Annual Financial Report 2020

Bank of Cyprus

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Board of Directors of Bank of Cyprus Public Company Ltd	Efstratios-Georgios Arapoglou CHAIRMAN Lyn Grobler (elected as Vice-Chairperson on 26 May 2020) VICE-CHAIRPERSON Arne Berggren Dr. Michael Heger Panicos Nicolaou Ioannis Zographakis Maria Philippou Maksim Goldman (resigned from Vice-Chairperson position on 26 May 2020) Nicos Sofianos (appointed on 14 May 2020 - approved by ECB on 26 February 2021) Paula Hadjisotiriou Constantine Iordanou (appointed on 28 September 2020, subject to ECB approval) Eliza Livadiotou (appointed on 28 September 2020, subject to ECB approval) Dr. Christodoulos Patsalides (resigned on 31 October 2020) Anat Bar Gera (resigned on 26 May 2020)
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Company Secretary	Katia Santis
Legal Advisers as to matters of Irish Law	Arthur Cox
Legal Advisers as to matters of English and US Law	Sidley Austin LLP
Legal Advisers as to matters of Cypriot Law	Chryssafinis & Polyviou LLC
Statutory Auditors	PricewaterhouseCoopers 43 Demostheni Severi Avenue, 1080 Nicosia, Cyprus
Registered Office	51 Stassinos Street Ayia Paraskevi, Strovolos CY-2002 Nicosia, Cyprus Telephone: +357 22122100 Telefax: +357 22336258

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 Group (the Group) near term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other European Union (EU) Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks, adverse market conditions, the impact of outbreaks, epidemics or pandemics, such as the COVID-19 pandemic and ongoing challenges and uncertainties posed by the COVID-19 pandemic for businesses and governments around the world. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this document are only applicable as at the date of publication of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this document to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which any statement is based.

Non-IFRS performance measures

Bank of Cyprus Public Company Ltd (the Company) management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the Annual Financial Report as they enable the readers to identify a more consistent basis for comparing the Group's performance between financial periods and provide more detail concerning the elements of performance which management is most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which the operating targets are defined and performance is monitored by the Group's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as the key measures of the 31 December position. Refer to 'Definitions and explanations on Alternative Performance Measures Disclosures' on pages 411 to 421 of the Annual Financial Report for the year ended 31 December 2020 for further information, reconciliations with Consolidated Financial Statements and calculations of non-IFRS performance measures included throughout this document and the most directly comparable IFRS measures.

The Annual Financial Report for the year ended 31 December 2020 is available on the Group's website www.bankofcyprus.com (Investor Relations/Annual Reports).

The Board of Directors submits to the shareholders of Bank of Cyprus Public Company Ltd (the Company) their Management Report together with the audited Consolidated Financial Statements (Consolidated Financial Statements) and Financial Statements of the Company for the year ended 31 December 2020.

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

Activities

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

All Group companies and branches are set out in Note 51 of the Consolidated Financial Statements. The Group has established branches in Greece. Acquisitions and disposals made during the year 2020 are detailed in Notes 51, 52 and 53 of the Consolidated Financial Statements.

Financial results on the underlying basis

Commentary on underlying basis
The financial information presented below provides an overview of the Group financial results for the year ended 31 December 2020 on the 'underlying basis' which the management believes best fits the true measurement of the performance and position of the Group, as this presents separately the exceptional and the one-off items. Reconciliations between the statutory basis and the underlying basis are included in section 'Unaudited reconciliation of the Income Statement for the year ended 31 December 2020 between statutory and underlying basis' below and in 'Definitions and explanations on Alternative Performance Measures Disclosures', of this Annual Financial Report for the year ended 31 December 2020 to facilitate the comparability of the underlying basis to the statutory information.

With respect to the 'Balance Sheet Analysis', please note the following in relation to the disclosure of pro forma figures and ratios with respect to Project Helix 2 (as explained in the paragraph below). All relevant figures are based on 31 December 2020 financial results, unless otherwise stated. Numbers on a pro forma basis are based on the 31 December 2020 underlying basis figures and are adjusted for Project Helix 2, and assume its completion, which remains subject to required customary regulatory and other approvals. Where numbers are provided on a pro forma basis this is stated.

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

NPE sales: NPE sales refer to sales of portfolios completed in each period and contemplated sale transactions, as well as potential further NPE sales, at each reporting date, irrespective of whether or not they meet the held for sale classification criteria at the reporting dates. They include both Project Helix and Project Helix 2, as well as other portfolios.

Project Helix 2: Project Helix 2 refers to the agreement the Group reached in August 2020 with funds affiliated with Pacific Investment Management Company LLC ('PIMCO'), for the sale of a portfolio of loans with gross book value of €0.9 billion (Helix 2 Portfolio A), as well as to the agreement the Group reached with PIMCO in January 2021 for the sale of an additional portfolio of loans with gross book value of €0.5 billion (Helix 2 Portfolio B). Further details of the transaction are provided in 'Loan portfolio quality' under the 'Balance Sheet Analysis' section below.

Project Helix: Project Helix refers to the sale of a portfolio of loans with a gross book value of €2.8 billion completed in June 2019.

Financial results on the underlying basis (continued)

The main financial highlights for 2020 are set out below:

Unaudited Consolidated Income Statement on the underlying basis

€ million	**2020**[1]	2019[1,2]
Net interest income	**330**	344
Net fee and commission income	**144**	150
Net foreign exchange gains and net gains on financial instruments transactions and disposal/dissolution of subsidiaries and associates	**15**	38
Insurance income net of insurance claims and commissions	**56**	58
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	**7**	32
Other income	**15**	29
Total income	**567**	651
Staff costs	**(195)**	(220)
Other operating expenses	**(145)**	(165)
Special levy and contributions to Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF)	**(30)**	(25)
Total expenses	**(370)**	(410)
Operating profit	**197**	241
Loan credit losses	**(149)**	(146)
Impairments of other financial and non-financial assets	**(42)**	(22)
Provisions for litigation, claims, regulatory and other matters	**(7)**	(10)
Total loan credit losses, impairments and provisions	**(198)**	(178)
(Loss)/profit before tax and non-recurring items	**(1)**	63
Tax	**(8)**	(3)
Profit/(loss) attributable to non-controlling interests	**3**	(2)
(Loss)/profit after tax and before non-recurring items (attributable to the owners of the Company)	**(6)**	58
Advisory and other restructuring costs-organic	**(10)**	(22)
(Loss)/profit after tax - organic (attributable to the owners of the Company)	**(16)**	36
Provisions/net loss relating to NPE sales, including restructuring expenses[3]	**(146)**	(92)
Restructuring costs - Voluntary Staff Exit Plan (VEP)	**(6)**	(81)
(DTC levy)/reversal of impairment of DTA and impairment of other tax receivables	**(3)**	88
Loss on remeasurement of investment in associate upon classification as held for sale (CNP) net of share of profit from associates	**-**	(21)
Loss after tax (attributable to the owners of the Company)	**(171)**	(70)

Key Performance Ratios[4]		
Net interest margin	**1.84%**	1.90%
Cost to income ratio	**65%**	63%
Cost to income ratio excluding special levy, contributions to SRF and DGF	**60%**	59%
Operating profit return on average assets	**0.9%**	1.1%
Basic losses per share attributable to the owners of the Company (€ cent)	**(1.79)**	(0.74)

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

[2]The interest income, non-interest income, staff costs, other operating expenses and loan credit losses relating to Project Helix are disclosed under 'Provisions/net loss relating to NPE sales, including restructuring expenses' in the underlying basis, in order to separate out the impact of this non-recurring transaction.

[3]'Provisions/net loss relating to NPE sales, including restructuring expenses' refer to the net loss on transactions completed during each year, net loan credit losses on transactions under consideration, as well as the restructuring costs relating to these trades.

Financial results on the underlying basis (continued)

Unaudited Consolidated Income Statement on the underlying basis (continued)

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

Unaudited Consolidated Balance Sheet on the underlying basis

€ million	**2020[1]**	2019[1]
Cash and balances with central banks	**5,653**	5,060
Loans and advances to banks	**403**	321
Debt securities, treasury bills and equity investments	**1,913**	1,906
Net loans and advances to customers	**9,886**	10,722
Stock of property	**1,350**	1,378
Investment properties	**128**	136
Other assets	**1,550**	1,574
Non-current assets and disposal groups held for sale	**631**	26
Total assets	**21,514**	21,123
Deposits by banks	**392**	533
Funding from central banks	**995**	-
Repurchase agreements	**-**	168
Customer deposits	**16,533**	16,692
Subordinated loan stock	**272**	272
Other liabilities	**1,247**	1,169
Total liabilities	**19,439**	18,834
Shareholders' equity	**1,831**	2,040
Other equity instruments (AT1)	**220**	220
Total equity excluding non-controlling interests	**2,051**	2,260
Non-controlling interests	**24**	29
Total equity	**2,075**	2,289
Total liabilities and equity	**21,514**	21,123

Financial results on the underlying basis (continued)

Unaudited Consolidated Balance Sheet on the underlying basis (continued)

Key Balance Sheet figures and ratios	**2020 (proforma)**[2]	**2020 (as reported)**[3]	2019
Gross loans (€ million)	**10,907**	**12,261**	12,822
Allowance for expected credit losses (€ million)	**1,033**	**1,902**	2,096
Customer deposits (€ million)	**16,533**	**16,533**	16,692
Loans to deposits ratio (net)	**60%**	**63%**	64%
NPE ratio	**16%**	**25%**	30%
NPE coverage ratio	**59%**	**62%**	54%
Leverage ratio	**8.8%**	**8.8%**	10.0%
Capital ratios and risk weighted assets			
Common Equity Tier 1 (CET1) ratio (transitional for IFRS 9)[4]	**15.17%**	**14.81%**	14.82%
Total capital ratio	**19.30%**	**18.86%**	18.46%
Risk weighted assets (€ million)	**11,374**	**11,630**	12,884

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

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

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

[4]The CET1 fully-loaded ratio as at 31 December 2020 amounts to 12.95% and 13.27% pro forma for Helix 2 (Portfolios A and B) compared to 13.07% as at 31 December 2019.

Unaudited reconciliation of the Income Statement for the year ended 31 December 2020 between statutory and underlying basis

€ million	**Underlying basis**	**NPE sales**	**Tax related items**	**Other**	**Statutory basis**
Net interest income	330	-	-	-	330
Net fee and commission income	144	-	-	-	144
Net foreign exchange gains and net gains on financial instruments transactions and disposal/dissolution of subsidiaries	15	-	-	3	18
Insurance income net of claims and commissions	56	-	-	-	56
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties	7	-	-	-	7
Other income	15	-	-	-	15
Total income	**567**	-	-	3	**570**
Total expenses	**(370)**	(26)	(3)	(23)	**(422)**
Operating profit	**197**	(26)	(3)	(20)	**148**
Loan credit losses	(149)	(120)	-	(3)	(272)
Impairments of other financial and non-financial assets	(42)	-	-	-	(42)
Provisions for litigation, claims, regulatory and other matters	(7)	-	-	7	-
Loss before tax and non-recurring items	**(1)**	(146)	(3)	(16)	**(166)**
Tax	(8)	-	-	-	(8)
Loss attributable to non-controlling interests	3	-	-	-	3
Loss after tax and before non-recurring items (attributable to the owners of the Company)	**(6)**	(146)	(3)	(16)	**(171)**
Advisory and other restructuring costs - organic	(10)	-	-	10	-
Loss after tax - organic* (attributable to the owners of the Company)	**(16)**	(146)	(3)	(6)	**(171)**
Provisions/net loss relating to NPE sales, including restructuring expenses	(146)	146	-	-	-
Restructuring costs-Voluntary Exit Plan (VEP)	(6)	-	-	6	-
DTC levy	(3)	-	3	-	-
Loss after tax (attributable to the owners of the Company)	**(171)**	-	-	-	**(171)**

Financial results on the underlying basis (continued)

Unaudited reconciliation of the Income Statement for the year ended 31 December 2020 between statutory and underlying basis (continued)

*This is the loss after tax (attributable to the owners of Company), before the 'Provisions/net loss relating to NPE sales, including restructuring expenses' as well as before the restructuring costs relating to the voluntary staff exit plan (VEP) and the DTC levy.

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

NPE sales

- Total expenses include restructuring costs of €5 million and operating expenses of €21 million mainly relating to the agreements for the sale of portfolios of NPEs and are presented within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis.
- Loan credit losses under the statutory basis include the loan credit losses relating to Project Helix 2 of €99 million recorded upon the closing of the transaction for each portfolio, as well as additional loan credit losses of €21 million recorded in the second quarter of 2020 within the context of IFRS 9, as a result of potential further NPE sales anticipated at the time; these are disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis.

Tax related items

- Levy in the form of a guarantee fee relating to the revised income tax legislation of €3 million, which has been disclosed within 'DTC levy' under the underlying basis, is disclosed within 'Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies' under the statutory basis.

Other reclassifications

- Advisory and other restructuring costs of approximately €10 million included in 'Other operating expenses' under the statutory basis are separately presented under the underlying basis since they represent one-off items.
- Provisions for litigation, claims, regulatory and other matters amounting to €7 million included in 'Other operating expenses' under the statutory basis, are separately presented under the underlying basis, since they mainly relate to cases that arose outside the normal activities of the Group.
- Restructuring costs relating to voluntary staff exit plan (VEP) amounting to €6 million and included within 'Staff costs' under the statutory basis, are separately presented under the underlying basis, since they represent one-off items.
- Net gains on loans and advances to customers at FVPL of approximately €3.5 million included in 'Loan credit losses' under the underlying basis are included in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' under the statutory basis. Their classification under the underlying basis is done in order to align them to the net losses on loans and advances to customers at amortised cost.

Balance Sheet Analysis

Capital Base

Total equity excluding non-controlling interests totalled €2,051 million at 31 December 2020, compared to €2,260 million at 31 December 2019. Shareholders' equity totalled €1,831 million at 31 December 2020, compared to €2,040 million at 31 December 2019.

The Common Equity Tier 1 capital (CET1) ratio on a transitional basis stood at 14.81% at 31 December 2020 and 15.17% pro forma for the Project Helix 2 (Portfolios A and B) sale agreements reached in the third quarter 2020 and in the first quarter 2021 respectively (referred to as 'pro forma for Helix 2'), compared to 14.82% at 31 December 2019.

During the year ended 31 December 2020, the CET1 ratio was positively impacted by the amendments to the capital regulations introduced in June 2020 in response to COVID-19 by approximately 82 bps (net positive impact). The main drivers behind this increase have been the acceleration of the implementation of the new SME discount factor under CRR II introduced in June 2020 instead of June 2021, the introduction of the prudential treatment of software assets in December 2020 and the amendments to the IFRS 9 dynamic component introduced as of June 2020.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased-in gradually. The amount added each year decreases based on a weighting factor until the impact of IFRS 9 is fully absorbed back to CET1 at the end of the five years. The impact on the capital position for year 2018 was 5% of the impact on the impairment amounts from the initial application of IFRS 9, which increased to 15% (cumulative) for year 2019, 30% (cumulative) for year 2020 and 50% (cumulative) for year 2021. This will increase to 75% (cumulative) for year 2022 and will be fully phased in (100%) by 1 January 2023. The CET1 ratio on a transitional basis of the Group stood at 14.35% on 1 January 2021 and 14.70% pro forma for Helix 2.

In June 2020, Regulation (EU) 2020/873, regarding certain adjustments in response to the COVID-19 pandemic, came into force, extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1, such as allowing to temporarily add back unrealised gains or losses on certain financial instruments measured at fair value through other comprehensive income. Further details are set out further below under 'Implications on capital from the Outbreak of COVID-19'.

The CET1 ratio on a fully loaded basis amounted to 12.95% as at 31 December 2020 and 13.27% pro forma for Helix 2, compared to 13.07% as at 31 December 2019. On a transitional basis and on a fully phased-in basis, after the transition period is completed, the impact of IFRS 9 is expected to be manageable and within the Group's capital plans.

The Total Capital ratio stood at 18.86% as at 31 December 2020 and 19.30% pro forma for Helix 2, compared to 18.46% as at 31 December 2019.

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

In the context of ECB's capital easing measures for COVID-19, in April 2020 the Company received an amendment to the December 2019 SREP decision effective as of 12 March 2020, reducing the Group's minimum phased-in Common Equity Tier 1 (CET1) capital ratio to 9.7% (comprising of 4.5% Pillar I requirement, 1.7% Pillar II requirement, the Capital Conservation Buffer of 2.5% and the Other Systemically Important Institution Buffer of 1.0%), following the frontloading of the new rules on the Pillar II Requirement composition, to allow banks to use Additional Tier 1 (AT1) capital and Tier 2 (T2) capital to meet Pillar II Requirements and not meet P2R only by CET1, initially scheduled to come into effect in January 2021.

The SREP Total Capital Requirement remained unchanged at 14.5%, comprising of 8.0% Pillar I requirement (of which up to 1.5% can be in the form of AT1 capital and up to 2.0% in the form of T2 capital), 3.0% Pillar II requirement, the Capital Conservation Buffer of 2.5% and the Other Systemically Important Institution Buffer of 1.0%. The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer. Pillar II add-on capital requirements derive from the context of the SREP, which is a point in time assessment, and are therefore subject to change over time.

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

In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, the CBC is 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. The Company has been designated as an O-SII and the O-SII buffer currently set by the CBC for the Group is 2%. This buffer is being phased-in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%). In April 2020, the CBC decided to delay the phasing-in (0.5%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022 as originally set.

Further analysis on the recent developments on the regulatory capital ratios due to the COVID-19 outbreak is set out further below under 'Implications on capital from the Outbreak of COVID-19'.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

The European Banking Authority (EBA) final guidelines on SREP and supervisory stress testing and the Single Supervisory Mechanism's (SSM) 2018 SREP methodology provide that own funds held for the purposes of Pillar II Guidance 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. Following the 2019 SREP decision, the new provisions became effective as of 1 January 2020.

Based on the SREP decisions of prior years, Bank of Cyprus Holdings Public Limited Company (BOCH) and the Company were under a regulatory prohibition for equity dividend distribution and therefore no dividends were declared or paid during 2019. Following the 2020 SREP communication, BOCH and the Company are still under equity dividend distribution prohibition as the 2019 SREP decision remains in force. This prohibition does not apply if the distribution is made via the issuance of new ordinary shares to the shareholders, which are eligible as CET1 capital. No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the BOCH or the Company.

The ECB, as part of its supervisory role, has completed an onsite inspection and review on the value of the Group's foreclosed assets with reference date 30 June 2019. The findings relate to a prudential charge of up to 46 bps, the majority of which is expected to be taken at 30 June 2021, depending on the Company's progress in disposing the properties impacted by the prudential charge.

Share Premium reduction of the Company

The Company having obtained approval by its shareholders, the ECB and the Court of Cyprus, implemented a capital reduction process in October 2020, which resulted in the reclassification of approximately €619 million of the Company's share premium balance as distributable reserves. Such reduction of capital did not have any impact on regulatory capital or the total equity position of the Company or the Group.

The distributable reserves provide the basis for the calculation of distributable items under the Capital Requirements Regulation (EU) No. 575/2013 (CRR), which provides that coupons on AT1 capital instruments may only be funded from distributable items.

Project Helix 2

In August 2020, the Group signed an agreement (the 'agreement') for the sale of a portfolio of loans with gross book value of €0.9 billion as at 30 June 2020, known as Project 'Helix 2 Portfolio A'. Loan credit losses in relation to the agreement of approximately €68 million, including transaction costs were recognised during the second quarter of 2020.

In January 2021, the Group amended and restated the agreement to incorporate the sale of an additional portfolio of loans with gross book value of €0.5 billion as at 30 September 2020, known as Project 'Helix 2 Portfolio B'. As at the year-end, in anticipation to the agreement for Project 'Helix 2 Portfolio B' loan credit losses of approximately €27 million, estimated ECL (including transaction costs) were recognised in December 2020.

The completion of Helix 2 Portfolio B will be aligned with the completion of Helix 2 Portfolio A and is currently estimated to occur early in the second half of 2021. The completion remains subject to a number of conditions, including required customary regulatory and other approvals.

The expected capital impact of Project Helix 2 (Portfolios A and B) at completion, and including the losses already recognised in the second quarter of 2020 and the fourth quarter of 2020, is a negative impact of 42 bps on the Group's CET1 ratio. The expected overall capital impact of Project Helix 2 (Portfolios A and B), upon the full payment of the deferred considerations and without taking into consideration any positive impact from the earnout, is a positive impact of 24 bps on the Group's CET 1 ratio. Further details regarding the consideration, including the deferred component and earnout, are provided below in 'Loan portfolio quality' discussed under the 'Balance Sheet Analysis' section.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Legislative amendments for the conversion of DTA to DTC

Legislative amendments allowing for the conversion of specific deferred tax assets (DTA) into deferred tax credits (DTC) became effective in March 2019. The law amendments cover the utilisation of income tax losses transferred from Laiki Bank to the Company in March 2013. The introduction of CRD IV in January 2014 and its subsequent phasing-in led to a more capital-intensive treatment of this DTA for the Company. The law amendments resulted in an improved regulatory capital treatment, under CRR, of the DTA amounting to approximately €285 million or a CET1 uplift of approximately 190 bps in March 2019.

The Group understands that, in response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government is considering the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already acknowledged, to maintain the conversion of such DTAs into tax credits.

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10 million per year. The Group estimates that such increased fees could range up to €5.3 million per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. In this respect, an amount of €3 million has been recorded in the fourth quarter of 2020 to bring the total amount provided for years 2018-2020 to €16 million, being the maximum expected increased amount for these years (2019: €13 million in the fourth quarter of 2019 and €19 million for year 2019).

Voluntary Staff Exit Plan

In December 2020, the Group completed a targeted voluntary staff exit plan (VEP) at a total cost of €6 million, recorded in the consolidated income statement in the fourth quarter of 2020, resulting in a negative impact of approximately 5 bps on the Group's CET1 ratio. In October 2019, the Group completed a voluntary staff exit plan (VEP) at a total cost of €81 million, recorded in the consolidated income statement in the fourth quarter of 2019, resulting in a negative impact of approximately 60 bps on the Group's CET1 ratio. For further information please refer to the section of 'Total expenses'.

Sale of investment in CNP Cyprus Insurance Holdings Ltd

In October 2019, the sale of the Group's investment in its associate CNP Cyprus Insurance Holdings Limited ("CNP") was completed, resulting in a positive impact of approximately 30 bps on both the Group's CET1 and Total Capital ratios, mainly from the release of risk weighted assets. The shareholding had been acquired as part of the acquisition of certain operations of Laiki Bank in 2013 and was sold to CNP Assurances S.A. for a cash consideration of €97.5 million.

Project Helix

In June 2019, Project Helix was completed resulting in a positive impact of approximately 140 bps on both the Group's CET1 and Total Capital ratios, mainly from the release of risk weighted assets. Project Helix had an overall net positive impact on the Group capital ratios of approximately 60 bps.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Implications on capital from the outbreak of COVID-19

The Group continues to closely monitor developments in, and the effects of COVID-19 on both the global and Cypriot economy. In early 2020, the ECB announced a package of positive measures that should help to support the capital position of banks, in order to secure favourable conditions of financing for the economy with the aim to mitigate the effects of the crisis. Specifically, the measures increased the Group's capital base available to absorb potential losses due to the crisis. In addition, the early adoption of CRD V for the composition of the Pillar II Requirement provides flexibility regarding the Group's compliance with the minimum capital requirement of Pillar II.

