL)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections - In run-down	100
MC Investment Assets Management LLC	Russia	Problem asset management company - In run-down	100
Fortuna Astrum Ltd	Serbia	Problem asset management company - In run-down	100

38. Group companies (continued)

In addition to the above companies, as at 30 June 2024 BOC PCL had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Hamura Properties Ltd, Tolmeco Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Cranmer Properties Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Spacous Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Maledico Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Coeval Properties Ltd, Finevo Properties Ltd, Mazima Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Odolo Properties Ltd, Molemo Properties Ltd, Samilo Properties Ltd, Alezia Properties Ltd, Zenoplus Properties Ltd, Enelo Properties Ltd, Monata Properties Ltd, Vertilia Properties Ltd, Amary Properties Ltd, Aparno Properties Ltd, Lomenia Properties Ltd, Midelox Properties Ltd, Montira Properties Ltd, Orilema Properties Ltd, Cramonco Properties Ltd, Carilo Properties Ltd, Olisto Properties Ltd, Holstone Properties Ltd, Gelimo Properties Ltd and Philiki Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 30 June 2024 BOC PCL had 100% shareholding in Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 30 June 2024 BOC PCL had 100% shareholding in BOC Terra AIF V.C.I. Plc which is a real estate alternative investment fund, currently inactive.

At 30 June 2024 BOC PCL had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Rifelo Properties Ltd, Avaleto Properties Ltd and Larizemo Properties Ltd.

In addition, BOC PCL holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Bonayia Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Zunimar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

BOC PCL also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Paneuropean Ltd, Nelcon Transport Co. Ltd, Canosa Properties Ltd, Homirova Properties Ltd and Finerose Properties Ltd.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

BOC PCL also holds indirectly 75% of Settle Cyprus Ltd, which is inactive.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above have share capital consisting of ordinary shares.

38. Group companies (continued)

Acquisitions of subsidiaries

During the six months ended 30 June 2024 and during the year ended 31 December 2023 there were no acquisitions of subsidiaries.

Dissolution and disposal of subsidiaries

There were no material disposals of subsidiaries during the six months ended 30 June 2024. CYCMC IV Ltd was dissolved during the six months ended 30 June 2024. Regetona Properties Ltd, Soluto Properties Ltd, Camela Properties Ltd, Baleland Properties Ltd, Ramendi Properties Ltd, Fitrus Properties Ltd and Estaga Properties Ltd were disposed of during the six months ended 30 June 2024.

As at 30 June 2024, the following subsidiaries were in the process of dissolution or in the process of being struck off: Fantasio Properties Ltd, Demoro Properties Ltd, Bramwell Properties Ltd, Blindingqueen Properties Ltd, Fairford Properties Ltd, Sylvesta Properties Ltd, Battersee Real Estate SRL, Iperi Properties Ltd, Prodino Properties Ltd, Thryan Properties Ltd, Obafemi Holdings Ltd, Birkdale Properties Ltd and Ensolo Properties Ltd.

39. Investments in associates and joint venture

Investments in associates	Percentage holding (%)
Aris Capital Management LLC	**30.0**
Rosequeens Properties Limited (in the process of dissolution)	**33.3**
Fairways Automotive Holdings Ltd	**45.0**

The carrying values of the investments in associates are considered to be fully impaired and their value has been restricted to zero.

Investment in joint venture	Percentage holding (%)
Tsiros (Agios Tychon) Ltd	**50.0**

The carrying value of the investment in the joint venture is considered to be fully impaired and its value has been restricted to zero.

40. Events after the reporting period

Share repurchase programme
During the period from 1 July 2024 to 6 August 2024 464 thousand shares were further purchased under the share repurchase programme launched in April 2024, at a total cost of €1,920 thousand. As at 6 August 2024, the Company holds 44 thousand shares, all arising from the share repurchase programme.