In the context of the ECB's capital easing measures for COVID-19, in April 2020, the Company received an amendment to the December 2019 SREP decision effective as of 12 March 2020, reducing the Group's minimum phased-in CET1 capital ratio to 9.7%. In addition, in March 2020, the ECB announced that banks are temporarily allowed to operate below the level of Pillar II Guidance (P2G), the capital conservation buffer (CCB) and the countercyclical buffer. The CBC has set the level of the countercyclical buffer for Cyprus at 0% for the years 2020 and 2019. In July 2020, the ECB committed to allow banks to operate below the P2G and the combined buffer requirement until at least end of 2022, without automatically triggering supervisory actions. In addition, in April 2020, the CBC decided to delay the phasing-in of the O-SII buffer. Further details are given above.

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

With respect to the SME discount factor, banks will be required to hold less capital against SMEs as revised capital discount factors come into effect. These changes became effective in June 2020 and added 44 bps to capital in 2020 upon implementation (i.e. as at 30 June 2020).

The amendments to the existing IFRS 9 transitional arrangements relate to the extension of the transitional period for the recalculation of the transitional adjustment on credit losses on Stage 1 and Stage 2 loans (dynamic component). A 100% add-back of IFRS 9 provisions is allowed for the years 2020 and 2021 reducing to 75% in 2022, to 50% in 2023 and to 25% in 2024. The calculation at each reporting period is to be made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018. The calculation of the static component has not been amended. These amendments became effective in June 2020 and added 20 bps to capital as at 31 December 2020.

In relation to the prudential treatment of intangibles, software assets will no longer be deducted in full in CET1 calculations, subject to certain criteria. The new amendments came into force during the fourth quarter 2020 and added 19 bps to capital as at 31 December 2020.

Finally, institutions may remove from the calculation of their CET1 the amount of unrealised gains and losses accumulated since 31 December 2019 for certain financial instruments accounted for as 'debt instruments measured at fair value through other comprehensive income' in the balance sheet, corresponding to exposures to central governments, to regional governments or to local authorities and to public sector entities, excluding those financial assets that are credit-impaired, subject to a scaling factor set at 100% from January to December 2020, at 70% from January to December 2021 and at 40% from January to December 2022. The Company applies the temporary relief as of the third quarter of 2020 and the relief contributed 2 bps to capital as at 31 December 2020.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Capital Base (continued)

Regulations and Directives

Revised rules on capital and liquidity (CRR II and CRD V)

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

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

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

As per the draft decision, the minimum MREL requirement is set at 23.32% of risk weighted assets and 5.91% of Leverage Ratio Exposure (LRE) and must be met by 31 December 2025. Furthermore, the Company must comply by 1 January 2022 with an interim requirement of 14.94% of risk weighted assets and 5.91% of LRE. The own funds used by the Company to meet the Combined Buffer Requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk-weighted assets. Once the above-mentioned decision becomes final (expected end of March 2021/early April 2021), these requirements will replace those that were previously applicable.

The MREL ratio of the Company as at 31 December 2020, calculated according to SRB's eligibility criteria currently in effect and based on the Company's internal estimate, stood at 15.36% of risk weighted assets (and at 14.92% of risk weighted assets as at 1 January 2021) and at approximately 10% of LRE (and at approximately 10% of LRE as at 1 January 2021). Pro forma for Project Helix 2, the MREL ratio of the Company as at 31 December 2020, calculated on the same basis, stood at 15.80% of risk weighted assets (and at 15.35% of risk weighted assets as at 1 January 2021). The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the CBR amount, currently at 3.5% and expected to increase to 4% on 1 January 2022.

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

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and liquidity

Funding

Funding from Central Banks

At 31 December 2020, the Company's funding from central banks amounted to €995 million, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to no funding from central banks as at 31 December 2019. In June 2020, the Company borrowed €1 billion from the fourth TLTRO III operation, despite its comfortable liquidity position, given the favourable borrowing rate, in combination with the relaxation of collateral terms.

Deposits

Customer deposits totalled €16,533 million at 31 December 2020, compared to €16,692 million at 31 December 2019, remaining broadly flat.

The Company's deposit market share in Cyprus reached 35.0% as at 31 December 2020, at similar levels as at 31 December 2019. Customer deposits accounted for 77% of total assets and 85% of total liabilities at 31 December 2020, compared to 79% of total assets and 89% of total liabilities at 31 December 2019.

The net Loans to Deposits (L/D) ratio stood at 63% as at 31 December 2020, compared to 64% as at 31 December 2019. The L/D ratio had reached a peak of 151% as at 31 March 2014.

Subordinated Loan Stock

At 31 December 2020 the Company's subordinated loan stock (including accrued interest) amounted to €272 million, compared to €272 million at 31 December 2019 and relates to unsecured subordinated Tier 2 Capital Notes of nominal value €250 million, issued by the Company in January 2017.

The Group is currently evaluating opportunities for a potential Tier 2 capital transaction given the terms and maturity profile of the Company’s existing €250 million 10NC5 Tier 2 notes, subject to market conditions.

Liquidity

At 31 December 2020 the Group Liquidity Coverage Ratio (LCR) stood at 254%, compared to 208% at 31 December 2019, above the minimum regulatory requirement of 100%.

The liquidity surplus in LCR at 31 December 2020 amounted to €4.2 billion, compared to €3.2 billion at 31 December 2019. The increase in 2020 is driven mainly by the borrowing of €1 billion TLTRO III in June 2020.

The Net Stable Funding Ratio (NSFR) has not yet been introduced. It will be enforced as a regulatory ratio under CRR II in June 2021, with the limit set at 100%. At 31 December 2020, the Group’s NSFR, on the basis of Basel III standards, stood at 139%, compared to 127% at 31 December 2019.

Regulatory measures to mitigate the impact of COVID-19 crisis on banks' liquidity position

Resulting from the outbreak of COVID-19, the ECB has adopted a broad set of policy measures to mitigate the economic impact of the crisis and to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. The main measures which have a direct or indirect impact on the liquidity position of banks are summarised below:

- The ECB allows banks to operate below the defined level of 100% of the LCR until at least end-2021.
- Collateral easing measures: The package included a set of collateral easing measures, which resulted in increasing the Company's borrowing capacity at the ECB operations and improving the liquidity buffers due to the lower haircuts applied to the ECB eligible collateral the Company holds, that comprises of bonds and Additional Credit Claims (ACC). The collateral easing packages are designed mainly as temporary measures that will remain in place until June 2022 and will be reassessed before then. Furthermore, the ECB enlarged the scope of the ACC framework, increasing the universe of eligible loans. In addition, the ECB announced changes in collateral rules, temporarily accepting collateral with a rating below investment grade, not lower than a certain rating level.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Funding and liquidity (continued)

- Favourable terms of LTRO operations: the package contained measures to provide liquidity support to the euro area financial system. Such measures include a series of LTROs which ran from March to June 2020 so that participants could shift their outstanding LTRO amounts to TLTRO III, as well as significant amendments in the terms and characteristics of TLTRO III, including a very low interest rate applicable to the TLTRO III funding, provided the lending performance target during the specified periods is achieved. Furthermore, a new series of longer-term refinancing operations, called Pandemic Emergency Longer-Term Refinancing Operations (PELTROs), with low rates, was introduced.

Loans

Group gross loans totalled €12,261 million at 31 December 2020, compared to €12,822 million at 31 December 2019. Gross loans of the Group's Cyprus operations totalled €12,196 million at 31 December 2020 accounting for 99% of Group gross loans. Pro forma for Helix 2, gross loans are reduced by €1,354 million to €10,907 million as at 31 December 2020.

New lending granted in Cyprus reached €1,351 million for 2020, compared to €2,045 million for 2019 down by 34%, impacted by the outbreak of COVID-19. New lending in 2020 comprised €596 million corporate loans, €540 million retail loans (of which €363 million were housing loans), €144 million SME loans and €71 million shipping and international loans.

At 31 December 2020, the Group net loans and advances to customers totalled €9,886 million, compared to €10,722 million at 31 December 2019. In addition, at 31 December 2020 net loans and advances to customers of €493 million were classified as held for sale in line with IFRS 5 and relate to Project Helix 2 (€485 million, comprising €310 million relating to Portfolio A and €175 million relating to Portfolio B) and Helix Tail (€8 million), compared to €26 million as at 31 December 2019 relating to Helix Tail and Velocity 2.

The Company is the single largest credit provider in Cyprus with a market share of 41.9% at 31 December 2020, compared to 41.1% at 31 December 2019.

Loan portfolio quality

Tackling the Group's loan portfolio quality remains a top priority for management. The Group has continued to make steady progress across all asset quality metrics and the loan restructuring activity has continued despite challenges brought upon by COVID-19. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio. The Group's near-term priorities include completing the balance sheet de-risking, whilst managing the post-pandemic NPE inflow.

The loan credit losses for 2020 totalled €149 million, (excluding provisions/net loss relating to NPE sales, including restructuring expenses), compared to €146 million for 2019. Further details regarding loan credit losses are provided in '(Loss)/profit before tax and non-recurring items' discussed under the 'Income Statement Analysis' section below.

Loan moratorium

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. Over 25,000 customers were approved, relating to gross loans of approximately €5.9 billion as at 31 December 2020 (comprising gross loans to private individuals of €2.1 billion and gross loans to businesses of €3.8 billion).

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

The payment holiday for all these loans expired on 31 December 2020 and their performance since the end of the moratorium is encouraging. €3.8 billion of the performing loans had an instalment due by 19 March 2021, and 96% of those resumed payments. Of the remaining €2.1 billion loans under the moratorium €0.3 billion of performing loans have an instalment due between 19 March 2021 and end of March 2021, €0.9 billion of performing loans in the second quarter of 2021 and €0.3 billion of performing loans in the second half of 2021. Gross loans of €0.3 billion relate to NPEs as at the start of the moratorium that were eligible and participated in the payment deferred scheme. The remaining €0.3 billion relate to overdraft facilities and current accounts with no instalment.

Gross loans to private individuals under payment deferrals that expired on 31 December 2020, totalled €2.1 billion of which €1.9 billion related to performing loans. 93% of those performing loans had an instalment due by 19 March 2021, and 93% of those resumed payments. Similarly, gross loans to businesses under payment deferrals that expired on 31 December 2020, totalled €3.8 billion of which €3.4 billion related to performing loans. 59% of those performing loans had an instalment due by 19 March 2021, and 98% of those resumed payments.

At the same time reclassifications of approximately €260 million of loans to private individuals and approximately €450 million of loans to businesses under payment deferrals were moved from Stage 1 to Stage 2 in the year ended 31 December 2020, mainly due to the significant increase in credit risk resulting from the deterioration of the macro assumptions, and management overlays. Further details are provided in Note 5.2 'Calculation of expected credit losses'-'Overlays in the context of COVID-19' in the Consolidated Financial Statements. The Company will continue to monitor this portfolio closely, to ensure that problematic areas are identified at an early stage, and appropriate solutions are provided to viable customers. To that end, it has enhanced its monitoring process to include transactional analysis to establish funds availability to meet upcoming instalments and performance of daily monitoring of arrears and excesses, as well as NPEs inflows and outflows.

Overall, regarding the economic effects of COVID-19, the impact of IFRS 9 Forward Looking Information (FLI) driven by the deterioration of the macroeconomic outlook, resulted in a €54 million charge included in loan credit losses for the year ended 31 December 2020. The loan credit losses charge (cost of risk) for 2020 accounted for 1.18% of gross loans, of which 43 bps reflect the deterioration of the macroeconomic outlook for the year ended 31 December 2020 (compared to a loan credit losses charge of 1.12% for 2019).

Finally, the provision coverage of Stage 3 loans under payment deferrals that expired on 31 December 2020 of approximately 26% is considered to be adequate, as it is higher than the coverage of re-performing NPEs (NPEs in the pipeline to exit, subject to meeting all exit criteria) of approximately 20%.

The table below presents the loans under payment deferrals that expired on 31 December 2020, by IFRS 9 staging.

IFRS 9 staging for expired loan payment deferrals (€ billion)	**2020**	2019
Stage 1	**3.96**	4.35
Stage 2	**1.58**	1.14
Stage 3	**0.33**	0.46
Total	**5.87**	**5.95**

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

Following the outbreak of COVID-19, the sectors most adversely affected are tourism, trade, transport and construction. The Group has a well – diversified performing loan portfolio. For further information on the Group’s non-legacy loan book exposure to tourism and trade and the performance of these loans after the expiry of the loan moratorium, please refer to 'Business Overview' section.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Non-performing exposure reduction

During 2020, and pro forma for Helix 2, non-performing exposures (NPEs) as defined by the European Banking Authority (EBA) were reduced by €2,120 million, comprising organic NPE reductions of €661 million and NPE sales of €1,459 million to €1,760 million at 31 December 2020, compared to €3,880 million at 31 December 2019, and the NPE ratio was reduced by 14 p.p. from 30% to 16%.

NPEs were reduced to €3,086 million at 31 December 2020 compared to €3,880 million at 31 December 2019. Pro forma for Helix 2, NPEs are reduced by a further €1,326 million to €1,760 million on the basis of 31 December 2020 figures.

The NPEs account for 25% of gross loans as at 31 December 2020, compared to 30% at 31 December 2019, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. Pro forma for Helix 2 the NPE ratio is reduced to 16% on the basis of 31 December 2020 figures.

The NPE coverage ratio increased to 62% at 31 December 2020, compared to 54% at 31 December 2019, on the same basis, i.e. including the NPE portfolios classified as 'Non-current assets and disposal groups held for sale'. When taking into account tangible collateral at fair value, NPEs are fully covered. Pro forma for Helix 2 the NPE coverage ratio is maintained at 59% on the basis of 31 December 2020 figures.

As of 1 January 2021, the new regulation on Definition of Default has been implemented, affecting NPE exposures and the calculation of Days-Past-Due (please refer to Note 2.19.2 of the Consolidated Financial Statements for the changes in the definition). The impact of these changes on the Group on 1 January 2021 is immaterial.

	2020 pro forma		**2020**		2019	
	€ million	**% gross loans**	**€ million**	**% gross loans**	€ million	% gross loans
NPEs as per EBA definition	**1,760**	**16.1%**	**3,086**	**25.2%**	3,880	30.3%
Of which, in pipeline to exit: - NPEs with forbearance measures, no arrears*	**245**	**2.2%**	**303**	**2.5%**	428	3.3%

*The analysis is performed on a customer basis.

Project Helix 2

In August 2020, as announced, the Group signed an agreement for the sale of a portfolio of loans with gross book value of approximately €898 million (of which €886 million related to non-performing exposures) as at 30 June 2020, known as Project Helix 2 Portfolio A. This portfolio had a contractual balance of €1.46 billion as at the reference date of 30 September 2019 and comprises of loans to mainly retail and small-to-medium-sized enterprises, secured by real estate collateral. This portfolio is classified as a disposal group held for sale since 30 June 2020 and it includes other assets (comprising properties and cash already received since the reference date) amounting to approximately €34 million as at 30 June 2020. Further information for amounts as at 31 December 2020 is included in Note 29 of the Consolidated Financial Statements.

The gross consideration amounts to 46% of the gross book value as at 30 June 2020 and 29% of the contractual balance, payable in cash, of which 35% is payable at completion, and the remaining 65% is deferred without any conditions attached. The deferred component is payable in three broadly equal instalments over 48 months from completion. The consideration can be increased through an earnout arrangement, depending on the performance of Portfolio A.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

In January 2021, the Group reached agreement with the buyer of Project Helix 2 Portfolio A for the sale of an additional portfolio of loans with gross book value of €545 million (of which €529 million related to non-performing exposures) as at 30 September 2020, known as Project Helix 2 Portfolio B. The gross book value of €545 million includes other assets (comprising properties and cash already received since the reference date) amounting to €26 million as at 30 September 2020. This portfolio had a contractual balance of €783 million as at the reference date of 30 September 2019 and comprises of loans to mainly retail and small-to-medium-sized enterprises, secured by real estate collateral. This portfolio is classified as a disposal group held for sale since 31 December 2020. Further information for amounts as at 31 December 2020 is included in Note 29 of the Consolidated Financial Statements.

The gross consideration amounts to 44% of the gross book value as at 30 September 2020 and 31% of the contractual balance as at the reference date (30 September 2019), payable in cash, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of Portfolio B.

The completion of Helix 2 Portfolio B will be aligned with the completion of Helix 2 Portfolio A and is currently estimated to occur early in the second half of 2021. The completion of Project Helix 2 remains subject to a number of conditions, including required customary regulatory and other approvals.

Following a transitional period where servicing will be retained by the Company, it is intended that the servicing of both portfolios will be carried out by a third party servicer selected and appointed by the purchaser.

Project Helix 2 (Portfolios A and B) accelerates the Group's strategy of de-risking its balance sheet, by reducing its stock of NPEs by 43% to €1,760 million pro forma on the basis of the 31 December 2020 figures, and its NPE ratio by 9 p.p., to 16% pro forma on the basis of the 31 December 2020 figures.

Project Velocity 2

In May 2020, the Group completed the sale of a non-performing loan portfolio of primarily retail unsecured exposures, with a contractual balance of €398 million and gross book value of €144 million as at the reference date of 31 August 2019 (known as Project Velocity 2) to B2Kapital Cyprus Ltd. This portfolio comprised approximately 10.000 borrowers, including approximately 8.400 private individuals and approximately 1.600 small-to-medium-sized enterprises. The gross book value of this portfolio as at the date of disposal was €133 million. The sale was broadly neutral to both the profit and loss and to capital.

Project Helix

In June 2019, the Group announced the completion of Project Helix, that referred to the sale of a portfolio of loans with a gross book value of €2.8 billion (of which €2.7 billion related to non-performing loans), secured by real estate collateral, to certain funds affiliated with Apollo Global Management LLC, the agreement of which was announced on 28 August 2018. Cash consideration of approximately €1.2 billion was received on completion, reflecting adjustments resulting from, inter alia, loan repayments received on the Helix portfolio since the reference date of 31 March 2018. The participation of the Company in the senior debt in relation to financing Project Helix was syndicated down from the initial level of €450 million to approximately €45 million, representing approximately 4% of the total acquisition funding. Upon completion, the NPE ratio was reduced by approximately 11 p.p. to 33% as at 30 June 2019, approximately 70% lower than its peak in 2014.

Project Velocity 1

In June 2019, the Group completed the sale of a non-performing loan portfolio of primarily retail unsecured exposures, with a contractual balance of €245 million and a gross book value of €34 million as at the reference date of 30 September 2018 (known as Project Velocity 1) to APS Delta s.r.o. This portfolio comprised 9,700 heavily delinquent borrowers, including 8,800 private individuals and 900 small-to-medium-sized enterprises. The gross book value of this portfolio as at the date of disposal was €30 million. The sale was broadly neutral to both the profit and loss and to capital.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Loan portfolio quality (continued)

Additional strategies to accelerate de-risking

The Group remains committed to further de-risking its balance sheet and will continue to seek solutions to achieve this. The Group continues to work with its advisers towards the sale of portfolios of NPEs in the future, assessing the potential to accelerate the decrease in NPEs through further NPE sales. In the context of IFRS 9, other than the loan credit losses relating to Project Helix 2 of €99 million recorded upon the closing of the transaction for each portfolio, the Company recognised additional loan credit losses of €21 million in the second quarter of 2020 as a result of potential further NPE sales anticipated at the time. In December 2019, additional loan credit losses of €75 million had been recognised as a result of the anticipated balance sheet de-risking at the time.

As at 31 December 2020, a portfolio of credit facilities related to Project Helix of mainly secured non-performing exposures (known as 'Helix Tail') with gross book value of €34 million, compared to €46 million as at 31 December 2019, continues to be classified as a disposal group held for sale.

Real Estate Management Unit (REMU)

The focus of the Real Estate Management Unit (REMU) is on the disposal of on-boarded properties resulting from debt for asset swaps. The Group completed disposals of €80 million during the year ended 31 December 2020, compared to €207 million during the year ended 31 December 2019, resulting in a profit on disposal of €9 million for the year ended 31 December 2020, compared to a profit on disposal of €32 million for the year ended 31 December 2019.

During the year ended 31 December 2020, the Group executed sale-purchase agreements (SPAs) for disposals with contract value of €91 million (492 properties), compared to €345 million (558 properties) for the year ended 31 December 2019, excluding the sale of Cyreit. In addition, the Group had signed SPAs for disposals of assets with contract value of €53 million as at 31 December 2020, compared to €36 million as at 31 December 2019.

REMU on-boarded €146 million of assets during the year ended 31 December 2020 (down by 26%), via the execution of debt for asset swaps and repossessed properties.

Details with respect to the prudential charge relating to the REMU OSI finding are provided above in 'Capital Base' discussed under the 'Balance Sheet Analysis' section.

Project Helix 2
Stock of property with a carrying value of €59 million as at 31 December 2020 is classified as non-current assets and disposal groups held for sale as it is included in the Helix 2 portfolio, comprising stock of property with carrying value of €33 million relating to Helix 2 Portfolio A and €25 million of stock of property and €1 million of investment property relating to Helix 2 Portfolio B.

Completion of sale of Cyreit
In the second quarter of 2019, the Group completed the sale of its entire holding in the investment shares of the Cyreit Variable Capital Investment Company PLC (Cyreit) (21 properties), recognising a loss of approximately €1 million. The total proceeds from the disposal of Cyreit were €160 million.

Completion of Project Helix
With the completion of Project Helix in the second quarter of 2019, properties with a carrying value of €109 million, in the Project Helix portfolio, were derecognised as of 30 June 2019.

Assets held by REMU
As at 31 December 2020, assets held by REMU had a carrying value of €1,457 million (comprising properties of €1,350 million classified as 'Stock of property' and €107 million classified as 'Investment properties'), compared to €1,490 million as at 31 December 2019 (comprising properties of €1,378 million classified as 'Stock of property' and €112 million classified as 'Investment properties').

In addition to assets held by REMU, properties classified as 'Investment properties' with carrying value of €21 million as at 31 December 2020, compared to €24 million as at 31 December 2019, relate to legacy properties held by the Company before the set-up of REMU in January 2016.

Financial results on the underlying basis (continued)

Balance Sheet Analysis (continued)

Overseas exposures

The Group continues its efforts for further deleveraging and disposal of non-essential assets and operations in Greece, Romania and Russia.

As at 31 December 2020 there were overseas exposures of €270 million in Greece, relating to both loans and properties, compared to €265 million at 31 December 2019, not identified as non-core exposures, since they are considered by management as exposures arising in the normal course of business.

Income Statement Analysis

Total income
Net interest income (NII) and net interest margin (NIM) for 2020 amounted to €330 million and 1.84% respectively, down by 4% compared to previous year, mainly due to the lower volume of new loans and continued pressure on lending yields.

Average interest earning assets for 2020 amounted to €17,931 million, down by 1% a year earlier.

Non-interest income for 2020 amounted to €237 million, compared to €307 million in 2019, down by 23% compared to 2019, comprising net fee and commission income of €144 million, net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €15 million, net insurance income of €56 million, net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties of €7 million and other income of €15 million. The yearly decrease is mainly driven by lower net gains on disposal of stock of properties (REMU gains) negatively impacted by COVID-19, lower revaluation gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates and lower other income.

Net fee and commission income for 2020 amounted to €144 million, compared to €150 million for 2019, reflecting the COVID-19 lockdown during the first half of 2020.

Net foreign exchange gains and net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €15 million for 2020 (comprising net foreign exchange gains of €17 million and net revaluation losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates of €2 million) decreased by 62% compared to 2019. The yearly decrease is mainly driven by lower net revaluation gains and disposal/dissolution of subsidiaries and associates and lower net foreign exchange gains in 2020 resulting from the COVID-19 lockdown during the first half of 2020.

Net insurance income of €56 million for 2020, compared to €58 million for 2019, down by 3%, reflecting the net impact of the reduction of net claims in the general insurance business positively impacted by the COVID-19 lockdown during the first half of 2020 and the negative impact of the change in the valuation assumptions in the life insurance business.

Net gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties for 2020 amounted to €7 million (comprising a profit on disposal of stock of properties of €9 million and loss from revaluation of investment properties of €2 million), compared to €32 million in 2019, impacted by the COVID-19 lockdown during the first half of 2020.

Total income for 2020 amounted to €567 million, compared to €651 million for 2019, down by 13%.

Total expenses
Total expenses for the year ended 31 December 2020 were €370 million, compared to €410 million for the year ended 31 December 2019 and down by 10%, 53% of which related to staff costs (€195 million), 39% to other operating expenses (€145 million) and 8% (€30 million) to special levy and contributions to Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF). The yearly decrease is driven by both lower other operating expenses and lower staff costs, reflecting the on-going efforts for cost containment. More information is provided on these further below.

Total operating expenses for 2020 were €340 million, compared to €385 million for 2019, down by 12%.

Financial results on the underlying basis (continued)

Income Statement Analysis (continued)

Total expenses (continued)

Staff costs of €195 million for 2020 decreased by 11%, compared to €220 million in 2019, mainly driven by cost savings following the completion of the voluntary staff exit plan (VEP) in the fourth quarter of 2019, through which approximately 11% of the Group's full-time employees were approved to leave at a total cost of €81 million, recorded in the consolidated income statement in the fourth quarter of 2019. The annual savings net of the impact from the renewal of the collective agreement for 2020 are estimated at €23 million or 11% of staff costs.

In December 2020, the Group completed a targeted voluntary staff exit plan (VEP) with a total cost of €6 million, recorded in the consolidated income statement in the fourth quarter of 2020 (as a non-recurring item in the underlying basis). The gross annual savings are estimated at approximately €2 million or approximately 1% of staff costs. The renewal of the collective agreement for 2021 remains under discussion.

The Group employed 3,573 persons as at 31 December 2020, compared to 3,672 as at 31 December 2019, including approximately 100 persons relating to Project Helix who were transferred to the buyer upon full migration in January 2020. The staff costs relating to these persons in 2019 are included within 'Provisions/net loss relating to NPE sales, including restructuring expenses' in the underlying basis.

Other operating expenses for 2020 were €145 million, lower by 12% from €165 million in 2019, mainly due to lower consultancy, marketing and property-related expenses in 2020, resulting from the focus of management to contain costs and savings from the COVID-19 lockdown in the first half of 2020.

Special levy and contributions to Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF) for 2020 were €30 million, compared to €25 million in 2019, increased by 22%. The increase of approximately €5 million is driven by the contribution of the Company to the Deposit Guarantee Fund (DGF) first recorded in 2020, of which €3 million relates to the first half of 2020 and €3 million relates to the second half of 2020, and was recorded in the first quarter of 2020 and the third quarter of 2020 respectively, in line with IFRSs.

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

The cost to income ratio excluding special levy and contributions to Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF) for 2020 was 60%, broadly flat compared to 2019.

(Loss)/profit before tax and non-recurring items
Operating profit for 2020 was €197 million, compared to €241 million for 2019, down by 18%.

The loan credit losses for 2020 totalled €149 million, compared to €146 million for 2019. With regards to loans under moratorium considerations refer to 'Loan portfolio quality' - 'Loan moratorium' discussed above, under the 'Balance Sheet Analysis' section.

The loan credit losses charge (cost of risk) for 2020 accounted for 1.18% of gross loans, of which 43 bps reflect the deterioration of the macroeconomic outlook in 2020, compared to a loan credit losses charge of 1.12% for 2019.

At 31 December 2020, the allowance for expected loan credit losses, including residual fair value adjustment on initial recognition and credit losses on off balance sheet exposures totalled €1,902 million, compared to €2,096 million at 31 December 2019 and accounted for 15.5% of gross loans including portfolios held for sale, compared to 16.3% at 31 December 2019.

Impairments of other financial and non-financial assets for 2020 amounted to €42 million, compared to €22 million for 2019.

Provisions for litigation, claims, regulatory and other matters for 2020 totalled €7 million, compared to €10 million for 2019.

Financial results on the underlying basis (continued)

Income Statement Analysis (continued)

(Loss)/profit after tax (attributable to the owners of the Company)
The tax charge for 2020 is €8 million, compared to €3 million for 2019.

Loss after tax and before non-recurring items (attributable to the owners of the Company) for 2020 was €6 million, compared to a profit of €58 million for 2019.

Advisory and other restructuring costs - organic for 2020 amounted to €10 million, compared to €22 million for 2019.

Loss after tax arising from the organic operations (attributable to the owners of the Company) for 2020 amounted to €16 million, compared to a profit of €36 million for 2019.

Provisions/net loss relating to NPE sales, including restructuring expenses for 2020 amount to €146 million, compared to €92 million for 2019.

Restructuring costs relating to the Voluntary Staff Exit Plan (VEP) amounted to €6 million for 2020. For further details please refer to the 'Total expenses' section.

The DTC levy was €3 million for 2020, and relates to a levy in the form of a guarantee fee relating to the revised Income Tax legislation. The reversal of impairment of DTA and impairment of other tax receivables was €88 million for 2019, comprising the net positive impact of €96 million following amendments to the Income Tax legislation in Cyprus adopted in March 2019, and an impairment of €8 million relating to Greek tax receivables adversely impacted from legislative changes. The carrying value of the remaining receivable as at 31 December 2020 was €5 million, at the same level as at 31 December 2019. For further information please refer to 'Legislative amendments for the conversion of DTA to DTC' within the Section of 'Capital base'.

Loss on remeasurement of investment in associate upon classification as held for sale (CNP) net of share of profit from associates totalled €21 million for 2019, comprising a loss on remeasurement of investment in associate upon classification as held for sale of €26 million and a share of profit from associates of €5 million. In October 2019, the Group completed the sale of its entire shareholding of 49.9% in its associate CNP Cyprus Insurance Holdings Limited (CNP) that had been acquired as part of the acquisition of certain operations of Laiki Bank in 2013, for a cash consideration of €97.5 million.

Loss after tax attributable to the owners of the Company for 2020 was €171 million, compared to a loss of €70 million for 2019.

Operating environment

The Cyprus economy declined steeply by 5.1% in 2020 according to the Cyprus Statistical Service. However, this has been a better performance than initially anticipated and better than most other EU countries particularly in the south. The decline was driven by the trade and tourism sectors, construction activity, industry and entertainment related services sectors. In the tourism sector in particular, total arrivals declined by 84% in 2020 and receipts by 85.4%. On the expenditure side, the contraction was driven by a drop in net exports and by private consumption to a lesser extent.

In the labour market, the unemployment rate increased modestly to 7.6% in 2020 according to Eurostat, from 7.1% in 2019. Consumer prices declined by 0.6% on average in 2020, owing to the sharp decline in global energy prices, the hit on domestic demand caused by the COVID-19 pandemic and the cut to the VAT rate for the tourism and hospitality sector. The current fiscal and monetary stimulus have not fed into higher prices and inflation is likely to rise only modestly in the second half of 2021 as economic activity accelerates and the temporary reduction in the VAT income is reversed.

The Cyprus Government's fiscal package in 2020 in response to the COVID-19 pandemic was large, at approximately 4.5% of GDP, according to recent estimates, and included income support for households, wage subsidies for businesses and grants to small businesses and the self-employed.

A loan moratorium for interest and principal repayments on loans for individuals and businesses was also put in place until the end of 2020. In January 2021, a second moratorium for the period until end-June 2021 was launched for borrowers impacted by the second lockdown. Eligible borrowers are entitled to a total moratorium not exceeding nine months, including the moratorium offered in 2020.

Operating environment (continued)

In the banking sector there has been significant progress since the crisis in 2013. Capital adequacy has improved substantially, and non-performing exposures have dropped steeply. The ratio of NPEs to gross loans was 19.1% at the end of November 2020, or 15.7% for companies and 26.2% for households. However, banking remains vulnerable to the economic conditions amidst prevailing uncertainties and slow progress on further reform.

Cyprus will benefit considerably from the EU's €750 billion Next Generation funds. On a net basis, Cyprus expects to obtain grants of up to €1.1 billion or about 5% of GDP, in the budget period 2021-2027. However, the effectiveness of the funds in the medium and the long-term will depend on the implementation of long-delayed structural reforms, such as improving the efficiency of the judiciary and of the public and local administration.

Naturally, public finances deteriorated markedly in 2020 as a result of the COVID-19 pandemic and the economic slump that ensued in the year. It is estimated that the budget deficit deteriorated from a surplus of 1.5% of GDP in 2019 to a deficit of 5% of GDP in 2020 according to official statistics published by the Cyprus Statistical Service. With restrictions tightened since early October 2020 in response to a second wave of the pandemic, the Government will be providing additional support to the economy, for at least until the end of May 2021. As a result, the trend of lower revenues and higher spending will continue through the first half of 2021 at least. The Government's budget position is expected to improve and the deficit to gradually shrink in the medium term as the economy recovers and spending is scaled back. Public debt has risen to about 118.2% of GDP (Cyprus Statistical Service). However, this is seen as temporary driven by fiscal measures to mitigate the effects of the COVID-19 pandemic. The underlying fundamentals remain favourable and the downward trajectory is expected to resume as growth returns. Cyprus' debt profile has improved considerably in recent years by proactive debt management. Average maturity has lengthened to around eight years and debt service costs have dropped. In addition, the Government holds significant cash buffers, at least equivalent to nine months of financing needs, reducing short-term refinancing risk.

The monetary response of the European Central Bank (ECB) to the COVID-19 pandemic has been extremely accommodative. In addition to negative interest rates and a renewed quantitative easing, most importantly, the ECB introduced the Pandemic Emergency Purchase Programme (PEPP) and boosted its refinancing operations for commercial banks. The ECB also adopted dual rates and eased the rules around its collateral framework. The ECB provided further stimulus in December 2020, including a €500 billion increase in the size of the PEPP to €1.85 trillion and extending its duration until March 2022. The ECB remains strongly committed to preventing financial fragmentation in the Eurozone by keeping interest rates low and the risk of a sovereign debt crisis marginal.

The current account also deteriorated sharply in 2020 driven by a substantial drop in net exports. However, the current account deficit is expected to shrink gradually over the medium term as exports earnings recover and as EU recovery funds are credited to the secondary income account of the balance of payments.

Cyprus' reliance on external demand for tourism and travel means that economic recovery will be rather prolonged. Real GDP is forecast to grow by 3.2% in 2021 and by another 3.1% in 2022 according to the European Commission (European Economic Forecast, Winter 2021). Thus, real GDP can be expected to recover to pre-pandemic levels within 2022.

The medium-term forecasts for the Cyprus economy are subject to downside and upside risks. On the upside, the anticipated recovery in the EU may be stronger. On the downside, vaccinations may take longer to complete and may not be as effective as now anticipated, especially if virus mutations spread. In this context it will take longer for tourism activity to recover leading to a more permanent loss of productive capacity. At the same time, fiscal policies may prove less effective in the future, and more difficult to reverse, ushering in a longer period of budget imbalances and rising debt ratios. This may have implications for debt servicing costs. The UK after Brexit may take longer to normalise its economy which may give rise to a period of poor performances and exchange rate pressures. Geopolitical tensions in the eastern Mediterranean may escalate, delaying hydrocarbon exploitation.

Sovereign ratings

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system.

Operating environment (continued)

S&P Global Ratings maintains an investment grade rating of BBB- with a stable outlook since September 2018. The rating and the outlook were affirmed in March and September 2020 and March 2021. In March 2021, S&P Global Ratings affirmed its rating (BBB-) and its outlook to stable, balancing the risks from the pandemic's protracted adverse impact on growth, fiscal, and banking sector performance against benefits of the EU's Recovery and Resilience Facility (RRF) transfers, as well as further improvement in the government's debt profile.

Fitch Ratings maintains a Long-Term Issuer Default rating of investment grade at BBB- since November 2018, affirmed in April and October 2020 and March 2021. Its outlook was upgraded to positive in October 2019 and revised to stable in April 2020 and affirmed in March 2021, reflecting the significant impact the global COVID-19 pandemic might have on the Cyprus economy and fiscal position.

Moody's Investors Service maintains a long-term credit rating of Ba2 since July 2018 and a positive outlook since September 2019. More recently in January 2021, Moody's issued a revised credit opinion on the Cyprus Sovereign, maintaining the positive rating outlook. This was driven by the substantial reduction of non-performing exposures and a favourable outlook on public debt reduction expected to resume after the COVID-19 crisis. The large increase in debt related to the COVID-19 pandemic is expected to be transitory in part because of Cyprus' large fiscal surplus going into the pandemic.

In November 2020, DBRS Ratings affirmed the Republic of Cyprus's Long-Term Foreign and Local Currency – Issuer Ratings at BBB (low) with a stable trend.

Business Overview

Credit ratings

The Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. In January 2021, Fitch Ratings affirmed their long-term issuer default rating of B- (negative outlook). In April 2020, Fitch Ratings revised their outlook to negative, reflecting the significant impact the outbreak of COVID-19 might have on the Cypriot economy and consequently on the Company. In November 2020, Moody's Investors Service affirmed the Company's long-term deposit rating of B3 (positive outlook). In July 2020, Standard and Poor's affirmed their long-term issuer credit rating on the Bank of 'B+' (stable outlook).

COVID-19 impact

The Group continues to deliver on its strategic priorities while supporting its customers, colleagues and community in which it operates through the COVID-19 crisis, ensuring at the same time that all of its branches operate in accordance with the guidelines and recommendations issued by the Ministry of Health.

The Group continues to closely monitor developments in, and the effects of COVID-19 on both the global and Cypriot economy. The changed economic environment in the first half of the year 2020 resulted in lower levels of economic activity and credit formation, which gradually recovered in the third quarter of the year. The restrictive measures imposed in the fourth quarter for the management of the second wave have extended into the new year and are expected to lead to some temporary loss of momentum in the economic recovery in early 2021.

At the same time, statistics are encouraging as Cyprus ranks first among EU countries in terms of testing for COVID-19 and fifth globally for the management of the pandemic (Lowy Institute). In addition, the development of effective vaccines is encouraging and successful vaccination programmes both in Cyprus and abroad should act as strong catalysts for both global and local economic recovery. In fact, the Cyprus Government expects that over 60% of the population over 18 years old will be vaccinated by the end of June 2021.

In common with other European banks, the prolonged low interest rate environment also continues to present a challenge to the Group's profitability. As a consequence of the pandemic, the Company has updated its macroeconomic assumptions underlying the IFRS 9 calculation of loan credit losses in the first quarter 2020 in line with the relevant regulatory guidance, resulting in increased organic loan credit losses for the first quarter 2020 of €28 million. During the year, these assumptions were updated increasing the respective organic loan credit losses to a total of €54 million for the year 2020. At 31 December 2020, the Company expected, under the base scenario, the Cypriot economy to contract by 5.8% in 2020, with gradual recovery from 2021 onwards, with GDP growth of 4.0% expected for 2021. The Company's projections are broadly in line with those published by the CBC, the Cyprus Ministry of Finance, the European Commission and the Economics Research Centre of the University of Cyprus.

Business Overview (continued)

Upon the outbreak of COVID-19 in March 2020, the Pandemic Incident Management Plan of the Group was invoked and a dedicated team (Pandemic Incident Management Team) has been monitoring the situation domestically and globally and providing guidance on health and safety measures, travel advice and business continuity for the Group. Local government guidelines are being followed in response to the virus.

In accordance with the Pandemic Plan, the Group adopted a set of measures to ensure minimum disruption to its operations. The Pandemic Incident Management Team and the Crisis Management Committee are still closely monitoring the dynamic COVID-19 pandemic developments and status. The measures comprise rules for quarantine for vulnerable employees due to health conditions and for those returning from epicentres of the infection. The Group replaced face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including those with customers. Staff of critical functions has been split into separate locations. In addition, to ensure continuity of business, a number of employees have been working from home and the remote access capability has been upgraded significantly while at the same time maintaining relevant control procedures to ensure authorisation in line with the Group's governance structure. Additionally, the Group follows strict rules of hygiene, increased intensity of cleaning and disinfection of spaces, and other measures to protect the health and safety of staff and customers.

Also, the potential economic implications for the sectors where the Group is active have been assessed and possible mitigating actions for supporting the economy have been identified, such as supporting viable affected businesses and households with new lending to cover liquidity, working capital, capital expenditure and investments related to the activity of the borrower.

The package of policy measures announced by the ECB and the European Commission, as well as the unprecedented fiscal and other measures of the Cyprus Government, have helped and should continue to help reduce the negative impact and support the recovery of the Cypriot economy.

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. Over 25,000 customers were approved, relating to gross loans of approximately €5.9 billion as at 31 December 2020 (comprising gross loans to private individuals of €2.1 billion and gross loans to businesses of €3.8 billion).

The payment holiday for all these loans expired on 31 December 2020 and their performance since the end of the moratorium is encouraging. €3.8 billion of the performing loans had an instalment due by 19 March 2021 and 96% of those resumed payments. Close monitoring of the credit quality of these loans continues and customers with early arrears are offered solutions.

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

Following the outbreak of COVID-19, the sectors most adversely affected are tourism being the sector with the highest impact, then trade with medium impact, and transport and construction with moderate impact. The Group has a well-diversified performing loan portfolio.

As at 31 December 2020, the Group's non-legacy loan book exposure to tourism was limited to €1.1 billion (out of a total non-legacy loan book of €9.2 billion), of which approximately 91% were under payment deferrals that expired at the end of 2020. About 39% of the performing loans had an instalment due by 19 March 2021 and 99% of those resumed payments. It is important to note that the majority of 'accommodation' customers entered the crisis with significant liquidity, following strong performance in recent years. The reduction in international tourist arrivals in 2020 was partly offset by domestic tourism, a trend expected to continue in 2021. A recovery in tourism activity is expected from the second half of 2021 and will be linked with international vaccination programmes, noting that countries such as the UK and Israel (accounting for over 40% of tourist arrivals) are well-progressed in their vaccination programmes. Close monitoring of the developments continues.

Business Overview (continued)

Respectively, the Group's non-legacy loan book exposure to trade was €0.9 billion, of which 53% were under payment deferrals that expired at the end of 2020. 89% of performing loans of this sector had an instalment due by 19 March 2021 and 95% of those resumed payments. It is important to note that approximately 30% of the exposure to trade relates to lower-risk essential retail services, not materially impacted by COVID-19.

Strategic priorities for the medium term

The Bank's medium-term strategic priorities remain clear, with a sustained focus on strengthening its balance sheet, and improving asset quality and efficiency, whilst maintaining a good capital position, in order to continue to play a vital role in supporting the recovery of the Cypriot economy. The Group continues to explore opportunities to grow revenues in a more capital efficient way and to improve efficiency through its digital transformation programme in order to provide products and services while reducing operating costs.

In addition, the Company is looking to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda by building a forward looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities. In order to further strengthen the Bank's corporate responsibility regarding the protection of the environment the Bank is proceeding with the launch of 'environmentally friendly' loan products to promote investment in energy saving and environmentally friendly products and services. The Bank maintains an ESG rating of A (from a scale of AAA to CCC) from MSCI (June 2020).

Tackling the Company's loan portfolio quality is of utmost importance for the Group. Despite the challenging market conditions resulting from the outbreak of COVID-19, the Group signed an agreement for the sale of a portfolio of loans with gross book value of approximately €898 million (of which €886 million related to non-performing exposures) as at 30 June 2020, known as Project Helix 2 Portfolio A and also signed an agreement for the sale of an additional portfolio of loans with gross book value of approximately €545 million (of which €529 million related to non-performing exposures) as at 30 September 2020, known as Project Helix 2 Portfolio B.

Project Helix (Portfolios A and B) represents a further milestone in the delivery of one of the Group's strategic priorities of improving asset quality through the reduction of NPEs. Combined with a further €600 million organic reduction in NPEs and a smaller NPE sale earlier in the year, the pro forma NPE reduction for 2020 amounted to approximately €2.1 billion, reducing NPEs to €1.8 billion and the NPE ratio to 16%. Overall, since the peak in 2014, the stock of NPEs has been reduced by €13.2 billion or 88% and the NPE ratio by 47 percentage points, from 63% to 16%, on the same basis.

Project Helix 2 marks further progress against delivering on the Group's strategic objectives of becoming a stronger, safer and more efficient institution. The Group is now better positioned to manage the challenges resulting from the impact of the ongoing COVID-19 crisis, and to support the recovery of the Cypriot economy.

The Group remains committed to further de-risking of its balance sheet and will continue to seek solutions to achieve this. The Group continues to work with its advisers towards the sale of portfolios of NPEs in the future, assessing the potential to accelerate the decrease in NPEs on the balance sheet through additional sales of NPEs. At the same time, following the outbreak of COVID-19 and the expiration of the 2020 loan moratorium at the end of year 2020, the Group remains focused on arresting any potential asset quality deterioration and early managing arrears.

The foreclosure process which had been suspended following the outbreak of COVID-19, from 18 March 2020 until 31 August 2020 in line with the decision of the Association of Cyprus Banks, resumed on 1 September 2020. On 29 December 2020 the Cyprus Parliament enacted via legislation the suspension of foreclosures of primary residences with a value up to €350 thousand and of premises of the borrower if they relate to "very small businesses" as defined by the legislation, until 31 March 2021.

The Group continues to provide high quality new loans via prudent underwriting standards and 99% of new exposures in Cyprus since 2016 were performing at the start of the loan moratorium. Growth in new lending in Cyprus has been focused on selected industries more in line with the Company's target risk profile, and following the outbreak of COVID-19, the focus remains to support the Cypriot economy in order to overcome the crisis. During the quarter ended 31 December 2020, new lending amounted to €374 million, increased by 30% from the previous quarter, as new demand increased post the COVID-19 lockdown in first half 2020, supported by the Government schemes. The pipeline for new housing loans is strong at over €140 million as at mid-March.

Business Overview (continued)

Aiming at supporting investments by SMEs and mid-caps to boost the Cypriot economy, and create new jobs for young people, the Company continues to provide joint financed schemes. To this end, the Company continues its partnership with the European Investment Bank (EIB), the European Investment Fund (EIF) and the Cyprus Government.

The Group is currently evaluating opportunities for a potential Tier 2 capital transaction given the terms and maturity profile of the Bank's existing €250 million 10NC5 Tier 2 notes, subject to market conditions. Separately the Group continues to evaluate opportunities to initiate its MREL issuance as part of its overall capital and funding strategy.

The accelerated de-risking of the balance sheet increases pressure on revenues in the near term. There are multiple initiatives underway to increase net interest income and less capital-intensive non-interest income, with a focus on fees, insurance and non-banking business.

There are efforts underway to improve credit spreads, despite competition pressures. Over the medium-term, the Group aims to grow its performing book by approximately 10%, as well as to grow shipping and international corporate lending with prudency.

At the same time, in order to further optimise its funding structure, the Company continues to focus on the shape and cost of its deposit franchise, taking advantage of the increased customer confidence towards the Company. The cost of deposits has been reduced by 71 bps to 5 bps over the last three years. The reduction in the cost of deposits amounts to 11 bps in 2020, compared to a reduction of 25 bps in 2019. Moreover, liquidity fees for specific customer groups were introduced in March 2020. The introduction of liquidity fees to a broader group of corporate clients that was delayed due to the COVID-19 pandemic was implemented as of 1 February 2021. Separately, a new price list for charges and fees was also implemented as of 1 February 2021, with the positive impact from both initiatives estimated at approximately €13 million per annum. Transactional fee volumes are expected to recover to pre-COVID-19 levels, as the Cypriot economy recovers.