Proposal to list to Athens Stock Exchange and delist from London Stock Exchange
The Board has been assessing how to enhance the liquidity of the ordinary shares of the Group which are currently listed on the London Stock Exchange ('LSE') and the Cyprus Stock Exchange ('CSE'). Following extensive communication with Group's stakeholders, the Board has reached the view that listing the ordinary shares on the Athens Stock Exchange ('ATHEX') in conjunction with a delisting from the LSE will yield a number of long-term strategic and capital market benefits. The ordinary shares of the Group will continue to be listed on the CSE. An Extraordinary General Meeting will be convened to propose a resolution to shareholders to consider the proposed listing on ATHEX. The effectiveness of the listing on ATHEX will also be subject to and conditional upon, being approved by the ATHEX Listings Committee.

No other significant non-adjusting events have taken place since 30 June 2024.

Independent review report to Bank of Cyprus Holdings Public Limited Company

Report on the consolidated condensed interim financial statements

Our conclusion

We have reviewed Bank of Cyprus Holdings Public Limited Company's consolidated condensed interim financial statements (the "interim financial statements") in the Interim Financial Report of Bank of Cyprus Holdings Public Limited Company for the six month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

The interim financial statements, comprise:

- the Interim Consolidated Balance Sheet as at 30 June 2024;
- the Interim Consolidated Income Statement and the Interim Consolidated Statement of Comprehensive Income for the period then ended;
- the Interim Consolidated Statement of Cash Flows for the period then ended;
- the Interim Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 3.2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Financial Report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority. In preparing the Interim Financial Report including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Financial Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007, as amended, Part 2 (Transparency Requirements) of the Central Bank (Investment Market Conduct) Rules 2019 and the applicable requirements of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Dublin

7 August 2024

Alternative Performance Measures Disclosures

30 June 2024

DEFINITIONS

Adjusted recurring profitability	The Group's profit after tax before non-recurring items (attributable to the owners of the Company) taking into account distributions under other equity instruments such as the annual AT1 coupon.
Advisory and other transformation costs	Comprise mainly of fees of external advisors in relation to the transformation program and other strategic projects of the Group.
Allowance for expected loan credit losses	Comprises (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale, where applicable), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale, where applicable), (iii) allowance for expected credit losses on off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities, and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
Basic profit per share (attributable to the owners of the Company)	Basic profit per share (attributable to the owners of the Company) is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of shares in issue during the period/year, excluding treasury shares.
Carbon neutral	The reduction and balancing (through a combination of offsetting investments or emission credits) of greenhouse gas emissions from own operations.
Cost to Income ratio	Cost-to-income ratio is calculated as total expenses (as defined), divided by total income (as defined).
Digital transactions ratio	This is the ratio of the number of digital transactions performed by individuals and legal entity customers to the total number of transactions. Transactions include deposits, cash withdrawals, internal and external transfers. Digital channels include mobile, browser and ATMs.
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of the Bank (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Diluted earnings per share (attributable to the owners of the Company)	Diluted earnings per share is the Profit/(loss) after tax (attributable to the owners of the Company) divided by the weighted average number of ordinary shares in issue during the period/year, excluding treasury shares, adjusted to take into account the potential dilutive effect for the ordinary shares that may arise in respect of share awards granted to executive directors and senior management of the Group under the Long-Term Incentive Plan and Short-Term Incentive Plan, where applicable.
Green Asset ratio	The proportion of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets.
Green Mortgage ratio	The proportion of a credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgage assets.

Gross loans	Gross loans comprise: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale, where applicable) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. The residual fair value adjustment on initial recognition relates mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired at acquisition date).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus reverse repurchase agreements, plus net loans and advances to customers (including net loans and advances to customers classified as non-current assets held for sale, where applicable) (as defined), plus deferred consideration receivable ('DPP'), plus investments (excluding equities, mutual funds and other non-interest bearing investments).
Legacy exposures	Legacy exposures are exposures relating to (i) Restructuring and Recoveries Division (RRD), (ii) Real Estate Management Unit (REMU), and (iii) Non-core overseas exposures.
Leverage ratio	The leverage ratio is the ratio of tangible total equity to total assets as presented on the balance sheet. Tangible total equity comprises of equity attributable to the owners of the Company and other equity instruments minus intangible assets.
Loan credit losses (PL)	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains/(losses) on derecognition of financial assets measured at amortised cost relating to loans and advances to customers and (iii) net gains/(losses) on loans and advances to customers at FVPL, for the reporting period/year.
Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year-to-date) is calculated as the loan credit losses (as defined) (annualised based on year-to-date days) divided by the average gross loans. The average gross loans are calculated as the average of the opening balance and the closing balance of Gross loans (as defined), for the reporting period/year.
Market Shares	Both deposit and loan market shares are based on data from the CBC.
Net Interest Margin	Net interest margin is calculated as the net interest income (annualized based on year-to-date days) divided by the quarterly average interest earning assets (as defined).
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
Net performing loan book	Net performing loan book is the total net loans and advances to customers (as defined) excluding net loans included in the legacy exposures (as defined).
Net zero emissions	The reduction of greenhouse gas emissions to net zero through a combination of reduction activities and offsetting investments.