In the medium-term, the Group aims to increase the average product holding through cross selling to the under-penetrated customer base, as well as to introduce the Digital Economy Platform to generate new revenue sources, through leveraging the Company's market position, knowledge and digital infrastructure.

Management is placing emphasis on diversifying income streams by optimising fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife Ltd and General Insurance of Cyprus Ltd (GIC) operating in the sectors of life and general insurance respectively, are leading players in the insurance business in Cyprus, and have been providing a stable, recurring fee income, further diversifying the Group's income streams. The insurance income net of claims and commissions for 2020 amounted to €56 million (down 3% compared to previous year), contributing to 24% of non-interest income. Furthermore, there are initiatives underway to enhance revenues from the insurance business in the medium-term, in order to deliver sustainable profitability and shareholder returns. Specifically, EuroLife Ltd is aiming to improve total regular income mainly by extending its customer base and using a new distribution philosophy; whereas GIC is aiming to increase its gross written premiums mainly by leveraging on the Bank's customer base through revamping its bancassurance channel, and by focusing on high margin products. Efficiencies through enhancing digital capabilities are also expected in the medium-term.

The Digital Transformation Programme that started in 2017 has begun to deliver an improved customer experience (see section below), whilst the branch footprint rationalisation to date, further improved the Company's operating model. The number of branches was reduced by 18% in 2019 and the branch network is now less than half the size it was in 2013.

Management remains focused on further improvement in efficiency, through further branch footprint rationalisation, further exit solutions to release full time employees, containment of restructuring costs following the completion of balance sheet de-risking, enhancement of procurement control, as well as reduction of total operating expenses by approximately 10% compared to 2019 over the medium term despite inflation, facilitated by the Digital Transformation Programme.

Digital Transformation

As part of its vision to be the leading financial hub in Cyprus, the Company continues its Digital Transformation Programme, which focuses on three strategic pillars: developing digital services and products that enhance the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

Business Overview (continued)

In recent months, a number of new features have been introduced in the Company's mobile banking app. Users can now use the app to apply and obtain an eIDAS-certified digital signature, which enables them to electronically sign any document on multiple devices at their convenience. Also, 1bank subscribers can now communicate with a Call Centre agent during working hours via the mobile chat in order to ask questions and receive answers / resolve issues. As of September 2020, users have the option to receive push notifications via the mobile app instead of SMS messages for card purchases and ATM withdrawals. Push notifications are an instant, more secure channel that incurs no message specific cost to the Company. Moreover, as of December 2020, users receive push notifications on their mobile phones to authorize online card transactions through the app (instead of SMS OTP), thus providing even greater security. In addition to using the mobile banking app, Visa cardholders can make secure and fast payments without having to carry their mobile phone, using their Garmin or Fitbit smartwatch.

The adoption of digital products and services continued to grow and gained momentum in 2020. As at the end of January 2021, 85.4% of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 21 p.p. from 65% in September 2017 when the digital transformation programme was initiated). Active mobile banking users and active QuickPay users have grown by 20% and 76% respectively in the last 12 months. The highest number of active users to date was recorded in January 2021 with 91 thousand active QuickPay users. The highest number of payments was recorded in December 2020 with 228 thousand transactions.

In 2020, as a result of the COVID-19 restrictive measures, a reduction has been observed in cash withdrawals and deposits performed through the branch network. There was an increase in the adoption of digital products and services and in digital subscriber penetration as more customers have gained access to digital channels and more cards have been issued. As at the end of January 2021, 74.5% of customers were considered as digitally engaged (up by 15 p.p. from 60% since the digital transformation programme was initiated in September 2017). A further increase is expected in 2021 driven by the increase in the number of subscribers and the number of cards that have been issued.

As part of the Company's ambition to be one of the cornerstones of the digital economy, customers have been enabled to authorise the release of their identification details to the Government, using the 1bank credentials thus enabling a digital registration on the Government Gateway Portal (Ariadni), where they can use electronic services that are made available by the Government of Cyprus (up until now citizens needed to be physically present to identify themselves).

In addition, the Company is the first bank in the EU to offer its customers the ability to obtain a Qualified Digital Signature through the BoC mobile app without the need of physical presence. A Qualified Digital Signature has the same legal effect as the physical signature and thus can be used to sign digitally any document. Signing can be done substantially faster than before and offers an enhanced customer experience. The Company currently offers the signing of some of the Bank’s documentation with the use of a Digital Signature and has a roadmap in place to gradually offer the digital signing of the majority of the Bank’s documents.

Furthermore, as part of the Digital Transformation Programme, major changes are underway in relation to enabling a modern and more efficient workplace. New technologies and tools have been introduced that will drastically change the employee experience, improving collaboration and knowledge sharing across the organisation. For instance, the rollout of portable devices has been initiated to the employees, whose role demands high mobility, allowing them to work seamlessly wherever they are. Further enhancements will be implemented in 2021 and the full impact will be seen over the coming months.

Strategy and Outlook

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

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

Strategy and Outlook (continued)

KEY STRATEGIC PILLARS	ACTION TAKEN IN 2020 AND TO DATE	PLAN OF ACTION
Complete balance sheet de-risking	• Agreement for the sale of NPE portfolios totalling €1.3 billion, on the basis of 31 December 2020 figures. Combined with a further approximately €600 million organic reduction in NPEs, and a smaller NPE sale earlier in the year, the pro forma NPE reduction for 2020 amounted to approximately €2.1 billion, reducing NPEs to €1.8 billion and the NPE ratio from 30% to 16%. • *For further information, please refer to Section 'Loan Portfolio Quality' and Section 'Business Overview'*	• Gross NPE reduction in 2021, through both organic and inorganic actions, expected to more than offset NPE inflows • Continue to work with advisers towards the sale of portfolios of NPEs in the future, assessing potential to accelerate NPE reduction through additional NPE sales
Grow revenues in a more capital efficient way; by enhancing revenue generation via growth in performing book, and less capital-intensive banking and financial services operations (Insurance and Digital economy)	• Liquidity fees for specific customer groups were introduced in March 2020 • Liquidity fees to a broader group of corporate clients, that was delayed due to the COVID-19 pandemic, was implemented as of 1 February 2021 • New price list for charges and fees was implemented as of 1 February 2021 • *For further information, please refer to Section 'Business Overview'*	• Mitigating actions against NII challenges put in place, e.g. growing performing book and pricing away/price correctly deposits • Enhance fee and commission income, e.g. on-going review of price list for charges and fees, increase average product holding through cross selling, new sources of revenue through introduction of Digital Economy Platform • Profitable insurance business with further opportunities to grow, e.g. focus on high margin products, leverage on Bank's strong franchise and customer base for more targeted cross selling enabled by DT
Improve operating efficiency; by achieving leaner operations through digitisation and automation	• Targeted voluntary staff exit plan in the fourth quarter 2020 • Reduced operating expenses in year 2020 by 12% compared to 2019 • Further developments in the Digital Transformation Programme • *For further information, please refer to Section 'Business Overview'*	• Offer exit solutions to release full time employees • Achieve further branch footprint rationalisation • Contain restructuring costs following completion of balance sheet de-risking • Enhance procurement control • Reduce total operating expenses by approximately 10% over the medium term despite inflation
Enhance organisational resilience and ESG (Environmental, Social and Governance) agenda; by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities	• *For further information, please refer to Section 'Business Overview'* • *Please refer to slide 38 in the FY2020 Group Financial Results Investors Presentation*	• Enhanced structure and corporate governance • Focus on our people • Priority on ESG agenda, e.g. introduction of 'environmentally friendly' loan products.

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

Strategy and Outlook (continued)

The Group's near-term priorities include completing the balance sheet de-risking, whilst managing the post-pandemic NPE inflow; positioning the Company on the path for sustainable profitability; ensuring the cost base remains appropriate, whilst further investing in the digital transformation programme in the near term in order to modernise the Bank's franchise (in fact, the cost to income ratio is expected to rise in the near term as revenues remain under pressure and operating expenses increase due to higher digitisation investment costs, and to reduce to mid-50s% in the medium term); addressing the challenges from low rates and surplus liquidity; and evaluating opportunities for a potential Tier 2 capital transaction given the terms and maturity profile of the Company's existing €250 million 10NC5 Tier 2 notes, subject to market conditions, whilst separately continuing to evaluate opportunities to initiate its MREL issuance as part of its overall capital and funding strategy.

The medium-term priorities include delivering sustainable profitability and shareholder returns, enhancing revenues by capitalising on the Group's market leading position; enhancing operating efficiency; and optimising capital management.

			Strategic Targets for	
Key Metrics		**2020**	**2022**	**Medium-Term**
Profitability	Return on Tangible Equity (ROTE)[1]	n/a		~7%
	Total operating expenses[2]	€340 million		<€350 million
Asset Quality	NPE ratio	16% pro forma for NPE sales	<10%	~5%
	Cost of risk	118 bps		70-80 bps
Capital	Supported by CET1 ratio of	15.17% transitional and pro forma for NPE sales	at least 13%	

1. Return on Tangible Equity (ROTE) is calculated as Profit after Tax divided by Shareholders' equity minus intangible assets.

2. Total operating expenses comprise staff costs and other operating expenses. Total operating expenses do not include the special levy or contributions to the Single Resolution Fund (SRF) or Deposit Guarantee Fund (DGF) and do not include any advisory or other restructuring costs.

Maintaining a strong capital base has been a key priority for management over the past few years and this remains equally important for the Group going forward. The business plan is based on maintaining a CET1 ratio of at least 13% over the entire period of the plan. The Group's capital is to be supported by organic capital generation and by focus on less capital-intensive businesses, the further reduction of high intensity risk weighted assets and the Helix 2 risk weighted asset benefit upon full repayment of deferred consideration. At the same time, factors that could potentially have a negative impact on the Group's capital ratios in addition to IFRS 9 phasing-in, include any potential regulatory impacts, as well as one-off cost optimisation charges. Until the completion of the de-risking and the restructuring of the business, there may be volatility in the capital ratios due to the timing of potential future impacts from regulatory changes and one-off restructuring costs.

The Group has a clear strategy in place, leveraging on its strong customer base, its renewed customer trust, its market leadership position, and further developing digital knowledge and infrastructure, in order to complete the turnaround of its business and set the Company on a path for profitability and delivering value for shareholders.

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these Consolidated Financial Statements. The Directors believe that the Group is taking all necessary measures to continue in operation and the development of its business in the current economic environment.

Going concern (continued)

The Group has developed a Financial Plan which was approved by the Board in November 2020 (the 'Plan'). The Plan incorporates the impact of the COVID-19 pandemic and considers the disruption it has caused to the Group's customers, suppliers and staff. It remains unclear how the COVID-19 pandemic will evolve through 2021 and beyond, which from a commercial, regulatory and risk perspective could be significantly different to past crises and persist for a prolonged period. The Group's Financial Plan considered factors that may inform the impact of the COVID-19 pandemic, including (amongst other things), changing macroeconomic variables, further waves of the pandemic and successful deployment of vaccines. This included the development of macroeconomic scenarios, base and adverse. The scenarios developed take into consideration the following drivers and implications:

- Impact on relevant economic variables, the most significant of which include residential and commercial property prices, national output and lending volumes.
- Impact on employment levels and relevant unemployment rates.
- Government guidance and policy response to the crisis.
- Capital and liquidity relief measures.
- Other considerations such as the prudential charge that the Company will need to take in order to address the findings of the onsite inspection and review on the value of the Group's foreclosed assets completed by the ECB with reference date 30 June 2019.
- Expected formation of NPEs following the exit from the moratorium at the end of December 2020 as well as expected resolution over the period of the Financial Plan.

Due to the dynamic nature of COVID-19, the full impact on the future profitability is difficult to estimate. The government response to curtail the virus and changing customer behaviours may impact the future performance. The Group has sensitised its projection to cater for downside scenarios and has used conservative economic inputs to develop its medium-term strategy. The Plan adverse scenarios have considered the capital forecast for the Group, and its ability to withstand adverse scenarios such as the economic environment in Cyprus deteriorating.

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

Capital
The following items have been considered in relation to the Group's capital adequacy throughout the period of the going concern assessment:

- The Common Equity Tier 1 (CET1) ratio and the Total Capital ratio on a transitional basis at 31 December 2020 are higher than the SREP requirements (Note 4.1).
- The Group's capital position which allows further risk reduction and recalibration of the cost base. The Group remains focused to implement the actions contemplated in the Financial Plan.
- The capital relief measures announced by the ECB, the EBA, the CBC, the Cyprus Government and the Eurogroup in order to allow banks to absorb the impact of the COVID-19 outbreak and support the real economy.
- The agreement for the Helix 2 transaction in August 2020 and January 2021 which, along with the organic and inorganic reduction over the last years led to a significant decrease in NPEs.

Funding and liquidity
The following items have been considered in relation to the Group's liquidity position throughout the period of the going concern assessment:

- The Group is in compliance with the Liquidity Coverage Ratio (LCR) and is significantly above the minimum requirements.
- The Group is monitoring its liquidity position and is considering ways to further reduce the deposits cost.
- The various measures of regulators which aim to mitigate the impact of the COVID-19 outbreak.

Going concern (continued)

Economic environment

- As the Cypriot operations account for 99% of gross loans and 100% of customer deposits, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. The sovereign risk ratings of the Cyprus Government improved considerably in recent years, reflecting expectations of a sustained decline in public debt as a ratio to GDP, expected further declines in non-performing exposures and a more stable price environment following a protracted period of deflation and low inflation. The risk profile of the country deteriorated in 2020 as a result of the coronavirus pandemic and measures to mitigate its impact on the economy, but the rating outlook remains stable to positive reflecting expectations of a return to growth and stabilising underlying dynamics in public finances. Following the severe recession in 2020 there will be recovery in 2021, which will be partial, and it will take until 2022 for real GDP to return to its pre-crisis levels.
- In March 2021, S&P affirmed its rating (BBB-) and its outlook to stable, balancing the risks from the pandemic's protracted adverse impact on growth, fiscal, and banking sector performance against benefits of the EU's Recovery and Resilience Facility (RRF) transfers, as well as further improvement in the government's debt profile. In January 2021, Moody's issued a credit opinion for the Cyprus Government, according to which Moody's expect the economy to return to growth rates from 2021 (GDP growth rate for 2021 expected at 3.5% following a contraction of 5.5% in 2020).
- With respect to the Company's ratings, Moody's affirmed the Company's Long-term deposit rating of 'B3' (positive outlook) in November 2020. In July 2020, S&P affirmed their long-term issuer credit rating on the Company of 'B+' and the short-term issuer credit rating of 'B', with a stable outlook, expressing the view that the enhanced capital reserves and the good liquidity position of the Company will allow it to withstand the current shock and absorb the effects of the increasing pressure on revenues and credit losses. In January 2021, Fitch Ratings affirmed their long-term issuer credit rating of the Company of 'B-' and outlook of the Company to negative. Negative outlook reflecting that risks remain skewed to the downside in the medium-term, if recession proves deeper or the recovery weaker than Fitch's forecasts.
- The global and domestic macroeconomic conditions as a result of the COVID-19 crisis are the primary risk factors for the Cyprus economy and the banking sector. Adverse developments regarding growth, fiscal policy, unemployment, tourism and real estate prices, could have a negative impact on the Group's capital adequacy and its liquidity. Management closely monitors the developments and the impact they may have on the Group's operations and financial performance.

Capital base

Equity totalled €2,051 million at 31 December 2020, compared to €2,040 million at 31 December 2019. The CET1 ratio (transitional) stood at 14.81% at 31 December 2020 and at 14.82% at 31 December 2019. The CET1 ratio was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2020, the decrease in reserves and by ECL charges, including provisions recognised as a result of the NPE sale agreements signed in the third quarter 2020 and in the first quarter 2021 (Project Helix 2 Portfolios A and B). Risk Weighted Assets (RWAs) movement and pre-provision income had a positive effect on CET1 ratio. The recently introduced adjustments in response to the COVID-19 pandemic, affected positively the CET1 ratio through increasing the IFRS9 add-back (dynamic component), the add-back in relation to unrealized losses of certain financial instruments measured at FVOCI and by decreasing RWAs through the implementation of the new SME supporting factor, which expanded the population of performing exposures, the increased provision coverage in NPEs, the decrease in the overall customer advances balance sheet values and the decrease in operational risk RWAs. The Total Capital ratio (transitional) at 31 December 2020 stood at 18.86% (2019: 18.46%).

Additional information on the regulatory capital is disclosed in the Additional Risk and Capital Management Disclosures which form part of this Annual Report and in the Pillar III Disclosures Report, which is available on the Group's website www.bankofcyprus.com (Investor Relations).

Share capital

As at 31 December 2020, there were 9,597,944,533 issued ordinary shares with a nominal value of €0.10 each. Information about the authorised and issued share capital during 2020 and 2019 is disclosed in Note 35 of the Consolidated Financial Statements.

Share-based payments - share options

Following the incorporation of BOCH and its introduction as the new holding company of the Group in January 2017, the Long-Term Incentive Plan (as approved on 24 November 2015 by the Annual General Meeting of the Company) was replaced by the Share Option Plan which operates at the level of BOCH.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2020 and 2019.

Change of control

There are no significant agreements to which the Company is a party and which take effect following a change of control of the Company, but the Company is party to a number of agreements that may allow the counterparties to alter or terminate the agreements following a change of control. These agreements are not deemed to be significant in terms of their potential effect on the Group as a whole.

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

Other information

During 2020 and 2019 there were no restrictions on the transfer of the Company's ordinary shares or securities and no restrictions on voting rights other than the provisions of the Banking Law of Cyprus which requires regulatory approval prior to acquiring shares of the Company in excess of certain thresholds, and the generally applicable provisions of the Market Abuse Regulation and the European community (Takeover Bids (Directive 2004/25/EC)) Regulations 2006. From time to time, specific shareholders may have their rights in shares restricted in accordance with sanctions, anti-corruption, anti-money laundering and/or anti-terrorism compliance.

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

Dividends

Based on the SREP decisions of prior years, the Company and BOCH were under a regulatory prohibition for equity dividend distribution and therefore no dividends were declared or paid during years 2020 and 2019, except as detailed in Note 36 of the Consolidated Financial Statements.

Following the 2019 SREP decision, which remains in effect during 2021, the Company and BOCH are still under equity dividend distribution prohibition. This prohibition 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.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company and BOCH.

Principal risks and uncertainties - Risk management and mitigation

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and insurance risk. The Group monitors, manages and mitigates these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 45 to 48 to the Consolidated Financial Statements.

The Group is also exposed to litigation risk, arising from claims, investigations, regulatory and other matters. Further information is disclosed in Note 39 to the Consolidated Financial Statements.

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

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

The Group activities are mainly in Cyprus therefore the Group's performance is impacted by changes in the Cyprus operating environment as described in the 'Operating environment' section of this Management Report.

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

Details of the financial instruments and hedging activities of the Group are set out in Note 21 to the Consolidated Financial Statements.

The COVID-19 and its longer term impacts on the economy and the Group's financial performance remain uncertain. Specifically, COVID-19 could have an adverse impact across risks including the credit portfolio, operational risk, people, capital, funding and liquidity. The Group is closely monitoring the effects of COVID-19 and impact on its operations, businesses and financial performance, including liquidity and capital usage. The effects of COVID-19 are described in the 'Business Overview' section of this Management Report.

Events after the reporting date

TLTRO III

In December 2020 the ECB announced the extension of the period over which more favourable terms will apply to the third series of targeted longer-term refinancing operations (TLTRO III) by twelve months, to June 2022 and also announced that three additional TLTRO III operations will be conducted between June and December 2021.

The Company already participated in 2020 in TLTRO III by borrowing €1,000 million, which may benefit from the favourable terms for a further 12 months following the announcement by the ECB in December 2020, provided it meets the lending threshold set by the ECB. In addition, in March 2021 the Company borrowed additional €1,700 million under the new TLTRO III operation.

Project Helix 2B

In January 2021, the Group reached an agreement for the sale of a portfolio (the 'Portfolio 2B') of loans and advances to customers (known as 'Project Helix 2B' or the 'Transaction'). The Portfolio 2B will be transferred to a CyCAC by the Company and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B.

As at 31 December 2020, the Portfolio 2B including stock of property and cash, had a net book value of €224,476 thousand. The gross consideration for Project Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

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

Research and development

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

Preparation of periodic reporting

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

Preparation of periodic reporting (continued)

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

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

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

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

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

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

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

Service agreements termination

The service contract of the Executive Director in office as at 31 December 2020 includes a clause for termination, by service of six months' notice to that effect by either the Executive Director or the Company, without cause and the Company also maintains the right to pay to the Executive Director six months' salary in lieu of notice for immediate termination. There is an initial locked-in period of three years i.e. until 31 August 2022, during which no such notice may be served either by the Company or the Executive Director, unless there is a change of control of the Company as this is defined in the service agreement whereupon the Executive Director may serve the notice and is further entitled to compensation as this is determined in the service agreement.

Board of Directors

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

On 14 April 2020 and 28 September 2020 the Board of Directors decided to appoint Mr Nicos Sofianos and Mr Constantine Iordanou as members of the Board of Directors. The appointment of Mr Nicos Sofianos has been approved by ECB on 26 February 2021, but Mr Constantine Iordanou's appointment is subject to ECB approval.

On 14 April 2020 the Board of Directors accepted the resignation of Mrs Anat Bar-Gera as a member of the Board of Directors effective from 26 May 2020.

On 26 May 2020 Mrs Lyn Grobler was elected as Vice-Chairperson to the Board of Directors, succeeding Mr Maksim Goldman who resigned as Vice-Chairperson on the same date.

Board of Directors (continued)

On 28 September 2020 Dr Chris Patsalides resigned as Executive Member of the Board of Directors of the Company, following the termination of his employment as First Deputy Chief Executive Officer on the same date. Dr Chris Patsalides remained in office until 31 October 2020. On 28 September 2020 Mrs Eliza Livadiotou, Executive Director Finance, was appointed as Executive Member of the Board, but her appointment is subject to ECB approval.

The Board would like to thank all Directors who have retired for their contribution to the Group.

In accordance with the Articles of Association at each annual general meeting of the Company every Director who has been in office at the completion of the most recent annual general meeting since they were last appointed or reappointed, shall retire from office and offer themselves for re-election if they wish.

The remuneration of the Board of Directors is disclosed in Note 50 of the Consolidated Financial Statements.

Auditors

The auditors were re-appointed as Auditors at the last Annual General Meeting.

Non-financial information statement

The Group plays a key role in driving economic growth of Cyprus with a long presence and a dominant market position. Sustainable development, social progress, and a viable economy are all among the Group's key goals for 2021 and beyond.

Commitment to Sustainability

The Group's strategic approach to Sustainability is that our role in its community and its market must continue to extend "Beyond Banking". Its approach is based on the foundations of Sound Governance and ethics, focusing on four key pillars:

- Responsible Services,
- People,
- Society and
- Environment,

as detailed in the 2020 Sustainability Report. The Group takes into consideration local, global and sectoral Sustainability Standards, frameworks, legislation and initiatives, including the 17 Sustainable Development Goals and ESG (Environmental, Social, Governance) criteria. The Group acts with transparency and accountability, in line with its code of ethics, and aspires to lead in an era characterized by exponential change, disruption and digitalization through its innovative approach. The Group remains consistent and committed towards all its stakeholders; investors, customers, shareholders, employees and Cypriot society at large.

The Group's Sustainability & CSR Policy serves as a framework to identify, define and manage all Sustainability related issues.

Employees
Under the Group's Learning and Development Policy, in 2020 the training programmes delivered were based on the following training pillars:

- Systems,
- Professional Effectiveness (Regulatory, Compliance, Credit related) and
- Personal Development (Management Skills, Customer Service).

Due to the pandemic restrictions, there was a significant limitation of classroom training and a shift to digital learning (e-learnings and Live-online courses). In 2020 97% of employees received training, with a total of 57,237 training hours.

The Group approaches Health and Safety of its employees as a primary concern. In 2020, in addition to all COVID-19 precautions and measurements, the Group installed 8 new automated external defibrillators (AED). Currently total 78 AEDs are in place at the Company's premises for the common use by employees and customers.

Non-financial information statement (continued)

The Group's employees maintain a long history of volunteerism in the community and they are encouraged to actively participate and engage with the Group's various actions and initiatives. Unfortunately, during 2020, due to the pandemic, no major charity events were organised by the Group and therefore the engagement of staff volunteers was limited to smaller volunteering actions.

Society
The Group's Donations, Sponsorships and Partnerships policy covers the Group's engagement with key partners, customers and other stakeholders which aim to create sustainable social impact and material difference to the community.

During 2020, the Group initiated the award-winning network of companies and NGOs 'SupportCY' in order to support Public Services performing frontline duties during the Pandemic. The actions of the network, led by Bank of Cyprus, expanded in supporting various societal needs. At the same time it generated Social Capital which is both sustainable and more effective, by bringing businesses and organisations together to share what each does best, in responding to specific needs. By 31 December 2020, the SupportCY network had 93 members.

Within the SupportCY initiative, in 2020 the Group undertook sustainable support actions and showed particular concern for vulnerable social groups. Accordingly, it participated and encouraged all other members of the network, in efforts to enhance services related to health, education and social welfare, based on its relevant policy and strategy. Additionally, the Group developed initiatives that aimed to preserve local culture and history and to support innovation.

In 2020, approximately €700 thousand were offered for the support and enhancement of more than 180 NGOs, associations, charity organizations, municipalities, schools, sports federations, and sports academies, while offering refurbished computers and other office equipment to schools, associations and NGOs from the Company's stock.

The main sustainable support actions within the two pillars of Health and Education, are indicated below.

Health pillar main actions:

- More than 43,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by the Company and the Cyprus Government in 1998, while the Group continued offering extensive support, financial and otherwise, towards the Centre. The cumulative contribution of the Group to the Bank of Cyprus Oncology Centre has exceeded €70 million.
- The Group coordinated the 'Fight against Cancer' campaign with the Cyprus Anticancer Society, customized to meet Pandemic-related social distancing and other rules. The campaign resulted to fund raising of €286 thousand. The significant decrease in the amount from long-term averages is attributed to the cancellation of the largest fundraising events and activities due to COVID-19 (2019: €539 thousand).
- In 2020, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners with, and supports several Patient Associations.
- In 2020, the SupportCY initiative contributed in funds, services and products worth more than €116 thousand to Health Services and an additional €191 thousand towards social welfare.

Education pillar main actions:

- Since the Bank of Cyprus Cultural Foundation's establishment by the Company in 1985, more than 100 thousand pupils have participated in educational programmes on subjects related to art, literature, and culture of Cyprus, offered by the Bank of Cyprus Cultural Foundation. During 2020, many of the Foundation's programmes were converted to digital due to pandemic. At the same time, the Foundation launched a series of online activities targeted the children and adults, under the broader title 'Culture means Solidarity', focusing on various aspects of the permanent museums and collections of the Foundation such as the Art Collection, its Archaeological Collections, etc.
- In 2020, the Company continued its support to seven start-ups through the IDEA Incubator. IDEA continued to work throughout the pandemic to provide a fully functional Business Creation Training Program by carrying out its trainings, consulting and mentoring sessions either completely online or by adopting a hybrid mode of operation.

Non-financial information statement (continued)

- In 2020, the Group repeated the partnerships with various organizations in a bid to help boost education, innovation and ingenuity. Additionally, the Group awards Excellence, creativity and civic mindedness among pupils, but also recognises those pupils who stand out in international and local competitions, through awards and prizes. These are offered through the partnerships with teachers and other professional associations.
- In 2020, the SupportCY initiative contributed more than €302 thousand to education through financial, product, or service provision by the Group and SupportCY members.

Environment
Environment-related considerations are a developing topic for financial institutions globally. The Group's business could be affected by climate change and climate-related risks. Being one of the largest organisations in Cyprus, the Group is fully aware of its responsibility to minimise the negative impact of its operations on the environment and aims to conduct business in a responsible and sustainable way. The Group is closely monitoring relevant environmental legislation.

To achieve energy saving and carbon emissions reduction, the Group is currently developing relevant policies and procedures. Regarding energy saving, by 31 December 2020, the Group achieved total savings of 1.35 mn kWh. The Group, recognising the importance of waste resource management, continues to maintain an internal Recycling program. In 2020, 1,929 tonnes of paper were recycled.

Business Model

The business model of the Group is described in the 'Business Overview' section of this Management Report.

Risk Management

A description of the principal risks, their impact on business activity, and the way they are managed is disclosed in Section 'Principal risks and uncertainties Risk management and mitigation' of this Directors' Report.

The Group is continuing with its Digital Transformation Programme as described in section 'Digital Transformation' of this Directors' Report which focuses on three strategic pillars: developing digital services and products that enhance the customer experience, streamlining internal processes, and introducing new ways of working to improve the workplace environment.

The risks related to the Group's corporate responsibility actions and the actions undertaken by the Group in order to address them are covered within each pillar of responsibility.

Key Performance Indicators

An analysis of KPIs relevant to the Group is disclosed in the 'Financial Results' section of this Management Report.

Efstratios-Georgios Arapoglou
Chairman

Panicos Nicolaou
Chief Executive Officer

29 March 2021

Consolidated Financial Statements 2020

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Consolidated Income Statement
for the year ended 31 December 2020

	Notes	2020 €000	2019 €000
Turnover	6	**765,113**	910,588
Interest income	7	**389,197**	455,009
Income similar to interest income	7	**47,530**	53,180
Interest expense	8	**(61,991)**	(93,493)
Expense similar to interest expense	8	**(44,720)**	(48,708)
Net interest income		**330,016**	365,988
Fee and commission income	9	**151,091**	171,715
Fee and commission expense	9	**(6,417)**	(9,821)
Net foreign exchange gains	10	**16,535**	26,596
Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	11	**1,721**	18,675
Insurance income net of claims and commissions	12	**56,063**	57,660
Net (losses)/gains from revaluation and disposal of investment properties		**(1,499)**	2,249
Net gains on disposal of stock of property	27	**8,189**	25,952
Other income	13	**14,957**	28,938
		570,656	687,952
Staff costs	14	**(201,052)**	(306,713)
Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies	15	**(33,656)**	(43,609)
Other operating expenses	15	**(188,457)**	(242,752)
		147,491	94,878
Net gains on derecognition of financial assets measured at amortised cost		**2,949**	8,187
Credit losses to cover credit risk on loans and advances to customers	16	**(275,080)**	(232,451)
Credit losses of other financial instruments	16	**(4,585)**	(4,790)
Impairment net of reversals of non-financial assets	16	**(37,586)**	(26,081)
Loss before share of profit from associates and remeasurement		**(166,811)**	(160,257)
Remeasurement of investment in associate upon classification as held for sale	53	**-**	(25,943)
Share of profit from associates	53	**69**	5,513
Loss before tax		**(166,742)**	(180,687)
Income tax	17	**(7,920)**	112,836
Loss after tax for the year		**(174,662)**	(67,851)
Attributable to:			
Owners of the Company		**(171,411)**	(70,388)
Non-controlling interests		**(3,251)**	2,537
Loss for the year		**(174,662)**	(67,851)
Basic and diluted loss per share attributable to the owners of the Company (€ cent)	18	**(1.8)**	(0.7)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Notes	2020 €000	2019 €000
Loss for the year		**(174,662)**	(67,851)
Other comprehensive income (OCI)			
OCI that may be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)		**(6,984)**	15,100
Transfer to the consolidated income statement on disposal		**(3,653)**	-
		(10,637)	15,100
Foreign currency translation reserve			
Profit/(loss) on translation of net investments in foreign branches and subsidiaries		**24,551**	(9,743)
(Loss)/profit on hedging of net investments in foreign branches and subsidiaries	*21*	**(23,756)**	10,927
Transfer to the consolidated income statement on dissolution/disposal of foreign branches and subsidiaries		**84**	(403)
		879	781
Total OCI that may be reclassified in the consolidated income statement in subsequent periods		**(9,758)**	15,881
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (equity instruments)			
Share of net gains from fair value changes of associates		**-**	4,199
Net losses on investments in equity instruments designated at FVOCI		**(367)**	(670)
		(367)	3,529
Property revaluation reserve			
Fair value gain before tax	*25*	**1,550**	-
Deferred tax	*17*	**1,787**	88
		3,337	88
Actuarial losses on the defined benefit plans			
Remeasurement losses on defined benefit plans	*14*	**(3,415)**	(3,353)
Total OCI not to be reclassified in the consolidated income statement in subsequent periods		**(445)**	264
Other comprehensive (loss)/income for the year net of taxation		**(10,203)**	16,145
Total comprehensive loss for the year		**(184,865)**	(51,706)
Attributable to:			
Owners of the Company		**(181,703)**	(54,273)
Non-controlling interests		**(3,162)**	2,567
Total comprehensive loss for the year		**(184,865)**	(51,706)

Consolidated Balance Sheet
as at 31 December 2020

	Notes	2020 €000	2019 €000
Assets			
Cash and balances with central banks	19	**5,653,315**	5,060,042
Loans and advances to banks	19	**402,784**	320,881
Derivative financial assets	21	**24,627**	23,060
Investments	20	**1,876,009**	1,682,869
Investments pledged as collateral	20	**37,105**	222,961
Loans and advances to customers	23	**9,886,047**	10,721,841
Life insurance business assets attributable to policyholders	24	**474,187**	458,852
Prepayments, accrued income and other assets	28	**249,960**	243,813
Stock of property	27	**1,349,609**	1,377,453
Deferred tax assets	17	**341,360**	379,126
Investment properties	22	**128,088**	136,197
Property and equipment	25	**272,474**	288,054
Intangible assets	26	**185,256**	178,946
Investments in associates and joint venture	53	**2,462**	2,393
Non-current assets and disposal groups held for sale	29	**630,931**	26,217
Total assets		**21,514,214**	21,122,705
Liabilities			
Deposits by banks		**391,949**	533,404
Funding from central banks	30	**994,694**	-
Repurchase agreements		**-**	168,129
Derivative financial liabilities	21	**45,978**	50,593
Customer deposits	31	**16,533,212**	16,691,531
Insurance liabilities	32	**671,603**	640,013
Accruals, deferred income, other liabilities and other provisions	34	**359,880**	324,155
Pending litigation, claims, regulatory and other matters	39	**123,615**	108,094
Subordinated loan stock	33	**272,152**	272,170
Deferred tax liabilities	17	**45,982**	46,015
Total liabilities		**19,439,065**	18,834,104
Equity			
Share capital	35	**959,794**	959,794
Share premium	35	**1,250**	620,118
Revaluation and other reserves		**230,616**	232,164
Retained earnings	37	**639,079**	227,863
Equity attributable to the owners of the Company		**1,830,739**	2,039,939
Other equity instruments	35	**220,000**	220,000
Total equity excluding non-controlling interests		**2,050,739**	2,259,939
Non-controlling interests		**24,410**	28,662
Total equity		**2,075,149**	2,288,601
Total liabilities and equity		**21,514,214**	21,122,705

Mr. E.G. Arapoglou Chairman

Mr. P. Nicolaou Chief Executive Officer

Mr. N. Sofianos Director

Mrs. E. Livadiotou Executive Director Finance

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Attributable to shareholders of the Company										
	Share capital (Note 35)	Share premium (Note 35)	Retained earnings (Note 37)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 35)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2020	959,794	620,118	227,863	79,286	33,900	102,051	16,927	**2,039,939**	220,000	28,662	**2,288,601**
Loss for the year	-	-	(171,411)	-	-	-	-	**(171,411)**	-	(3,251)	**(174,662)**
Other comprehensive (loss)/income after tax for the year	-	-	(3,415)	3,250	(11,006)	-	879	**(10,292)**	-	89	**(10,203)**
Total comprehensive (loss)/income after tax for the year	-	-	(174,826)	3,250	(11,006)	-	879	**(181,703)**	-	(3,162)	**(184,865)**
Increase in value of in-force life insurance business	-	-	(9,543)	-	-	9,543	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	1,193	-	-	(1,193)	-	**-**	-	-	**-**
Transfer of realised profits on disposal of properties	-	-	3,021	(3,021)	-	-	-	**-**	-	-	**-**
Reduction of share premium (Note 35)	-	(618,868)	618,868	-	-	-	-	**-**	-	-	**-**
Change in the holding of Undertakings for Collective Investments in Transferable Securities (UCITS) Fund	-	-	3	-	-	-	-	**3**	-	-	**3**
Payment of coupon to AT1 holders (Note 35)	-	-	(27,500)	-	-	-	-	**(27,500)**	-	-	**(27,500)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	**-**	-	(1,090)	**(1,090)**
31 December 2020	**959,794**	**1,250**	**639,079**	**79,515**	**22,894**	**110,401**	**17,806**	**1,830,739**	**220,000**	**24,410**	**2,075,149**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Attributable to shareholders of the Company										
	Share capital (Note 35)	Share premium (Note 35)	Retained earnings (Note 37)	Property revaluation reserve	Financial instruments fair value reserve	Life insurance in-force business reserve	Foreign currency translation reserve	**Total**	Other equity instruments (Note 35)	Non-controlling interests	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	€000	**€000**
1 January 2019	892,294	552,618	464,631	79,433	15,289	101,001	16,151	**2,121,417**	220,000	25,998	**2,367,415**
(Loss)/profit for the year	-	-	(70,388)	-	-	-	-	**(70,388)**	-	2,537	**(67,851)**
Other comprehensive (loss)/income after tax for the year	-	-	(3,353)	81	18,611	-	776	**16,115**	-	30	**16,145**
Total comprehensive (loss)/income after tax for the year	-	-	(73,741)	81	18,611	-	776	**(54,273)**	-	2,567	**(51,706)**
Increase in value of in-force life insurance business	-	-	(1,200)	-	-	1,200	-	**-**	-	-	**-**
Tax on increase in value of in-force life insurance business	-	-	150	-	-	(150)	-	**-**	-	-	**-**
Transfer of realised profits on disposal of properties	-	-	228	(228)	-	-	-	**-**	-	-	**-**
Disposal of subsidiary (Note 52.4.2)	-	-	-	-	-	-	-	**-**	-	847	**847**
Change in the holding of Undertakings for Collective Investments in Transferable Securities (UCITS) Fund	-	-	(6)	-	-	-	-	**(6)**	-	-	**(6)**
Issue of share capital (Note 35)	67,500	67,500	(135,000)	-	-	-	-	**-**	-	-	**-**
Payment of coupon to AT1 holders (Note 35)	-	-	(27,199)	-	-	-	-	**(27,199)**	-	-	**(27,199)**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	**-**	-	(750)	**(750)**
31 December 2019	**959,794**	**620,118**	**227,863**	**79,286**	**33,900**	**102,051**	**16,927**	**2,039,939**	**220,000**	**28,662**	**2,288,601**

		Year ended 31 December	
	Notes	**2020** **€000**	2019 €000
Net cash flow (used in)/from operating activities	*41*	**(273,503)**	109,747
Cash flows from investing activities			
Purchases of debt securities and equity securities		**(575,638)**	(428,233)
Proceeds on disposal/redemption of investments:			
- debt securities		**557,303**	134,850
Interest received from debt securities		**33,514**	33,992
Dividend income from equity securities		**294**	361
Dividend income from associates		**-**	5,362
Proceeds on disposal of subsidiaries and associates		**53,354**	241,467
Proceeds on disposal of Helix and Velocity 1 and 2 portfolios		**13,409**	1,154,982
Proceeds on disposal of Helix 2A		**21,100**	-
Purchases of property and equipment	*25*	**(10,121)**	(8,660)
Purchases of intangible assets	*26*	**(15,129)**	(23,684)
Proceeds on disposals of property and equipment and intangible assets		**360**	385
Proceeds on disposals of investment properties and investment properties held for sale		**7,230**	19,318
Net cash from investing activities		**85,676**	1,130,140
Cash flow from financing activities			
Payment of AT1 coupon		**(27,500)**	(27,199)
Net proceeds/(repayment) of funding from central banks		**1,000,000**	(830,000)
Principle elements of lease payments		**(8,626)**	(8,679)
Interest on subordinated loan stock		**(23,329)**	(23,325)
Interest on funding from central banks		**(18,782)**	(17,448)
Dividend paid by subsidiaries to non-controlling interests		**(1,090)**	(750)
Net cash from/(used in) financing activities		**920,673**	(907,401)
Net increase in cash and cash equivalents		**732,846**	332,486
Cash and cash equivalents			
1 January		**5,130,863**	4,804,844
Foreign exchange adjustments		**26,426**	(6,467)
Net increase in cash and cash equivalents		**732,846**	332,486
31 December	*42*	**5,890,135**	5,130,863

Details on the non-cash transactions are presented in Note 41.

1. Corporate information

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

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law.

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

The shares of the parent company Bank of Cyprus Holdings Public Limited Company (BOCH), a company incorporated in Ireland, are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE). The Company remains a public company for the purposes of the Cyprus Income Tax Laws.

The Consolidated Financial Statements are available at the Bank of Cyprus Public Company Ltd registered office (51 Stassinos Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus) and on the website www.bankofcyprus.com (Investor Relations).

The Annual Report of Bank of Cyprus Holdings Public Limited Company Group is available on the website www.bankofcyprus.com (Investor Relations).

Consolidated Financial Statements
The Consolidated Financial Statements of the Company for the year ended 31 December 2020 (the Consolidated Financial Statements) were authorised for issue by a resolution of the Board of Directors on 29 March 2021.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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 44.

Statement of compliance
The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the requirements of the Cyprus Companies Law, Cap.113.

2.2 Accounting policies and changes in accounting policies and disclosures

The Consolidated Financial Statements contain a summary of the accounting policies adopted in the preparation of the Consolidated Financial Statements.

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new and amended standards and interpretations as explained in Note 2.2.1.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures (continued)

2.2.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Conceptual Framework in IFRS standards
The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The Conceptual Framework did not have a material impact on the results and financial position of the Group.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (amendments)
The amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. The amendments did not have a material impact on the results and financial position of the Group.

IFRS 3: Business Combinations (amendments)
The IASB issued amendments in Definition of a Business (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. These amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendments did not have a material impact on the results and financial position of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 related to Interest Rate benchmark Reform (the Amendments)
The Amendments to IFRS 9, IAS 39 and IFRS 7 relating to Interest Rate Benchmark Reform mandatorily take effect from 1 January 2020, but early adoption was permitted. The Group had elected to early adopt the interest rate benchmark reform amendments as described in Note 2.2.2 of the annual consolidated financial statements for the year ended 31 December 2019.

2.3 Standards and Interpretations that are issued but not yet effective

2.3.1 Standards and Interpretations issued by the IASB and adopted by the EU

IFRS 4: Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 (amendments)
The IASB published the amendments to IFRS 4 'Extension of the Temporary Exemption from Applying IFRS 9' to defer the fixed expiry date of the amendment to annual periods beginning on or after 1 January 2023. The Group does not expect these amendments to have an impact on its results and financial position.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

2. Summary of significant accounting policies (continued)

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

2.3.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

- Modification of financial assets, financial liabilities and lease liabilities: introduction of a practical expedient for modifications required by the IBOR reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
- Hedge accounting requirements: hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
- Disclosures: the amendments require that an entity discloses information about: (i) how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; (ii) quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the IBOR reform, disaggregated by significant interest rate benchmark; and (iii) to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how the entity is managing those risks.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively, with earlier application permitted. Restatement of prior periods is not required. The Group does not expect these amendments to have a material impact on its results and financial position.

IFRS 16: Leases Covid-19 Related rent concessions (amendment)
The IASB published 'amendments to IFRS 16 covering COVID-19-Related Rent Concessions'. These provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. The Group does not expect these amendments to have a material impact on its results and financial position.

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

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In June 2019, the IASB issued an Exposure Draft which proposes some amendments to IFRS 17, including a proposal to defer the mandatory effective date of IFRS 17 by one year so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022. In March 2020 the IASB discussed and voted in favour of the amendment to IFRS 17 to defer its effective date (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 and it establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. IFRS 17 divides insurance contracts into groups it will recognise and measure at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). It also recognises profit from a group of insurance contracts over the period the entity provides insurance coverage and as the entity is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, an entity recognises the loss immediately. The standard contains a core measurement approach, the 'general model', as well as an adaptation of the general model, the 'variable fee approach' that should be applied to certain types of contracts with direct participation features. If certain criteria are met, an entity may apply a simplified measurement approach, the 'premium allocation approach', which allows an entity to measure the amount of remaining coverage by allocating the premium over the coverage period (mainly applicable for non-life contracts with up to one-year coverage). The Group is in the process of implementing IFRS 17 and is assessing the impact of the standard on its results and financial position.

2. Summary of significant accounting policies (continued)

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

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

IAS 1 Presentation of Financial Statements: classification of Liabilities as Current or Non-current (amendments)
The IASB issued amendments to IAS 1 Presentation of Financial Statements (the amendments) 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 (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument. The amendments are effective for or annual periods beginning on or after 1 January 2023, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

IFRS 3: Business Combinations (amendments)
The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing the accounting requirements for business combinations. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (amendments)
The amendments to the standard prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. They are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. An entity will apply the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (amendments)
The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

Annual Improvements to IFRS Standards 2018–2020 Cycle

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

2. Summary of significant accounting policies (continued)

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

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

- IAS 41 Agriculture: the amendment removes the requirement of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique, which ensures consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022, with earlier application permitted, whereas the amendment to IFRS 16 only regards an illustrative example. The Group does not expect these amendments to have a material impact on its results and financial position.

IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2: Disclosure of Accounting policies (amendments)
The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect these amendments to have an impact on its financial results and financial position.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendments)
The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect these amendments to have a material impact on its financial results and financial position.

2.4 Basis of consolidation

The Consolidated Financial Statements comprise the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2020. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Specifically, the Group controls an investee only if the Group has:
- power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including any contractual arrangements with the other vote holders, rights arising from other contractual arrangements, and the Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts indicate that there are changes to any of the three elements of control.

Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Financial Statements from the date of acquisition or up to the date of disposal, respectively. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, directly or indirectly. The non-controlling interests are presented separately in the consolidated income statement and within equity from the Company owners' equity.

All intra-group balances and transactions are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises nor any gain/loss is recognised in the consolidated income statement from such transactions. The foreign exchange differences which relate to the share of non-controlling interests being sold/acquired are reclassified between the foreign currency reserve and non-controlling interests.

2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired is recognised as goodwill on the consolidated balance sheet. Where the Group's share of the fair values of the identifiable net assets is greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition. Acquisition related costs are expensed as incurred and included in other operating expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any resulting gain or loss is recognised in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

In the Consolidated Financial Statements, the Group's investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture. The Group's share of the results of the associate or joint venture is included in the consolidated income statement. Losses of the associate or joint venture in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss before tax. The associated tax charge is disclosed in income tax.

2. Summary of significant accounting policies (continued)

2.6 Investments in associates and joint ventures (continued)

The Group recognises its share of any changes in the equity of the associate or the joint venture through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the Group's interest in the associate or the joint venture.