New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year-to-date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-interest income	Non-interest income comprises: Net fee and commission income, Net foreign exchange gains/(losses) and net gains/(losses) on financial instruments (excluding net gains on loans and advances to customers at FVPL), Net insurance result, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties, and Other income.

Non-performing exposures (NPEs)

As per the EBA standards and the ECB's Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

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

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

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

For retail debtors, when a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the specific part of the exposure is classified as non-performing. For non-retail debtors, when an exposure fulfils the NPE criteria set out above, then the total customer exposure is classified as non-performing.

Material arrears/excesses are defined as follows:

- Retail exposures: Total arrears/excess amount greater than €100,
- Exposures other than retail: Total arrears/excess amount greater than €500

and the amount in arrears/excess of the customer's total exposure is at least 1%.

The NPEs are reported before the deduction of allowance for expected loan credit losses (as defined).

Non-recurring items	Non-recurring items as presented in the 'Consolidated Income Statement – Underlying basis' relate to 'Advisory and other transformation costs - organic', if applicable.
NPE coverage ratio	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	NPE ratio is calculated as the NPEs (as defined) divided by Gross loans (as defined).
Operating profit	Operating profit on the underlying basis comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for pending litigations, claims, regulatory and other matters (net of reversals), tax, profit attributable to non-controlling interests and non-recurring items (as defined).
Operating profit return on average assets	Operating profit return on average assets is calculated as the annualised operating profit (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)	Profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company) is the operating profit (as defined) adjusted for loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for litigation, claims, regulatory and other matters (net of reversals), tax and (profit)/loss attributable to non-controlling interests.
Profit/(loss) after tax – organic (attributable to the owners of the Company)	Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (attributable to the owners of the Company)(as defined), adjusted for the 'Advisory and other transformation costs – organic', if applicable.
Return on Tangible equity (ROTE)	Return on Tangible Equity (ROTE) is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (annualised based on year-to-date days), divided by the quarterly average of Shareholders' equity (as defined) minus intangible assets at each quarter end.
Return on Tangible equity (ROTE) excluding amounts reserved for distributions	Return on Tangible equity (ROTE) excluding amounts reserved for distributions is calculated as Profit/(loss) after tax (attributable to the owners of the Company) (as defined) (annualised based on year-to-date days), divided by the quarterly average of Shareholders' equity (as defined) minus intangible assets and the amounts approved/recommended for distribution in respect of earnings of the relevant year the distribution relates to.
Shareholders' equity	Shareholders' equity comprise total equity adjusted for non-controlling interest and other equity instruments. It is represented by equity attributable to the owners of the Company (as per statutory basis).
Tangible book value per share	Tangible book value per share is calculated as Shareholders' equity (as defined) less intangible assets at each quarter end, divided by the number of shares in issue at the end of the period/year, excluding treasury shares.
Tangible equity	Tangible equity comprises of equity attributable to the owners of the Company (as per statutory basis) and other equity instruments minus intangible assets.
Time deposits pass-through	Calculated as a percentage of the cost (interest expense) of Time and Notice deposits over the average 6-month Euribor rate for the period.