The Group applies equity accounting only up to the date an investment in associates or joint ventures meets the criteria for classification as held for sale. From then onwards, the investment in associates or joint ventures is measured at the lower of its carrying amount and fair value less costs to sell.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

2.7 Foreign currency translation

The Consolidated Financial Statements are presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus. Each overseas branch or subsidiary of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2.7.1 Transactions and balances

Transactions in foreign currencies are recorded using the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Net foreign exchange gains' in the consolidated income statement, with the exception of differences on foreign currency liabilities that provide a hedge against the net investments in subsidiaries and overseas branches. These differences are recognised in other comprehensive income in the 'Foreign currency translation reserve' until the disposal or liquidation of the net investment, at which time the cumulative amount is reclassified to the consolidated income statement.

Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value is determined.

2.7.2 Subsidiary companies and branches

At the reporting date, the assets and liabilities of subsidiaries (including special purpose entities that the Group consolidates) and branches whose functional currency is other than the Group's presentation currency are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date, and their income statements are translated using the average exchange rates for the year.

Foreign exchange differences arising on translation are recognised in other comprehensive income in the 'Foreign currency translation reserve'. On disposal or liquidation of a subsidiary or branch, the cumulative amount of the foreign exchange differences relating to that particular overseas operation, is reclassified to the consolidated income statement as part of the profit/loss on disposal/dissolution of subsidiaries.

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group of persons that allocate resources to and assess the performance of the operating segments.

The chief operating decision-maker is the Group Executive Committee.

2. Summary of significant accounting policies (continued)

2.9 Turnover

Group turnover as presented in the Consolidated Income Statement is analysed in Note 6.

2.10 Revenue from contracts with customers

The Group recognises revenue when control of the promised goods or services is transferred to customers in return of an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The revenue recognition model applies the following five steps:
- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The performance obligation notion in effect represents a promise in a contract with a customer to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Contract balances
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Receivables are recorded where the Group provides services to clients, consideration is due immediately upon satisfaction of a point in time service or at the end of a prespecified period for an over the time service. It is the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The initial recognition and subsequent measurement of such receivables is disclosed in Notes 2.15 to 2.19.

Contract liabilities relate to payments received from customers where the Group is yet to satisfy its performance obligation. Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract assets and receivables are recorded within 'Prepayments, accrued income and other assets' and contract liabilities within 'Accruals, deferred income, other liabilities and other provisions' in the consolidated balance sheet.

2.10.1 Fee and commission income

The Group earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two broad categories:
- fees earned from services that are provided over a certain period of time, such as asset or portfolio management, custody services and certain advisory services and
- fees earned from point in time services such as executing transactions and brokerage fees (e.g. securities and derivative execution and clearing).

Over time services
Fees earned from services that are provided over a certain period of time are recognised pro-rata over the service period provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the control of the Group. Costs to fulfil over time services are recorded in the consolidated income statement immediately because such services are considered to be a series of services that are substantially the same from day to day and have the same pattern of transfer.

Point in time services
Fees earned from providing transaction-type services are recognised when the service has been completed provided such fees are not subject to refund or another contingency beyond the control of the Group. Incremental costs to fulfil services provided at a point in time are typically incurred and recorded at the same time as the performance obligation is satisfied and revenue is earned, and are therefore not recognised as an asset, e.g. brokerage commissions.

2. Summary of significant accounting policies (continued)

2.10 Revenue from contracts with customers (continued)

2.10.1 Fee and commission income (continued)

Fee and commission income is measured based on consideration specified in a legally enforceable contract with a customer, excluding amounts such as taxes collected on behalf of third parties. Consideration can include both fixed and variable amounts. Variable consideration includes refunds, discounts and other amounts that are contingent on the occurrence or non-occurrence of a future event. Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

2.10.2 Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established i.e. upon approval by the general meeting of the shareholders.

2.10.3 Rental income

Rental income from investment properties and stock of property is accounted for on a straight-line basis over the period of the lease and is recognised in the consolidated income statement in 'Other income'.

2.10.4 Gains from the disposal of investment property

Gains on disposal of investment property are recognised in the consolidated income statement in 'Net gains/(losses) from revaluation and disposal of investment properties' when the buyer accepts delivery and the control of the property is transferred to the buyer.

2.10.5 Gains on the disposal of stock of property

Net gains on disposal of stock of property are recognised in the consolidated income statement when the buyer accepts delivery and the control of the property is transferred to the buyer.

2.11 Recognition of interest income/expense and income/expense similar to interest

The Group calculates interest income/expense by applying the effective interest rate (EIR) to the gross carrying amount of financial assets, unless the asset is credit-impaired. For financial assets and financial liabilities measured at FVPL which accrue interest, the Group follows the principles of the effective interest method with the only difference being the treatment of fees that are integral to the financial asset/financial liabilities. That is, for financial assets and financial liabilities classified at FVPL the fees are recognised as revenue or expense when the instrument is initially recognised and not as part of the EIR calculation.

When a financial asset becomes credit-impaired and is therefore classified as Stage 3, interest income is calculated by applying the EIR to the amortised cost of the financial asset, being the gross carrying amount of the financial asset less any loss allowance. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on the gross carrying amount. In such cases, the Group unwinds the discount on the expected credit losses (ECL) through the 'Credit losses to cover credit risk on loans and advances to customers' line in the Consolidated Income Statement.

Interest income on purchased or originated credit-impaired (POCI) financial assets is recognised using the Credit Adjusted Effective Interest Rate (CAEIR) calculated at initial recognition. The CAEIR is applied on the amortised cost of the financial asset, being the gross carrying amount of the financial asset less any loss allowance.

Interest income from financial assets at amortised cost and financial assets at FVOCI are presented within the caption 'Interest income', with interest income on financial instruments at FVPL presented within the caption 'Income similar to interest income' in the consolidated income statement. Interest expense on financial liabilities at amortised cost is presented within the caption 'Interest expense', with interest expense on financial instruments at FVPL presented within the caption 'Expense similar to interest expense' in the consolidated income statement. All form part of the 'Net interest income'.

The Group has funding from central banks with negative interest rates. The Group classifies the interest on these liabilities within interest income. Negative interest is disclosed in Note 7.

2. Summary of significant accounting policies (continued)

2.11 Recognition of interest income/expense and income/expense similar to interest (continued)

The Group holds loans and advances to banks and central banks with negative interest rates. The Group classifies the interest on these assets within interest expense. Negative interest is disclosed in Note 8.

The effective interest rate method

Interest income and expense are recognised in the consolidated income statement by applying the effective interest rate (EIR) for all financial instruments measured at amortised cost and debt instruments at FVOCI.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

The EIR, and therefore the amortised cost of the asset, is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Fees and incremental costs that are directly attributable to loans and advances to customers are also deferred and amortised as part of interest income using the effective interest rate method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the EIR, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The carrying amount of a financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in 'Net gains on financial instrument transactions' for debt securities, or 'changes in expected cash flows' for loans and advances to customers.

2.12 Retirement benefits

The Group operates both defined contribution and defined benefit retirement plans.

Defined contribution plans
The Group recognises obligations, in respect of the accounting period in the consolidated income statement. Any unpaid contributions at the reporting date are included as a liability.

Defined benefit plans
The cost of providing benefits for defined benefit plans is estimated separately for each plan using the Projected Unit Credit Method of actuarial valuation.

The defined benefit asset or liability comprises the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), reduced by the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a funded plan or qualifying insurance policies. Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

The net charge to the consolidated income statement mainly comprises the service costs and the net interest on the net defined benefit asset or liability, and is presented in staff costs. Service costs comprise current service costs, past-service costs, gains and losses or curtailments and non-routine settlements. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest), and the return on plan assets (excluding net interest), are recognised immediately on the consolidated balance sheet with a corresponding debit or credit in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

2. Summary of significant accounting policies (continued)

2.13 Tax

Current income tax and deferred tax
Tax on income is provided in accordance with the fiscal regulations and rates which apply in the countries where the Group operates and is recognised as an expense in the period in which the income arises. Deferred tax is provided using the liability method. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. Current income tax and deferred tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date, which will give rise to taxable amounts in future periods. Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associate companies and branches except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities, after taking into account the tax rates and legislation that have been enacted or substantially enacted by the reporting date.

The deferred tax assets arising from specific tax losses and which are subject to the Income Tax Law Amendment 28 (I) of 2019, are accounted for on the same basis as other deferred tax assets and can be converted into tax credits. These tax losses are converted into 11 equal annual instalments and each instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Any amount of the annual instalment not utilised is converted into a tax credit and can be utilised in the tax year following the tax year to which this tax credit relates to. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government. Further details are disclosed in Note 17.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

Indirect Tax Value Added Tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case, the VAT suffered is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of VAT charged. The amount of VAT recoverable from, or payable to the tax authorities, is included as part of receivables or payables in the consolidated balance sheet.

2.14 Financial instruments - initial recognition

2.14.1 Date of recognition

'Balances with central banks', 'Funding from central banks', 'Deposits by banks', 'Customer deposits', 'Loans and advances to banks' and 'Loans and advances to customers' are recognised when cash is received by the Group or advanced to the borrowers. All other financial assets and liabilities are initially recognised on the trade date. Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are also recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are also recognised on a trade date basis.

2. Summary of significant accounting policies (continued)

2.14 Financial instruments - initial recognition (continued)

2.14.2 Initial recognition and measurement of financial instruments

The classification of financial assets on initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.15.

All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at FVPL, any directly attributable incremental costs of acquisition or issue.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described in Note 2.14.3 below.

2.14.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' caption. In the cases, where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.14.4 Measurement categories of financial assets and liabilities

Financial assets are measured either at amortised cost, FVOCI or FVTPL.

The Group classifies and measures its derivatives and trading portfolios at FVPL. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost or at FVPL when they are held for trading or relate to derivative instruments.

2.15 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets depends on how these are managed as part of the Business Models the Group operates under and their contractual cash flow characteristics (whether the cash flows represent solely payments of principle and interest (SPPI)).

Business model assessment
The Group assesses the business model at a portfolio level. The portfolio level is determined at the aggregation level that reflects how the Group manages its financial assets and the business model is based on observable factors which include:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flows characteristics test (SPPI assessment)
The Group assesses whether the individual financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding at origination (SPPI test).

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and liabilities (continued)

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are SPPI, the Group applies judgment and considers the terms that could change the contractual cash flows so that they would not meet the condition for SPPI, and be inconsistent to a basic lending arrangement, including: (i) contingent and leverage features, (ii) interest rates which are beyond the control of the Group or variable interest rate consideration, (iii) features that could modify the time value of money, (iv) prepayment and extension options, (v) non-recourse arrangements and (vi) convertible features.

Where the contractual terms of a financial asset introduce a more than de-minimis exposure to risks or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVPL.

2.15.1 Derivative financial instruments

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value. Revaluations of trading derivatives are included in the consolidated income statement in 'Net foreign exchange gains' in the case of currency derivatives and in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the case of all other derivatives. Interest income and expense are included in the 'Income similar to interest income' and 'Expense similar to interest expense' captions respectively in the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

For hybrid contracts where the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are based on the business model and SPPI assessment as described in the Classification of financial assets section of Note 2.15 and applied to the entire hybrid instrument.

Derivatives embedded in financial liabilities and non-financial host contracts, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself measured at fair value with revaluation recognised in the consolidated income statement. The embedded derivatives separated from the host are carried at fair value, with revaluations recognised in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement. The host contract is accounted for in accordance with the relevant standards.

2.15.2 Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they meet both of the following conditions:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This classification relates to cash and balances with central banks, loans and advances to banks, loans and advances to customers that pass the SPPI test, debt securities held under the 'Hold to collect' business model and other financial assets.

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and liabilities (continued)

2.15.2 Financial assets measured at amortised cost (continued)

After their initial recognition, financial instruments measured at amortised cost are measured at amortised cost using the effective interest rate method, less allowances for expected credit losses (ECL). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in 'Credit losses to cover credit risk on loans and advances to customers' in the case of loans and advances to customers and in 'Credit losses of other financial instruments' for all other financial instruments.

2.15.3 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they meet both of the following conditions:

- The financial asset is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This classification relates to debt securities held under the 'Hold to collect and sell' business model that pass the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses due to changes in fair value recognised directly in other comprehensive income in the 'Net gains/(losses) on investments in debt instruments measured at FVOCI' caption. Upon derecognition of these instruments, any accumulated balances in other comprehensive income are reclassified to the consolidated income statement and reported within 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' caption. The interest income, foreign exchange differences and ECL are recognised in the consolidated income statement in the respective lines in the same manner as for financial assets at amortised cost.

2.15.4 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading represent assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term and are recognised in the consolidated balance sheet at fair value. Changes in the fair value are recognised in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement. Interest income and expense are included in the captions 'Income similar to interest income' and 'Expense similar to interest expense' respectively in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

This classification relates to debt and equity instruments that have been acquired principally for the purposes of sale or repurchase in the near term.

2.15.5 Financial assets or financial liabilities at FVPL

Financial assets and financial liabilities, other than those held for trading, classified in this category are those that are designated by management on initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL at initial recognition when one of the following criteria are met:

(a) the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the assets or liabilities or the recognition of gains or losses on them on a different basis, or
(b) the liabilities are part of a group of financial liabilities or financial assets and financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
(c) the liabilities contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of the instrument or it is clear, with little or no analysis, that the embedded derivative could not be separated.

2. Summary of significant accounting policies (continued)

2.15 Classification and measurement of financial assets and liabilities (continued)

2.15.5 Financial assets or financial liabilities at FVPL (continued)

Such designation is determined on an instrument-by-instrument basis.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in the fair value are recognised in 'Net gains on financial instrument transactions and loss on disposal/dissolution of subsidiaries and associates' in the consolidated income statement. Interest income and expense are included in the captions 'Income similar to interest income' and 'Expense similar to interest expense' respectively in the consolidated income statement according to the terms of the relevant contract. Dividend income is recognised in 'Other income' in the consolidated income statement when the right to receive payment has been established.

In addition assets held under unit-linked insurance contracts and certain non-linked insurance contracts issued by insurance subsidiaries are designated at FVPL.

Financial assets mandatorily classified at FVPL include certain loans and advances to customers, certain investment fund holdings and other securities for which the contractual cash flows do not meet the SPPI test, or the financial assets are part of a portfolio held under a business model under which they are managed and their performance is evaluated on a fair value basis.

2.15.6 Equity instruments measured at FVOCI

At initial recognition, the Group can make an irrevocable election to classify an investment in equity instrument at FVOCI, when that meets the definition of Equity under IAS 32 Financial Instruments: 'Presentation', and is not held for trading. Such classification is determined on an instrument-by-instrument basis.

Fair value gains and losses on these equity instruments are recognised in OCI and are not recycled to profit or loss upon derecognition, but are transferred directly to retained earnings. Dividends on equity investments are recognised in the consolidated income statement and reported within 'Other Income' when the right to receive payment has been established. Equity instruments measured at FVOCI are not subject to an impairment assessment.

2.15.7 Subordinated loan stock

Subordinated loan stock is initially measured at the fair value of the consideration received, net of any issue costs. It is subsequently measured at amortised cost using the effective interest rate method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Group has the right to redeem the subordinated loan stock.

Interest on subordinated loan stock is included in 'Interest expense' in the consolidated income statement.

2.15.8 Other financial liabilities

Other financial liabilities include 'Customer deposits', 'Deposits by banks', 'Funding from central banks' and other financial liabilities.

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of deposits by customers, funding from central banks and deposits by banks is at amortised cost, using the effective interest method.

2.16 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition apart from exceptional circumstances in which the Group changes its business model for managing financial assets and acquires, disposes of, or terminates a business line. Reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

2. Summary of significant accounting policies (continued)

2.16 Reclassification of financial assets and liabilities (continued)

Financial liabilities are never reclassified.

2.17 Derecognition of financial assets and financial liabilities

2.17.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, either:
- The Group transfers its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but assumes an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

A transfer only qualifies for derecognition if either:
- The Group transfers substantially all the risks and rewards of the asset; or
- The Group neither transfers nor retains substantially all the risks and rewards of the asset, but it transfers control of the asset.

2.17.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Modifications to, and exchanges of, financial liabilities are treated as extinguishments and derecognised, when the revised terms are substantially different to the original term. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in profit or loss.

2.18 Forborne and modified loans

The contractual terms of a financial asset may be modified due to various reasons, either due to commercial renegotiations or due to distressed restructurings with a view to maximise recovery.

In the event that the terms and conditions of a financial asset are renegotiated or otherwise modified, the Group considers whether the modification results in derecognition of the existing financial asset and the recognition of a new financial asset. A derecognition of a financial asset (or part of a financial asset) and a recognition of a new financial asset would occur where there has been a substantial modification on the revised terms to the original cash flows.

Judgement is required to assess whether a change in the contractual terms is substantial enough to lead to derecognition. The Group considers a series of factors of both qualitative and quantitative nature when making such judgements on a modification in the contractual cash flows, including change in the currency, change in counterparty, introduction of substantially different terms such as addition of equity conversion features, changes in the legal framework and other.

Where the modification does not result in derecognition, the Group recognises a modification gain or loss, based on the difference between the modified cash flows discounted at the original EIR and the existing gross carrying value of the financial asset. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired as defined in Note 2.19.2, are no longer present. A modified financial asset will transfer out of Stage 2 when it no longer satisfies relative thresholds set to identify significant increases in credit risk, which are based on changes in its lifetime PD, days past due and other considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

Where the modification results in derecognition, the new financial asset is classified at amortised cost or FVOCI and an assessment is performed on whether it should be classified as Stage 1 or POCI for ECL measurement. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets

2.19.1 Overview of ECL principle

The Group uses a forward looking ECL model, requiring judgement, estimates and assumptions in determining the level of ECLs. ECLs are recorded for all financial assets measured at amortised cost and FVOCI, lease receivables, loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

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

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

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

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

Stage 3: Financial assets which are considered to be credit-impaired (refer to following section of the note on how the Group defines credit-impaired and default) and lifetime losses are recognised.

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

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

2.19.2 Credit impaired and definition of default

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

As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

- (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
- (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.
- (iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

(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.

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.

If a non-retail debtor has an exposure with significant arrears of more than 90 days, the total customer exposure is classified as non-performing, irrespective of the 20% threshold.

Material arrears/excesses are defined as follows:
- Retail exposures: Total arrears/excesses amount greater than €100
- Exposures other than retail: Total arrears/excesses amount greater than €500 and the amount in arrears/excess in relation to the customer's total exposure is at least 1%.

If unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due.

The definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

When a financial asset has been identified as credit-impaired, ECLs are measured as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows discounted at the instrument’s original effective interest rate.

Non performing forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:
i. The extension of forbearance measures does not lead to the recognition of impairment or default.
ii. One year has passed since the forbearance measures were extended.
iii. Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
iv. No Unlikely-to-Pay criteria exist for the debtor.
v. The debtor has made post-forbearance payments of a non-insignificant amount of capital (different capital thresholds exist according to the facility type).

Non-performing non-forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all conditions for which the exposures were classified originally as NPEs, cease to apply.

When an account exits Stage 3, it is transferred to Stage 2 for a probationary period of 6 months. At the end of this period, the significant increase in credit risk (SICR) trigger is activated as described in Note 2.19.3 and the loan is either transferred to Stage 1 or remains in Stage 2. The reversal of previous unrecognised interest on loans and advances to customers that no longer meet Stage 3 criteria is presented in 'Credit losses to cover credit risk on loans and advances to customers'.

New default definition effective from 1 January 2021

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).

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.2 Credit impaired and definition of default (continued)

As a result of the above, the following changes came into effect as from 1 January 2021:

1. New Days-past-Due (DPD) counter: The new counter will begin 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.

2. Additionally to the above criteria for the exit of non-performing forborne exposures the following condition should also be met:

   A period of one year has passed since the latest of the following events:
   a. The restructuring date
   b. The date the exposure was classified as non-performing
   c. The payment of interest and capital for at least 12 months

3. Non-performing non-forborne exposures cease to be considered as NPEs only when all of the following conditions are met:
   i. A three month probation period has passed
   ii. No trigger of default continues to apply
   iii. No Unlikely-to-Pay criteria exist for the debtor

4. As per the new definition of default, the 20% materiality threshold and the 90 days past due counter, will no longer apply for non-retail exposures i.e. any non-performing exposure of the customer, for any reason, will result in a non-performing classification at customer level.

Debt securities, loans and advances to banks and balances with central banks
Debt securities, loans and advances to banks and balances with central banks are considered defaulted and transferred to Stage 3 if the issuers have failed to pay either interest or principal. Moody's ratings indicate these exposures with a grade C which is the lowest Moody's rating category. In addition, a number of other criteria are considered such as adverse changes in business, financial and economic conditions as well as external market indicators (credit spreads, credit default swap (CDS) prices) in determining whether there has been a significant deterioration in the financial position that could lead to unlikeliness to pay.

2.19.3 Significant increase in credit risk

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

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

Significant credit risk increase for loans and advances to customers
Primarily, the Group uses the lifetime probability of default (PDs) as the quantitative metric in order to assess transition from Stage 1 to Stage 2 for all portfolios. The Group considers an exposure to have experienced significant increase in credit risk (SICR) by comparing the PD at the reporting date with the PD at initial recognition to compute the relative increase in regards to the corresponding threshold. The threshold has been determined by using statistical analysis on historical information of credit migration exposures on the basis of days past due, for the different segments. The Group applies the thresholds presented in the table below to each portfolio/segment, based on the following characteristics: customer type, product type and rating at origination. The threshold is then assigned to each facility according to the facility's portfolio/segment.

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

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.3 Significant increase in credit risk (continued)

The SICR trigger is activated based on the comparison of the ratio of current lifetime PD to the remaining Lifetime PD at origination (PD@O) to the pre-established threshold. If the resulting ratio is higher than the pre-established threshold then deterioration is assumed to have occurred and the exposure is transferred to Stage 2. The thresholds calibration is driven by changes in the PD models which are assessed semi-annually as disclosed in Note 45.7.

The table below summarises the quantitative measure of the SICR trigger which varies depending on the credit quality at origination as follows, applied on 31 December 2020 and 2019:

Segment	Rating at origination	PD Deterioration thresholds applied at 31 December 2020	PD Deterioration thresholds applied at 31 December 2019
Retail	1-3 4-5 6-7	1-7 X PD@O 1-4 X PD@O 1-4 X PD@O	2-9 X PD@O 1-6 X PD@O 1-3 X PD@O
SME	1-3 4-5 6-7	3 X PD@O 3 X PD@O 3 X PD@O	4-6 X PD@O 2-4 X PD@O 1-2 X PD@O
Corporate	1-7	1-2 X PD@O	2 X PD@O

The IFRS 9 parameters (PD components), including the thresholds were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations, having a positive impact on the ECL of €6 million.

For exposures which are subject to individual impairment assessment, the following qualitative factors in addition to the ones incorporated in the PD calculation, are considered:

- significant change in collateral value or guarantee or financial support provided by shareholders/directors,
- significant adverse changes in business, financial and/or economic conditions in which the borrower operates.

The Group also considers, as a backstop criterion, that a significant increase in the credit risk occurs when contractual payments are more than 30 days past due (past due materiality is applied). Loans that meet this condition are classified in Stage 2. The transfer to Stage 2 does not take place in cases where certain exposures are past due for more than 30 days but certain materiality limits are not met (such as arrears up to €100 and funded balances up to 1% in the case of retail exposures and arrears up to €500 and funded balances up to 1% on all exposures other than retail). The materiality levels are set in accordance with the ECB Regulation (EU) 2018/1845.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has been transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Significant credit risk increase for financial instruments other than loans and advances to customers
Low credit risk simplification is adopted for debt securities, loans and advances to banks and balances with central banks with external credit ratings that are rated as investment grade. The assessment of low credit risk is based on both the external credit rating and the internal scoring (which considers latest available information on the instrument and issuer). The combination of the two provides an adjusted credit rating. An adjusted credit rating which remains investment grade is considered as having low credit risk.