Total expenses	Total expenses on the underlying basis comprise the total staff costs, special levy on deposits and other levies/contributions and other operating expenses (excluding 'Advisory and other transformation costs-organic', (on an underlying basis) as reconciled in the table further below).
Total income	Total income on the underlying basis comprises the total of Net interest income, Net fee and commission income, Net foreign exchange gains, Net gains/(losses) on financial instruments (excluding net gains/(losses) on loans and advances to customers at FVPL), Net insurance result, Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of property and Other income (on an underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Interim Management Report under section 'Group financial results on the underlying basis'.
Underlying basis	The underlying basis is computed by adjusting the results as per the statutory basis for the reclassification of certain items as explained in the 'Reconciliation of the Interim Consolidated Income Statement for the six months ended 30 June 2024 between the audited statutory basis and the underlying basis' within the Interim Management Report.

Reconciliations

For the purpose of the 'Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2024.

Reconciliations between the non-IFRS performance measures and the most directly comparable IFRS measures which allow for the comparability of the underlying basis to the statutory basis are disclosed below.

1. Reconciliation of Gross loans and advances to customers

	30 June 2024	31 December 2023
	€000	€000
Gross loans and advances to customers as per the underlying basis (*as defined above*)	**10,317,551**	10,069,828
Reconciling items:		
Residual fair value adjustment on initial recognition (*Note 19*)	**(61,051)**	(69,534)
Loans and advances to customers measured at FVPL (*Note 19*)	**(134,835)**	(138,727)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**1,483**	947
Gross loans and advances to customers at amortised cost as per the Consolidated Condensed Interim Financial Statements *(Note 19)*	**10,123,148**	9,862,514

2. Reconciliation of Allowance for expected credit losses (ECL) on loans and advances to customers

	30 June 2024	31 December 2023
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (*as defined above)*	**250,610**	267,232
Reconciling items:		
Residual fair value adjustment on initial recognition (*Note 19*)	**(61,051)**	(69,534)
Aggregate fair value adjustment on loans and advances to customers measured at FVPL	**1,483**	947
Provisions for financial guarantees and commitments (*Note 25*)	**(18,026)**	(19,192)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Condensed Interim Financial Statements *(Note 19)*	**173,016**	179,453

Reconciliations (continued)

3. Reconciliation of NPEs

	30 June 2024	31 December 2023
	€000	€000
NPEs as per the underlying basis (*as defined above*)	**293,571**	365,450
Reconciling items:		
POCI (NPEs) *(Note 1 below)*	**(40,664)**	(37,273)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 *(Note 19)*	**1,180**	(1,294)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Condensed Interim Financial Statements *(Note 19)*	**254,087**	326,883
NPE ratio		
NPEs (*as per table above*) (€000)	**293,571**	365,450
Gross loans and advances to customers (*as per table 1 above*) (€000)	**10,317,551**	10,069,828
Ratio of NPE/Gross loans (%)	**2.8%**	3.6%

NPE Coverage ratio	**30 June 2024**	31 December 2023
Allowance for expected credit losses (ECL) on loans and advances to customers (*as per table 2 above*) (€000)	**250,610**	267,232
NPEs (*as per table above*) (€000)	**293,571**	365,450
NPE Coverage ratio (%)	**85%**	73%

Note 1: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €40,664 thousand POCI - NPEs (out of a total of €69,823 thousand POCI loans) (31 December 2023: €37,273 thousand POCI - NPEs (out of a total of €100,197 thousand POCI loans)) as disclosed in Note 19 of the Consolidated Condensed Interim Financial Statements for the six months ended 30 June 2024.

4. Reconciliation of Loan credit losses

	Six months ended 30 June	
	2024	2023
	€000	€000
Loan credit losses as per the underlying basis	**15,503**	24,397
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers *(Note 13)*	**17,145**	30,290
Net gains on derecognition of financial assets measured at amortised cost – loans and advances to customers (see further below)	**(1,106)**	(5,902)
Net (gains)/losses on loans and advances to customers at FVPL *(Note 10)*	**(536)**	9
	15,503	24,397

Net gains on derecognition of financial assets measured at amortised cost presented in the Interim Consolidated Income Statement amount to €1,106 thousand (30 June 2023: €5,861 thousand) and comprise €1,106 thousand (30 June 2023: €5,902 thousand) net gains on derecognition of loans and advances to customers and nil (30 June 2023: €41 thousand) net losses on derecognition of debt securities measured at amortised cost.

Reconciliations (continued)

5. Reconciliation of Adjusted recurring profitability to Profit after tax for the period attributable to the owners of the Company

	Six months ended 30 June	
	2024	2023
	€000	€000
Adjusted recurring profitability as per the underlying basis (*as defined above*)	**270,353**	222,504
Reconciling items:		
Advisory and other transformation costs (non-recurring) *(Note 12)*	**-**	(2,257)
Profit after tax for the period attributable to the owners of the Company as per the Interim Consolidated Income Statement	**270,353**	220,247

Key Performance Ratios Information

1. Net Interest Margin (NIM)

The components for the calculation of net interest margin are provided below:

	Six months ended 30 June	
	2024	2023
1.1. Net interest income used in the calculation of NIM	**€000**	€000
Net interest income as per the underlying basis/statutory basis	**419,883**	358,342
Net interest income used in the calculation of NIM (annualised)	**844,380**	722,623

1.2. Interest earning assets	**30 June 2024**	31 March 2024	31 December 2023
	€000	€000	€000
Cash and balances with central banks	**7,287,221**	7,217,046	9,614,502
Loans and advances to banks	**384,112**	383,707	384,802
Reverse repurchase agreements	**1,014,858**	707,526	403,199
Loans and advances to customers	**10,084,967**	10,027,893	9,821,788
Prepayments, accrued income and other assets – Deferred consideration receivable ('DPP') *(Note 21)*	**251,244**	247,107	243,013
Investments			
Debt securities *(Note 16)*	**3,828,083**	3,742,838	3,547,782
Total interest earning assets	**22,850,485**	22,326,117	24,015,086
1.3. Quarterly average interest earning assets (€000)			
- as at 30 June 2024			**23,063,896**
- as at 30 June 2023			22,780,590

Key Performance Ratios Information (continued)

1. Net Interest Margin (NIM) (continued)

1.4. Net Interest Margin (NIM)	Six months ended 30 June	
	2024	2023
Net interest income (annualised) (*as per table 1.1. above*) (€000)	**844,380**	722,623
Quarterly average interest earning assets (*as per table 1.3. above*) (€000)	**23,063,896**	22,780,590
NIM (%)	**3.66%**	3.17%

2. Cost to income ratio

2.1 Reconciliation of the components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.1.1 Reconciliation of Staff costs	Six months ended 30 June	
	2024	2023
	€000	€000
Staff costs as per the underlying basis/statutory basis	**96,135**	93,043

2.1.2 Reconciliation of Other operating expenses	Six months ended 30 June	
	2024	2023
	€000	€000
Other operating expenses as per the underlying basis	**70,989**	68,199
Reclassifications for:		
Advisory and other transformation costs – organic, separately presented under the underlying basis	**-**	2,257
Other operating expenses as per the statutory basis *(Note 12)*	**70,989**	70,456

2.1.3 Total Expenses as per the underlying basis	Six months ended 30 June	
	2024	2023
	€000	€000
Staff costs as per the underlying basis/statutory basis (*as per table 2.1.1 above*)	**96,135**	93,043
Special levy on deposits and other levies/contributions as per the underlying basis/statutory basis	**18,784**	18,236
Other operating expenses as per the underlying basis *(as per table 2.1.2 above)*	**70,989**	68,199
Total Expenses as per the underlying basis	**185,908**	179,478

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

2.2 Reconciliation of the components of total income used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

2.2.1 Total Income as per the underlying basis	**Six months ended 30 June**	
	2024	2023
	€000	€000
Net interest income as per the underlying basis/statutory basis (*as per table 1.1 above*)	**419,883**	358,342
Net fee and commission income as per the underlying basis/statutory basis	**86,215**	89,604
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis *(as per table 2.2.2 below)*	**13,227**	21,487
Net insurance result*	**22,775**	24,561
Net gains from revaluation and disposal of investment properties and Net gains on disposal of stock of properties (as per the statutory basis)	**1,327**	4,694
Other income (as per the statutory basis)	**5,218**	12,200
Total Income as per the underlying basis	**548,645**	510,888