For debt securities, loans and advances to banks and balances with central banks which are below investment grade, the low credit risk exemption does not apply and therefore an assessment of significant credit deterioration takes place, by comparing their credit rating at origination with the credit rating on the reporting date. Significant deterioration in credit risk is considered to have occurred when the adjusted rating of the exposures drops to such an extent that the new rating relates to a riskier category (i.e. from a non-investments grade to speculative) and then to highly speculative or when the PD of the exposure at the origination date compared to the PD at the reporting date has increased by a level greater than the pre-set threshold.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs

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

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

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

Exposure at default (EAD)
EAD represents the expected exposure in the event of a default during the life of a financial instrument, considering expected repayments, interest payments and accruals. EAD definition is differentiated for the following categories: revolving and non-revolving exposures.

For non-revolving exposures the term is based on the contractual term of the exposure and both on-balance sheet and off-balance sheet exposures are amortised in accordance with the principal contractual payment schedule of each exposure. In case of revolving exposures, the projected EAD is the carrying value plus the credit conversion factor applied on the undrawn amount. The credit conversion factor model is derived based on empirical data from 2014 onwards.

In regards to the credit-impaired exposures, the EAD is equal to the on balance sheet amount as at the reporting date.

Probability of default (PD)
PD represents the probability an exposure defaults and is calculated based on statistical rating models, calculated per segment and taking into consideration each individual's exposure rating as well as forward looking information based on macroeconomic inputs.

For each exposure, lifetime PD represents the probability of default within the lifetime horizon and is based on the underlying models of marginal probability of default through the cycle (MPD TTC), MPD individual, MPD point in time, Marginal Probability of Paid-off (MPP) and the NPE overlay. In particular, the first element, MPD TTC is constructed per segment, illustrating the probability of default status depending on number of months since the origination date. The PD for each month since the origination date is calculated under the condition that exposures survived until the prior month. The MPD individual is allocated to linked individual exposures through a scaling factor constructed based on the current individual risk assessment, which is represented by the Group's PD per rating grade. MPD is adjusted to reflect the current and forward looking information based on the macroeconomic inputs. The MPP Component is the curve that shows the probability of full payment of a particular exposure based on specific period in months since the open date of the exposure. MPP is estimated for each particular segment and depends on the contractual terms of the exposure. Finally, the NPE overlay is an add-on factor that adjusts the definition of default of the underlying models, such that it is aligned with the NPE definition. For revolving facilities where there is no contractual survival maturity, one curve per segment is developed. The combination of these models gives rise to a PD value for each month for the lifetime of the exposure.

The Company's internal rating process is summarised in Note 45.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.4 Measurement of ECLs (continued)

Loss given default (LGD)
LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. Two distinct paths are taken into consideration for the LGD parameter. The first one is that of a cured facility where there is a full recovery thus no losses occur. In the second scenario, the facility remains non-performing resulting into the Company proceeding with collateral liquidation actions. To this end, the LGD model considers parameters such as historical loss and/or recovery rates as well as the collateral value which is discounted to the present value determining the amount of the expected shortfall. LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segments of each asset class.

The structure of the LGD model considers the following:
- Curing where the probability of cure model was derived based on historical observations.
- Non-curing including cash recovery or realisation of collaterals either voluntarily i.e. debt for asset swap or through forced sale, auctions and foreclosure and receivership.

A model monitoring process is followed for PD, EAD and LGD models, where model outputs are back-tested against recent data points.

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

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

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

2.19.5 Scenarios and scenario weights

The Group uses reasonable and supportable information, including forward-looking information, in the calculation of ECLs. ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECLs are calculated for three macroeconomic scenarios, baseline, downside and upside and the output is the weighted average ECL based on the assigned probability of each scenario (Note 45).

Macroeconomic scenarios impact both the probability of default (PD) and the loss given default (LGD). Specifically, forward looking information is embedded in the PDs based on regression equations derived on the basis of historical data. Using statistical analysis, the most significant macro-variables have been selected in order to predict accurately the expected default rates. In regards to the LGD, the forward looking information is incorporated via the property indices for the relevant categories of properties (housing, commercial, industrial). In particular, for each collateral a forward looking projection of the realisable value is calculated before discounting back to reporting date to quantify the expected cash shortfall.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for a five year period, subsequently reverting to projections of long-run growth averages based on estimates of potential growth.

2. Summary of significant accounting policies (continued)

2.19 Impairment of financial assets (continued)

2.19.5 Scenarios and scenario weights (continued)

Regarding the scenario weights, these are determined using probability theory and severity analysis. Historical data for GDP growth (1980-2020) is analysed and a frequency distribution is produced. From that distribution probabilities are derived for all possible outcomes assuming a normal distribution pattern for the data. Cyprus' historical growth data exhibit high volatility and the resulting distribution is positively skewed. However, the distribution tends to normal as outliers are excluded. Deviations of actual outcomes from the mean are calculated in terms of standard deviation ratios, and severity is higher at higher deviation ratios. Probabilities are calculated using confidence intervals. The baseline scenario is defined over the range of values that correspond to 50% probability of equidistant deviations around the mean of the historical distribution. The adverse scenario is defined over the range of values to the left of the distribution that correspond to 25% probability. And the favourable scenario is defined over the range of values to the right of the distribution that correspond to the remaining 25% probability. These benchmark probability points (50%, 25% and 25%), are decided using severity analysis which incorporates the average and standard deviation of the distribution.

The macroeconomic forecasts for the baseline, favourable and adverse scenarios as well as the corresponding weights, are determined by the Economic Research Department of Bank of Cyprus. This process utilises a variety of external actual and forecast information (International Monetary Fund (IMF), European Commission and other). The resulting scenarios and weights are reviewed and proposed by the CRO and are submitted to the Provisions Committee for its endorsement.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market at the reporting date. Overlays performed are set out in Note 5.2.

2.19.6 ECL measurement period

The period for which expected credit losses are determined (either for 12-month or lifetime ECL) is based on the stage classification of the facility and its contractual life. For non-revolving exposures the expected lifetime is the period from the reporting date to the termination date of the facility. For irrevocable loan commitments and financial guarantee contracts, the measurement period is determined similar to the period of the revolving facilities.

For revolving facilities, credit cards and corporate and retail overdrafts, the Company has the right to cancel and/or reduce the facilities with two months' notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead a behavioural maturity model is utilised where each revolving facility is assigned an expected time period to termination.

2.19.7 Purchased or originated credit impaired financial assets (POCI)

POCI financial assets are recorded at fair value on initial recognition. ECLs are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses. For POCI financial assets, the Group only recognises the cumulative changes in lifetime ECL since initial recognition in the loss allowance. POCI remain a separate category until derecognition.

2.20 Write-offs

The Group reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering it. In such case, financial assets are written off either partially or in full. Write off refers to both contractual and non-contractual write offs. A non-contractual write-off is defined as the accounting reduction of a debt, without waiving the legal claim against the debtor. The Company continues to seek recovery of the debt (e.g. restructuring arrangements, debt for assets swaps, full settlement, etc.) and the amount written off for financial assets that are still subject to enforcement activity.

Indicative conditions for writing off part or the full amount of the exposure include, but are not limited to, the following list of criteria. The criteria are applicable to both contractual and non-contractual write offs and are not by default applicable to all cases, as individual assessment and judgement is required in order to evaluate each case on its own merits.

2. Summary of significant accounting policies (continued)

2.20 Write-offs (continued)

- Cases which are close to realisation of a security or collateral may be deemed necessary to be considered for write-off. With regards to such financial assets on which the security or collateral has not yet been realised (but may be close to agreement or other arrangement for realising), the Company forms a reasonable expectation of future cash flows which would also take into account the collateral's realisable value.
- When the Company ceases all collection and debt enforcement actions, such remaining debt can be assessed for write-off. However, debt can be written-off even while collection and enforcement activities are proceeding.
- Debtor status is another indicator for assessment for write-off, for example, the debtor's insolvency status, or whether the debtor is deceased or cannot be traced. While such loans may already be impaired, the Company might be unable to form a reasonable expectation of future cash flows. Nevertheless, the Company takes all the legally available steps to recover the debt, where appropriate.
- Customers with exposures with significant number of days past due, provided that all other efforts for restructuring are exhausted and the exposure or part of the exposure is deemed as unrecoverable / uncollectable, are also assessed for write-off.

Write-offs are subject to the Groups internal governance process for review and approval.

Write-offs and partial write-offs represent derecognition/partial derecognition events. If the amount of write-off is greater than the amount of accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Recoveries in part or in full, of amounts previously written-off are credited to the consolidated income statement in 'Credit losses to cover credit risk on loans and advances to customers'.

2.21 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees to its customers, consisting of letters of credit, letters of guarantee and acceptances. Financial guarantees are initially recognised at fair value, and presented on the consolidated balance sheet within 'Accruals, deferred income, other liabilities and other provisions'. Subsequently, the Group's liability under each guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the consolidated income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the amount of ECL provision.

ECL resulting from financial guarantees is recorded in 'Credit losses to cover credit risk on loans and advances to customers'. The balance of the liability for financial guarantees that remains is recognised in 'Fee and commission income' in the consolidated income statement when the guarantee is fulfilled, cancelled or expired.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment the Group is required to provide a loan with pre-specified terms to the customer. Corresponding ECLs are presented within 'Accruals, deferred income, other liabilities and other provisions' on the Group's balance sheet except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL relating to loan commitments and letters of credits is recorded in 'Credit losses to cover credit risk on loans and advances to customers' in the consolidated income statement.

When a customer draws on a commitment, the resulting loan is presented within (i) financial assets at fair value held for trading, consistent with the associated derivative loan commitment, (ii) financial assets at fair value not held for trading, following loan commitments designated at FVPL or (iii) loans and advances to customers, when the associated loan commitment is not fair valued through profit or loss.

2.22 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of either party.

2. Summary of significant accounting policies (continued)

2.23 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 implements the amended IFRS 7 hedge disclosure requirements.

The Group uses derivative financial instruments to hedge exposures to interest rate and foreign exchange risks and in the case of the hedge of net investments, the Group uses also non-derivative financial liabilities. The Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk and the objective and strategy for undertaking the hedge. The method that will be used to assess the effectiveness both at the inception and at ongoing basis, of the hedging relationship also forms part of the Group's documentation.

At inception of the hedging relationship and at each hedge effectiveness assessment date, a formal assessment is undertaken to ensure that the hedging relationship is highly effective regarding the offsetting of the changes in fair value or the cash flows attributable to the hedged risk. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk of the hedging instrument and the hedged item during the period for which the hedge is designated, are expected to offset in a range of 80% to 125%. In the case of cash flow hedges where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

The Group has early adopted in 2019 the Amendments to IFRS 9, IAS 39 and IFRS 7 related to Interest Rate benchmark Reform which became effective on 1 January 2020 but earlier adopted as permitted. These amendments did not result in any adjustments to the amounts presented in the financial statements. Required disclosures are provided in Note 21.

2.23.1 Fair value hedges

In the case of fair value hedges that meet the criteria for hedge accounting, the change in the fair value of a hedging instrument is recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the consolidated income statement, over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

2.23.2 Cash flow hedges

In the case of cash flow hedges that meet the criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates' in the consolidated income statement.

When the hedged cash flows affect the consolidated income statement, the gain or loss previously recognised in the 'Cash flow hedge reserve' is transferred to the consolidated income statement.

2.23.3 Hedges of net investments in foreign operations

Hedges of net investments in overseas branches or subsidiaries are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in 'Net foreign exchange gains' in the consolidated income statement.

2. Summary of significant accounting policies (continued)

2.23 Hedge accounting (continued)

2.23.3 Hedges of net investments in foreign operations (continued)

On disposal or liquidation of an overseas branch or subsidiary, the cumulative gains or losses recognised in other comprehensive income are transferred in the consolidated income statement within the 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'.

2.24 Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash, non-obligatory balances with central banks, loans and advances to banks and other securities that are readily convertible into known amounts of cash and are repayable within three months of the date of their acquisition.

2.25 Insurance business

The Group undertakes both life insurance and non-life insurance business and issues insurance and investment contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once a contract has been classified as an insurance contract, it remains an insurance contract until expiry or until all the rights and obligations under the contract have been fulfilled, even if the insurance risk has been significantly reduced during its term.

Investment contracts are those contracts that transfer financial risk. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.25.1 Life insurance business

Premium income from unit-linked insurance contracts is recognised when received and when the units have been allocated to policyholders. Premium income from non-linked insurance contracts is recognised when due, in accordance with the terms of the relevant insurance contracts.

Fees and other expenses chargeable to the long-term assurance funds in accordance with the terms of the relevant insurance contracts, as well as the cost of death cover, are recognised in a manner consistent with the recognition of the relevant insurance premiums.

Claims are recorded as an expense when they are incurred. Life insurance contract liabilities are determined on the basis of an actuarial valuation and for unit-linked insurance contracts they include the fair value of units allocated to policyholders on a contract by contract basis.

2.25.2 Life insurance in-force business

The Group recognises as an intangible asset the value of in-force business in respect of life insurance contracts. The asset represents the present value of the shareholders' interest in the profits expected to emerge from those contracts written at the reporting date, using appropriate economic and actuarial assumptions, similar to the calculation of the respective life insurance contract liabilities. The change in the present value is determined on a post-tax basis. For presentation purposes, the change in value is grossed up at the underlying rate of tax.

2.25.3 Non-life insurance business

Premiums are recognised in the consolidated income statement in the period in which insurance cover is provided. Unearned premiums relating to the period of risk after the reporting date are deferred to be earned in subsequent reporting periods.

2. Summary of significant accounting policies (continued)

2.25 Insurance business (continued)

2.25.3 Non-life insurance business (continued)

An increase in liabilities arising from claims is made for the estimated cost of claims notified but not settled and claims incurred but not notified at the reporting date. The increase in liabilities for the cost of claims notified but not settled is made on a case by case basis after taking into consideration all known facts, the cost of claims that have recently been settled and assumptions regarding the future development of outstanding cases. Similar statistical techniques are used to determine the increase in liabilities for claims incurred but not notified at the reporting date.

2.25.4 Investment contracts

Income from investment contracts is recognised when received and when the units have been allocated to policyholders.

2.25.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing these tests, current best estimates of discounted future contractual cash flows and claims, expenses and investment returns are used. Any deficiency is charged to the consolidated income statement.

2.26 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repos) at a specific future date are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated balance sheet as 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. The investments pledged as security for the repurchase agreements can be sold or repledged by the counterparty. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated balance sheet to 'Investments pledged as collateral'.

Securities purchased under agreements to resell (reverse repos) at a specific future date, are recorded as reverse repo transactions. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

2.27 Leases - The Group as lessee

The Group recognises right of use assets (RoU assets) and lease liabilities for contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has the right to direct the use of an identified asset throughout the period of use when it has the right to direct how and for what purpose the asset is used and has the right to change the purpose, throughout the period of use (i.e. the decision-making rights that most significantly affect the economic benefits that can be derived from the use of the underlying asset). Essentially, this right permits the Group to change its decisions throughout the contract term without approval from the lessor.

The lease liabilities are initially measured at the present value of the future lease payments discounted at the lessee's incremental borrowing rate (IBR) given that the interest rate implicit in the lease cannot be readily determined. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. Interest is computed by unwinding the present value of the lease liability and charged to the consolidated income statement within 'Interest expense'.

RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the RoU asset comprises the amount of the initial measurement of the lease liability, initial direct costs and the provision for restoration costs, adjusted for any related prepaid or accrued lease payments previously recognised. Depreciation is computed on a straight line basis up to the end of the lease term, and recorded to the consolidated income statement within 'Other operating expenses'. RoU assets are subject to impairment under IAS 36.

2. Summary of significant accounting policies (continued)

2.27 Leases - The Group as lessee (continued)

The Group accounts for the lease and non-lease components (such as cleaning costs, maintenance costs) of a contract as a single lease component, after electing the relevant practical expedient.

The Group elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low value assets'). Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the consolidated income statement.

Leases are monitored for significant changes that could trigger a change in the lease term and at the end of each reporting period and the impact on the lease liability and the RoU asset is reassessed. Lease liability is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and / or profit or loss, as appropriate.

The lease term is calculated as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (if reasonably certain to be exercised), or any periods covered by an option to terminate the lease (if reasonably certain not to be exercised). The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and RoU assets recognised. Judgement is used in calculating the lease term, which is further disclosed in Note 5.13.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index).

Variable lease payments that are determined by reference to an index or a rate are taken into account in the lease liability only when there is a change in the cash flows resulting from a change in the reference index or rate. In cases where the lease contract includes a term relating to increase in the lease payment based on variable lease payments, this increase is applied on the lease when it becomes effective (when the actual cash outflow occurs). The assessment is performed at each reporting date. In cases where the lease contract includes a term with fixed increments in the lease payments, the increase is accounted for in the initial recognition of lease liability.

When a lease contains an extension or termination option that the Group considers reasonably certain to be exercised, the expected lease payments or costs of termination are included within the lease payments in determining the lease liability.

2.28 Property and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. Investment property is property held by the Group to earn rentals and/or for capital appreciation. If a property of the Group includes a portion that is owner-occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

Owner-occupied property is initially measured at cost and subsequently measured at fair value less accumulated depreciation and impairment. Valuations are carried out periodically between 3 to 5 years, (but more frequent revaluations may be performed where there are significant and volatile movement in values), by independent, qualified valuers or by the internal qualified valuers of the Group applying a valuation model recommended by the internationally accepted valuation standards. Depreciation is calculated on the revalued amount less the estimated residual value of each building on a straight line basis over its estimated useful life. Gain or losses from revaluations are recognised in other comprehensive income in 'Property revaluation reserve'.

The 'Property revaluation reserve' includes revaluation of property initially used by the Group for its operations which was subsequently transferred to 'Investment properties'. Useful life is in the range of 30 to 67 years. Freehold land is not depreciated. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to 'Retained earnings'.

2. Summary of significant accounting policies (continued)

2.28 Property and equipment (continued)

The cost of adapting/improving leasehold property is amortised over 5 years.

Equipment is measured at cost less accumulated depreciation. Depreciation of equipment is calculated on a straight line basis over its estimated useful life of 5 to 10 years.

RoU assets recognised as property are measured at cost less accumulated depreciation and adjusted for certain re-measurements of lease liabilities. Depreciation of the recognised RoU assets is calculated on a straight line basis over the lease term.

At the reporting date, when events or changes in circumstances indicate that the carrying value may not be recovered, property and equipment is assessed for impairment. Where the recoverable amount is less than the carrying amount, equipment is written down to its recoverable amount.

2.29 Investment properties

Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or for capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally, leased properties which are acquired in exchange for debt and are leased out under operating leases are also usually classified as 'Investment properties'. Further information is disclosed in Note 22.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in 'Net gains/(losses) from revaluation and disposal of investment properties' in the consolidated income statement. Valuations are carried out by independent, qualified valuers or Group's internal qualified valuers.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, the Group accounts for such property in accordance with the policy described in Note 2.28 'Property and equipment' up to the date of change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

2.30 Stock of property

The Group in its normal course of business acquires properties in exchange of debt, which are held either directly by the Company or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Consolidated Financial Statements as 'Stock of property', reflecting the substance of these transactions.

Stock of property is initially measured at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale.

If net realisable value is below the cost of the stock of property, impairment is recognised in 'Impairment of non-financial assets' in the consolidated income statement.

2.31 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. Summary of significant accounting policies (continued)

2.31 Non-current assets held for sale and discontinued operations (continued)

Such non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current assets held for sale and discontinued operations' such as deferred taxes, financial instruments, investment properties measured at fair value, insurance contracts and assets and liabilities arising from employee benefits. These are measured in accordance with the Group's relevant accounting policies described elsewhere in this note.

Immediately before the initial classification as held for sale, the carrying amount of the asset (or assets and liabilities in the disposal group) is measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities noted above that are not within the scope of the measurement requirements of IFRS 5 are remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

If fair value less costs to sell of the disposal group is below the aggregate carrying amount of all of the assets and liabilities included in the disposal group, the disposal group is written down. The impairment loss is recognised in the consolidated income statement for the year. Where an impairment loss is recognised (or reversed) for a disposal group, it is allocated between the scoped-in non–current assets using the order of allocation set out in IAS 36 and no element of the adjustment is allocated to the other assets and liabilities of the disposal group. In case that the carrying amount of scoped-in non-current assets is less than the amount by which a disposal group's carrying amount exceeds its fair value less costs to sell, the excess is not recognised.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

A disposal group qualifies as discontinued operation if an entity or a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or c) is a subsidiary acquired exclusively with a view to resale. Net loss/profit from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax and gain or loss on measurement to fair value less cost to sell of a disposal group constituting a discontinued operation) and discontinued operations tax expense.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount, as profit or loss after tax from discontinued operations in the consolidated income statement.

2.32 Intangible assets

Intangible assets include among others computer software and acquired insurance portfolio customer lists. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life of the assets which is 3 to 8 years for computer software. For the accounting policy of in-force life insurance business, refer to Note 2.25.2.

Intangible assets are reviewed for impairment when events relating to changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

2. Summary of significant accounting policies (continued)

2.33 Share capital

Ordinary shares are classified as equity.

Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity.

2.34 Other equity instruments

An instrument is an equity instrument if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Other equity instruments are recorded at their residual amount and are not subject to any re-measurement after initial recognition. The cost incurred attributable to the issue of other equity instruments is deducted from retained earnings. Any subsequent write-down or write-up results to a credit or debit in retained earnings respectively. Coupon payments are recorded directly in retained earnings.

2.35 Treasury shares

Own equity instruments which are acquired by the Company or by any of its subsidiaries are presented as treasury shares at their acquisition cost. Treasury shares are deducted from equity until they are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity shares.

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

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

2.37 Comparative information

Comparative information was restated in relation to the presentation of Credit risk concentration of loans and advances to customers as detailed in Notes 45.2 and 45.3.

The changes did not have an impact on the results for the year or the equity of the Group.

3. Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these Consolidated Financial Statements. The Directors believe that the Group is taking all necessary measures to continue in operation and the development of its business in the current economic environment.

The Group has developed a Financial Plan which was approved by the Board in November 2020 (the 'Plan'). The Plan incorporates the impact of the COVID-19 pandemic and considers the disruption it has caused to the Group's customers, suppliers and staff. It remains unclear how the COVID-19 pandemic will evolve through 2021 and beyond, which from a commercial, regulatory and risk perspective could be significantly different to past crises and persist for a prolonged period. The Group's Financial Plan considered factors that may inform the impact of the COVID-19 pandemic, including (amongst other things), changing macroeconomic variables, further waves of the pandemic and successful deployment of vaccines. This included the development of macroeconomic scenarios, base and adverse. The scenarios developed take into consideration the following drivers and implications:

- Impact on relevant economic variables, the most significant of which include residential and commercial property prices, national output and lending volumes.
- Impact on employment levels and relevant unemployment rates.
- Government guidance and policy response to the crisis.
- Capital and liquidity relief measures.

3. Going concern (continued)

- Other considerations such as the prudential charge that the Company will need to take in order to address the findings of the onsite inspection and review on the value of the Group's foreclosed assets completed by the ECB with reference date 30 June 2019.
- Expected formation of NPEs following the exit from the moratorium at the end of December 2020 as well as expected resolution over the period of the Financial Plan.

Due to the dynamic nature of COVID-19, the full impact on the future profitability is difficult to estimate. The government response to curtail the virus and changing customer behaviours may impact the future performance. The Group has sensitised its projection to cater for downside scenarios and has used conservative economic inputs to develop its medium-term strategy. The Plan adverse scenarios have considered the capital forecast for the Group, and its ability to withstand adverse scenarios such as the economic environment in Cyprus deteriorating.