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

2.2.2 Reconciliation of Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost between the statutory basis and the underlying basis	**Six months ended 30June**	
	2024	2023
	€000	€000
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the underlying basis	**13,227**	21,487
Reclassifications for:		
Net gains/(losses) on loans and advances to customers at FVPL disclosed within 'Loan credit losses' per the underlying basis (*as per table 4 in Section 'Reconciliations' above*)	**536**	(9)
Net gains on derecognition of financial assets measured at amortised cost-loans and advances to customers, disclosed within 'Loan credit losses' per the underlying basis (*as per table 4 in Section 'Reconciliations' above*)	**1,106**	5,902
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost as per the statutory basis (see below)	**14,869**	27,380
Net foreign exchange gains, Net gains on financial instruments and Net gains on derecognition of financial assets measured at amortised cost (as per table above) are reconciled to the statutory basis as follows:		
Net foreign exchange gains	**13,034**	15,839
Net gains on financial instruments *(Note 10)*	**729**	5,680
Net gains on derecognition of financial assets measured at amortised cost	**1,106**	5,861
	14,869	27,380

Key Performance Ratios Information (continued)

2. Cost to income ratio (continued)

	Six months ended 30 June	
	2024	2023
Cost to income ratio		
Total expenses (*as per table 2.1.3 above*) (€000)	**185,908**	179,478
Total income (*as per table 2.2.1 above*) (€000)	**548,645**	510,888
Total expenses/Total income (%)	**34%**	35%

Cost to income ratio excluding special levy on deposits and other levies/contributions	Six months ended 30 June	
	2024	2023
Total expenses (*as per table 2.1.3 above*) (€000)	**185,908**	179,478
Less: Special levy on deposits and other levies/contributions (*as per table 2.1.3 above*) (€000)	**(18,784)**	(18,236)
Total expenses excluding special levy on deposits and other levies/contributions	**167,124**	161,242
Total income (*as per table 2.2.1 above*) (€000)	**548,645**	510,888
Total expenses excluding special levy on deposits and other levies/contributions / Total income (%)	**30%**	32%

3. Operating profit return on average assets

The components used in the determination of the operating profit return on average assets are provided below:

	30 June 2024	31 March 2024	31 December 2023
	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets per the Interim Consolidated Balance Sheet	**25,466,170**	24,940,672	26,628,577
Quarterly average total assets (€000)			
- as at 30 June 2024			**25,678,473**
- as at 30 June 2023			25,460,661

	2024	2023
Total income for the six months ended 30 June (*as per table 2.2.1 above*) - annualised (€000)	**1,103,319**	1,030,244
Total expenses for the six months ended 30 June (*as per table 2.1.3 above*) - annualised (€000)	**(373,859)**	(361,931)
Operating profit -annualised (€000)	**729,460**	668,313
Quarterly average total assets as at 30 June (*as per table above*) (€000)	**25,678,473**	25,460,661
Operating profit return on average assets (annualized) (%)	**2.8%**	2.6%

Key Performance Ratios Information (continued)

4. Cost of Risk

	Six months ended 30 June	
	2024	2023
	€000	€000
Loan credit losses (*as per table 4 in Section 'Reconciliation' above*) – annualised	**31,176**	49,198
Average gross loans (as defined) (*as per table 1 in Section 'Reconciliation' above*)	**10,193,690**	10,247,455
Cost of Risk (CoR) %	**0.31%**	0.48%

5. Basic profit per share attributable to the owners of the Company

The components used in the determination of the 'Basic profit per share attributable to the owners of the Company (€ cent)' are provided below:

	2024	2023
Profit after tax (attributable to the owners of the Company) per the underlying basis/statutory basis for the six months ended 30 June (€000)	**270,353**	220,247
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**445,760**	446,058
Basic profit per share attributable to the owners of the Company for the six months ended 30 June (€ cent)	**60.6**	49.4

6. Return on tangible equity (ROTE)

The components used in the determination of 'Return on tangible equity (ROTE)' are provided below:

	2024	2023
Profit after tax for the period (attributable to the owners of the Company) (annualised) per the underlying basis/statutory basis for the six months ended 30 June (€000)	**543,677**	444,145
Quarterly average tangible shareholders' equity as at 30 June (*as per table 6.2 below*) (€000)	**2,291,470**	1,846,802
ROTE (annualised) (%)	**23.7%**	24.0%

6.1 Tangible shareholders' equity	**30 June 2024**	31 March 2024	31 December 2023
	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,387,383**	2,380,876	2,247,080
Less: Intangible assets (as per the statutory basis)	**(45,686)**	(46,609)	(48,635)
Total tangible shareholders' equity	**2,341,697**	2,334,267	2,198,445
6.2 Quarterly average tangible shareholders' equity (€000)			
- as at 30 June 2024			**2,291,470**
- as at 30 June 2023			1,846,802

Key Performance Ratios Information (continued)

7. Return on tangible equity (ROTE) on 15% CET1 ratio

The components used in the determination of 'Return on tangible equity (ROTE) on 15% CET1 ratio', are provided below:

	2024	2023
Profit after tax (attributable to the owners of the Company) (annualised) per the underlying basis/statutory basis for the six months ended 30 June (€000)	**543,677**	444,145
Quarterly average tangible shareholders' equity adjusted for excess CET1 capital on a 15% CET1 ratio as at 30 June (*as per table 7.2 below*) (€000)	**1,838,202**	1,753,953
ROTE on 15% CET1 ratio (%)	**29.6%**	25.3%

7.1 Tangible shareholders' equity on 15% CET1 ratio	**30 June 2024**	31 March 2024	31 December 2023
	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,387,383**	2,380,876	2,247,080
Less: Intangible assets (as per the statutory basis)	**(45,686)**	(46,609)	(48,635)
Less: approved FY2023 distribution**	**(19,011)**	(136,590)	(136,590)
Less: excess CET1 capital* on a 15% CET1 ratio	**(479,000)**	(341,460)	(247,153)
Total tangible shareholders' equity on 15% CET1 ratio	**1,843,686**	1,856,217	1,814,702

**Includes the amount of foreseeable charge for shareholders' distribution accrual at the top-end range of the Group's approved distribution policy deducted from the CET1 ratio as applicable.*
*** Approved FY2023 distribution is adjusted to the extent not already deducted from the Equity attributable to the owners of the Company (as per the statutory basis) at each period end. As at 30 June 2024, only the amount relating to the approved share buyback of €25 million not yet executed is adjusted. For prior periods, the full amount of the FY2023 distribution is adjusted.*

7.2 Quarterly average tangible shareholders' equity on 15% CET1 ratio (€000)		
- as at 30 June 2024		**1,838,202**
- as at 31 December 2023		1,779,597
- as at 30 June 2023		1,753,953

8. Tangible book value per share

	30 June 2024	30 June 2023
	€000	€000
Tangible shareholder's equity (*as per table 6.1 above*) (€000)	**2,341,697**	1,936,913
Number of shares in issue at the end of the period, excluding treasury shares (thousand)	**444,560**	446,058
Tangible book value per share (€)	**5.27**	4.34

Key Performance Ratios Information (continued)

9. Leverage ratio

	30 June 2024	31 March 2024	31 December 2023
Tangible total equity (including Other equity instruments) (*as per table 9.1 below*) (€000)	**2,561,697**	2,554,267	2,418,445
Total assets as per the statutory basis (€000)	**25,466,170**	24,940,672	26,628,577
Leverage ratio	**10.1%**	10.2%	9.1%

9.1 Tangible total equity	**30 June 2024**	31 March 2024	31 December 2023
	€000	€000	€000
Equity attributable to the owners of the Company (as per the statutory basis)	**2,387,383**	2,380,876	2,247,080
Other equity instruments	**220,000**	220,000	220,000
Less: Intangible assets (as per the statutory basis)	**(45,686)**	(46,609)	(48,635)
Tangible total equity	**2,561,697**	2,554,267	2,418,445