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

Capital
The following items have been considered in relation to the Group's capital adequacy throughout the period of the going concern assessment:
- The Common Equity Tier 1 (CET1) ratio and the Total Capital ratio on a transitional basis at 31 December 2020 are higher than the SREP requirements (Note 4.1).
- The Group's capital position which allows further risk reduction and recalibration of the cost base. The Group remains focused to implement the actions contemplated in the Financial Plan.
- The capital relief measures announced by the ECB, the EBA, the CBC, the Cyprus Government and the Eurogroup in order to allow banks to absorb the impact of the COVID-19 outbreak and support the real economy.
- The agreement for the Helix 2 transaction in August 2020 and January 2021 which, along with the organic and inorganic reduction over the last years led to a significant decrease in NPEs.

Funding and liquidity
The following items have been considered in relation to the Group's liquidity position throughout the period of the going concern assessment:
- The Group is in compliance with the Liquidity Coverage Ratio (LCR) and is significantly above the minimum requirements.
- The Group is monitoring its liquidity position and is considering ways to further reduce the deposits cost.
- The various measures of regulators which aim to mitigate the impact of the COVID-19 outbreak.

Economic environment
- As the Cypriot operations account for 99% of gross loans and 100% of customer deposits, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. The sovereign risk ratings of the Cyprus Government improved considerably in recent years, reflecting expectations of a sustained decline in public debt as a ratio to GDP, expected further declines in non-performing exposures and a more stable price environment following a protracted period of deflation and low inflation. The risk profile of the country deteriorated in 2020 as a result of the coronavirus pandemic and measures to mitigate its impact on the economy, but the rating outlook remains stable to positive reflecting expectations of a return to growth and stabilising underlying dynamics in public finances. Following the severe recession in 2020 there will be recovery in 2021, which will be partial, and it will take until 2022 for real GDP to return to its pre-crisis levels.
- In March 2021, S&P affirmed its rating (BBB-) and its outlook to stable, balancing the risks from the pandemic's protracted adverse impact on growth, fiscal, and banking sector performance against benefits of the EU's Recovery and Resilience Facility (RRF) transfers, as well as further improvement in the government's debt profile. In January 2021, Moody's issued a credit opinion for the Cyprus Government, according to which Moody's expect the economy to return to growth rates from 2021 (GDP growth rate for 2021 expected at 3.5% following a contraction of 5.5% in 2020).

3. Going concern (continued)

- With respect to the Company's ratings, Moody's affirmed the Company's long-term deposit rating of 'B3' (positive outlook) in November 2020. In July 2020, S&P affirmed their long-term issuer credit rating on the Company of 'B+' and the short-term issuer credit rating of 'B', with a stable outlook, expressing the view that the enhanced capital reserves and the good liquidity position of the Company will allow it to withstand the current shock and absorb the effects of the increasing pressure on revenues and credit losses. In January 2021, Fitch Ratings affirmed their long-term issuer credit rating of the Company of 'B-' and outlook of the Company to negative. Negative outlook reflecting that risks remain skewed to the downside in the medium-term, if recession proves deeper or the recovery weaker than Fitch's forecasts.
- The global and domestic macroeconomic conditions as a result of the COVID-19 crisis are the primary risk factors for the Cyprus economy and the banking sector. Adverse developments regarding growth, fiscal policy, unemployment, tourism and real estate prices, could have a negative impact on the Group's capital adequacy and its liquidity. Management closely monitors the developments and the impact they may have on the Group's operations and financial performance.

4. Operating environment

4.1 Regulatory capital ratios

Following the annual Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2019 the Group's minimum phased in CET1 capital ratio and Total Capital Ratio remained unchanged for 2020 compared to 2019, when ignoring the phasing in of the Other Systemically Important Institution (O-SII) buffer.

The Group is subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add ons). However, the Pillar II add on capital requirements are a point in time assessment and therefore are subject to change over time.

The Group's minimum phased in CET1 capital ratio for 2020 was set to 11.0% (2019: 10.5%), comprising a 4.5% Pillar I requirement, a 3.0% Pillar II requirement (P2R), the Capital Conservation Buffer (CCB) of 2.5% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.0% (2019: 0.5%). The Group's Total Capital requirement is 14.5% (2019: minimum phased in Total capital ratio of 14.0%), comprising an 8.0% Pillar I requirement (of which up to 1.5% could be in the form of Additional Tier 1 (AT1) capital and up to 2.0% in the form of Tier 2 (T2) capital), a 3.0% P2R, the CCB of 2.5% and the O-SII buffer of 1.0% (2019: 0.5%). The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer.

In April 2020, and following ECB and EBA announcements on 12 March 2020 in response to the COVID-19 outbreak, the Company received an amending SREP decision from the ECB amending the composition of the Pillar II additional own funds requirement, allowing it to use AT1 capital and T2 capital to meet P2R and not only by CET1, compared to the 2019 final SREP decision received in December 2019 which required P2R to be met in full with CET1. This decision became effective from 12 March 2020. This brings forward a measure that was scheduled to come into force in January 2021 with CRD V. As a result of this amending decision, the minimum phased in CET1 requirement of the Group decreased to 9.7%, comprising a 4.5% Pillar I requirement, a 1.7% P2R, the CCB of 2.5% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.0%. There is no change on the Total Capital requirement.

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

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

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the Countercyclical Capital Buffer (CCyB) level in accordance with the methodology described in this law. The CBC has set the level of the CCyB for Cyprus at 0% for the years 2020 and 2019 and the six months up to June 2021.

4. Operating environment (continued)

4.1 Regulatory capital ratios (continued)

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are O-SIIs and for the setting of the O-SII buffer requirement for these systemically important banks. The Company has been designated as an O-SII and the CBC set the O-SII buffer for the Company and the Group at 2.0%.

This buffer is being phased in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%). In April 2020, the CBC decided to delay the phasing in (0.5%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set.

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

The above minimum ratios apply for both the Company and the Group.

4.2 Asset quality

The Group addresses the asset quality challenge through the operation of the Restructuring and Recoveries Division which is actively seeking to find innovative solutions to manage distressed exposures. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio.

The Group is currently in the process of updating its NPE Strategy plan which is to be submitted to the ECB by 31 March 2021. The NPE Strategy is expected to be in line with the NPEs evolution as per the Group's Financial Plan.

4.3 Liquidity

Group customer deposits totalled €16,533 million at 31 December 2020, compared to €16,692 million at 31 December 2019. At 31 December 2020 and 31 December 2019 all deposits were in Cyprus. As at 31 December 2020 Group customer deposits accounted for 77% of total assets (31 December 2019: 79%) and 85% of total liabilities (31 December 2019: 89%).

As at 31 December 2020 and 31 December 2019, the Group was in compliance with all regulatory liquidity requirements. As at 31 December 2020 and 31 December 2019 the Group's LCR was in compliance with the minimum regulatory requirements of 100%. In addition the Group monitors the NSFR which will become a regulatory indicator when CRR II is enforced with the limit set at 100%.

4.4 Pending litigation, claims, regulatory and other matters

Management has considered the potential impact of pending litigation and claims, investigations, regulatory and other matters against the Group which include the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Group has obtained legal advice in respect of these claims.

Despite the fact that the Group has not dealt with claims of such nature in the past, on the basis of information available at present and on the basis of the law as it currently stands, in relation to such matters but also for other litigation claims, regulatory and matters, management does not expect these to have a material adverse impact on the financial position and capital adequacy of the Group. For additional information on pending litigation, claims, regulatory and other matters as well as the judgement exercised in concluding on the impact of these matters refer to Notes 5.4 and 39.

5. Significant and other judgements, estimates and assumptions

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

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

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions which are presented in Notes 5.1 to 5.4 below. Other judgements, estimates and assumptions are disclosed further below in Notes 5.5 to 5.13.

5.1 Classification of financial assets

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

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

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

5.2 Calculation of expected credit losses

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

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

Assessment of significant increase of credit risk
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 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. In determining the relevant PDs, management estimates are required with respect to the life-time of revolving facilities. For revolving facilities, the origination date is the date when a credit review has taken place.

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

5.2 Calculation of expected credit losses (continued)

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 based on internal model analysis after considering external market data supplemented by expert judgement.

The outlook for the global economy has deteriorated markedly in 2020 as a result of the COVID-19 pandemic and the lockdown measures to contain it that led to significant disruptions in economic activity. Worst outcomes were avoided by aggressive and excessively expansive monetary and fiscal policies. As a result, 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, for mitigating the consequences of the pandemic. While the outlook for 2021 and the medium term is now positive, the risk profile of the country has deteriorated. This has been the result of a combination of political, policy, cyclical and structural factors, and by the uncertainties in the external environment which remain high. The strength and shape of the economic recovery will depend on the upside and downside risks. The most serious downside risk is how prolonged the pandemic will be and potential complications regarding vaccination programmes.

The Group uses three different economic scenarios in the calculation of default probabilities and provisions.

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Group as at 31 December 2020 and 2019 respectively. The Group has used the 30-50-20 probability structure for the adverse, base and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.19.5. This reflects the management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Despite the more positive outlook for 2021, given the added uncertainties and downside risks in the global economy as well as the local economy, related to the COVID-19 pandemic, management decided to maintain an elevated weight on the adverse scenario.

The economy continues to face financial and macroeconomic risks, including high public debt ratio and a relatively high level of NPEs that together maintain elevated vulnerabilities and limit the policy reaction space thus sustaining conditions, which can lead to a deeper recession in response to shocks than under normal times.

In the banking sector, there has been a steady and significant progress since the crisis of 2013-2014. Private indebtedness and non-performing exposures have declined sharply. However, the end of the moratoria on interest and principal payments that were implemented to mitigate the impact of the COVID-19, may lead to pressures that may give rise to an increase in non-performing exposures especially if the travel related sectors (most hit by the coronavirus pandemic) take longer to recover. Also, there is a significant economic structural risk given a very large external sector and high concentration to geographical areas. These factors, render the economy more susceptible to external shocks and weaken its resilience, and may, in management's view not be fully captured in the weights as calculated using the method described in Note 2.19.5. Hence management has decided to increase the weight of the adverse scenario to 30%, and correspondingly reduce the weight of the favourable scenario to 20%.

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

5.2 Calculation of expected credit losses (continued)

31 December 2020

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2021	Adverse	30.0	-0.6	9.6	-2.2	-4.0
	Baseline	50.0	4.0	7.4	-0.8	-2.3
	Favourable	20.0	4.8	6.4	-0.1	-0.8
2022	Adverse	30.0	4.3	8.7	-1.1	-2.3
	Baseline	50.0	3.9	6.2	0.8	0.3
	Favourable	20.0	4.4	5.8	1.4	2.4
2023	Adverse	30.0	4.0	7.4	0.3	2.5
	Baseline	50.0	3.4	5.7	1.4	4.1
	Favourable	20.0	3.5	5.6	1.4	5.2
2024	Adverse	30.0	3.5	6.7	0.8	5.3
	Baseline	50.0	3.0	5.7	1.6	5.3
	Favourable	20.0	3.0	5.6	1.6	5.9
2025	Adverse	30.0	2.7	6.6	1.5	5.8
	Baseline	50.0	2.7	5.7	1.9	5.5
	Favourable	20.0	2.7	5.5	2.0	6.1

31 December 2019

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2020	Adverse	30.0	-0.9	8.2	-0.9	1.9
	Baseline	50.0	3.0	5.8	1.1	4.1
	Favourable	20.0	4.4	5.4	1.8	4.7
2021	Adverse	30.0	-3.1	10.3	0.3	-0.7
	Baseline	50.0	2.5	5.4	1.7	3.1
	Favourable	20.0	4.0	4.9	2.5	5.1
2022	Adverse	30.0	0.9	10.7	2.2	2.3
	Baseline	50.0	2.2	5.2	2.0	3.3
	Favourable	20.0	2.8	4.7	2.1	4.3
2023	Adverse	30.0	4.0	9.6	2.5	3.2
	Baseline	50.0	2.2	5.1	2.1	3.2
	Favourable	20.0	2.3	4.6	2.1	3.2
2024	Adverse	30.0	4.2	9.8	2.6	3.1
	Baseline	50.0	2.0	5.1	2.2	3.1
	Favourable	20.0	1.9	4.6	2.2	3.1

The December 2019 scenarios were constructed before the outbreak of the coronavirus pandemic and did not incorporate its impact in the underlying assumptions. The December 2020 scenarios were constructed incorporating the impact of the pandemic on the economy in 2020. The adverse scenario for 2021 in the December 2020 exercise incorporated the steep contraction in 2020 that was not anticipated at the time of the December 2019 forecast exercises and hence growth in the later years is higher in the 2020 scenarios.

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 primarily determined by GDP growth but with a lag. Thus property prices will initially adjust less steeply than GDP, and will start to accelerate after the recovery in GDP has been entrenched. After this point, property prices will accelerate and will match and surpass the pace in the baseline scenario, before finally converging.

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

5.2 Calculation of expected credit losses (continued)

The baseline scenario was updated for the December 2020 reporting, considering available information and relevant developments until then and after the second wave of the pandemic had given rise to lockdown measures as from October 2020. Economic activity had dropped sharply in the second quarter and continued to decline in the third and fourth quarters on a year-on-year basis but at a considerably slower pace. The second wave and associated lockdown measures were less economically damaging given their lower severity and an increased competence of the economy to cope with the pandemic-related disruption. Real GDP contracted by 5.1% in the year on average according to the latest estimates of the Cyprus Statistical Service. This is better than initially anticipated and was driven by the strength of fiscal measures at the national level and the coherent policy reaction at the EU level. Economic activity is expected to remain weak in the first quarter of 2021 due to the continued implementation of lockdown measures. Recovery is expected to accelerate from the second quarter onwards. Real GDP is expected to increase by 4% in 2021. Inflation will remain subdue as long as wages remain subdued and energy prices are unlikely to rise significantly. The unemployment rate may edge a little higher as government support is withdrawn and businesses cut costs. Likewise, property prices may drop slightly as demand remains relatively weak.

The adverse scenario is consistent with assumptions for the COVID-19 related disruptions under the baseline scenario but to a higher degree of severity. The Cypriot economy relies on services, particularly on tourism and travel. This makes the economy more exposed than other countries to travel restrictions and quarantine measures that have been adopted in Cyprus and across the globe. The hit to the Cyprus economy from falling external demand for travel and tourism services and the knock-on effects to related sectors will be significantly more severe than under the baseline scenario. The accommodation and food services sector continues to be the most highly impacted and also manufacturing and construction that are more highly correlated with travel. Real GDP is expected to continue to contract in 2021, under the adverse scenario, but marginally by 0.6% given the steep contraction of the year before. In the labour market the unemployment rate rises more steeply to 9.6% as the government withdraws fiscal support and banks limit their lending to riskier sectors. Property prices will be affected more severely and drop by about 4% as foreign demand drops, and domestic housing demand slows also.

Since 1 January 2018, the Group has reassessed the key economic variables used in the ECL models consistent with the implementation of IFRS9. The Group uses actual values for the input variables. These values are sourced from the Cyprus Statistical Service, the Eurostat, the Central Bank of Cyprus for the residential property price index, and the European Central Bank for interest rates. Interest rates are also sourced from Bloomberg. In the case of property prices the Group additionally uses actual values from the Royal Institute of Chartered Surveyors. For the forward reference period, the Group uses the forecast values for the same variables, as prepared by the Bank’s Economic Research Department. The results of the internal forecast exercises are consistent with publicly available forecasts from official sources including the European Commission, the International Monetary Fund, the European Central Bank and the Ministry of Finance of the Republic of Cyprus.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division and endorsed by the Group Provisions Committee. Qualitative adjustments or overlays were applied to the positive future property value capping it to 0% for all scenarios and to all loans and advances to customers which are secured by property collaterals.

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

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

5.2 Calculation of expected credit losses (continued)

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

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

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

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

At 31 December 2020 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (31 December 2019: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2019: average of seven years), excluding those classified as held for sale.

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

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

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

Expected lifetime of revolving facilities
A behavioural maturity model for revolving facilities has been developed during 2020 based on the Company's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned. The impact from the implementation of the behavioural maturity model had an increase in ECL of €5 million. Prior to the introduction of the model, the lifetime of such facilities was set by reference to their next review date.

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

5.2 Calculation of expected credit losses (continued)

Modelling adjustments
Forward looking models have been developed for ECL parameters PD, EAD, LGD for all portfolios and segments sharing similar characteristics. Model validation is performed by the independent validation unit within the Risk Management Division on an annual basis and involves several statistical tests that assess the stability and performance of the models. In certain cases, judgement is exercised in the form of management overlay by applying adjustments on the modelled parameters. Governance of these models lies with the Risk Management Division, where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee.

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

Overlays in the context of COVID-19
Following the COVID-19 pandemic, the Group considered the complexities of governmental support programmes and regulatory guidance on treatment of customer payment breaks by the ECL models. In this context, management has considered the data and measurement limitations arising from the extraordinary impact of COVID-19 and addressed them through management overlays in relation to the significant credit risk deterioration, behavioural ratings and PD.

SICR adjustment
The initial granting of customer relief does not automatically trigger a migration to Stage 2 or Stage 3 for the customers that have applied for the moratorium. Following an assessment performed for SICR for these customers as at 31 December 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to unrepresentative outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (excluding days past due and arrears elements that are unavailable for moratorium customers) movement and assessed if any customers exhibit severe deterioration/improvement. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2 or Stage 1. The isolated impact of this overlay resulted in a transfer of loans of €157 million from Stage 1 to Stage 2 and a transfer of loans of €2 million from Stage 2 to Stage 1. These overlays had an impact on the ECL of €517 thousand.

Additionally, customers that were identified as having experienced a SICR resulting in a migration of €354 million of loans from Stage 1 to Stage 2 during the first, second or third quarter of 2020 were not allowed to migrate back to Stage 1 during 2020. The impact on the ECL (no reversal of ECL) was €2 million.

SICR overlays also include transfers of moratorium loans of €56 million that have incurred missed payments in the first week of January 2021 and €63 million of moratorium loans for which their review was not completed by 31 December 2020 based on quantitative characteristics from Stage 1 to Stage 2. These overlays had an impact on the ECL of €754 thousand.

Probability of default and behavioural ratings adjustment
A PD overlay was applied in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model projected and observed 2021 defaults. Specifically, model projected default rates from first quarter of 2020 onwards have been shifted and distributed equally throughout the year. The isolated impact of this overlay resulted in an ECL impact of €11 million.

The second PD overlay relates to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium-biased ratings to reflect an improved asset quality. To this end, an overlay was applied which did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating. The isolated impact of this overlay resulted in an ECL increase of €5 million.

The purpose of these overlays is to minimise potential cliff effects with the end of the moratorium, by assessing the customers' long term recovery ability, utilising short term behavioural signals.

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

5.2 Calculation of expected credit losses (continued)

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed on a quarterly basis by the Risk Management Division and are adjusted or enhanced, if deemed necessary. During 2020, in response to the COVID-19 pandemic, the selection criteria were expanded to include significant Stage 1 exposures within highly impacted sectors to assess potential increase in credit risk and significant exposures which transitioned from Stage 1 to Stage 2 to assess potential indications for unlikeliness to pay.

In addition to individually assessed assets the Group also assesses assets collectively. The collectively assessed portfolio includes all loans which are not individually assessed. The Group categorises the exposures into sufficiently granular portfolio segments with shared risk characteristics. The granularity for the IFRS 9 segments is aligned with the Internal Rating Based (IRB) segmentation.

Further details on impairment allowances and related credit information are set out in Note 45.

5.3 Stock of property - estimation of net realisable value

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

More details on the stock of property are presented in Note 27.

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

The accounting policy for provisions is described in Note 2.36 of the annual consolidated financial statements for the year ended 31 December 2020. 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 estimated possible loss for such matters. Actual results may prove to be significantly higher or lower than the estimate of possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 39.

5.5 Tax

The Group, other than Cyprus, is subject to tax in the countries that it has run-down operations mainly in Greece, Russia and Romania. Estimates are required in determining the provision for taxes at the reporting date. The Group recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

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

5.5 Tax (continued)

Deferred tax assets
In the absence of a specific accounting standard dedicated to the accounting of the asset that arose pursuant to amendments in the Income Tax Law effected in March 2019 which provides for the recoverability of tax assets arising from transfer of tax losses following resolution of a credit institution, within the framework of 'The Resolution of Credit and Other Institutions', to be guaranteed (Note 17), the Company had exercised judgement in applying the guidance of IAS 12 in accounting for this asset item as the most relevant available standard. On the basis of this guidance, the Company had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

For further details on such deferred tax assets refer to Note 17.

5.6 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high.

However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Group only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 22.

5.7 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Group's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Group's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 14.

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

5.8 Non-life insurance business

The Group is engaged in the provision of non-life insurance services. Risks under these policies usually cover a period of 12 months.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are calculated based on case estimates using facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of 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. Other external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation, are also taken into account.

Provision is also made for claims incurred but not reported (IBNR) by the reporting date. Past experience as to the number and amount of claims reported after the reporting date is taken into consideration in estimating the IBNR provision.

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 certain court cases, are very difficult to quantify. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty existing at the reporting date.

Further information on non-life insurance business is disclosed in Note 12.

5.9 Life insurance business

The Group is engaged in the provision of life insurance services. Whole life insurance plans (life plans) are unit-linked contracts associated with assets where the amount payable in the case of death is the greater of the sum insured and the value of investment units. Simple insurance or temporary term plans (term plans) relate to fixed term duration plans for protection against death. In case of death within the coverage period, the insured sum will be paid. Endowment insurance (investment plans/mortgage plans/horizon plans) refer to specific duration plans linked to investments, to create capital through systematic investment in association with death insurance coverage whereby the higher of the sum insured and the value of investment units is payable on death within the contract term.

Further information on life insurance business is disclosed in Note 12.

5.9.1 Value of in-force business

The value of the in-force business asset represents the present value of future profits expected to arise from the portfolio of in-force life insurance. The valuation of this asset requires assumptions to be made about future economic and operating conditions which are inherently uncertain and changes could significantly affect the value attributed to these assets.

The methodology used and the key assumptions that have been made in determining the carrying value of the in-force business asset at 31 December 2020, are set out in Note 24.

5.9.2 Insurance liabilities

The calculation of liabilities and the choice of assumptions regarding insurance contracts require the management of the Group to make significant estimates.

The assumptions underlying the estimates for each claim are based on past experience, internal factors and conditions, as well as external factors which reflect current market prices and other published information. The assumptions and judgements are determined at the date of valuation of liabilities and are assessed systematically so that the reliability and realistic position can be ensured.

Estimates for insurance contracts are made in two stages. Initially, at the start of the contract, the Group determines the assumptions regarding future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is performed which assesses whether liabilities are adequate according to the most recent estimates.

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

5.9 Life insurance business (continued)

5.9.2 Insurance liabilities (continued)

The assumptions with the greatest influence on the valuation of insurance liabilities are presented below:

Mortality and morbidity rates
Assumptions are based on standard international tables of mortality and morbidity, according to the type of contract. In addition, a study is performed based on the actual experience (actual deaths) of the insurance company for comparison purposes and if sufficient evidence exists which is statistically reliable, the results are incorporated in these tables. An increase in mortality rates will lead to a larger expected number of claims (or claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for shareholders.

Investment return and discount rate
The weighted average rate of return is derived based on assets that are assumed to back liabilities, consistent with the long-term investment strategy of the Group. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment returns would lead to an increase in profits for shareholders.

Management expenses
Assumptions are made for management fees and contract maintenance as well as for general expenses, and are based on the actual costs of the Group. An assumption is also made for the rate of increase in expenses in relation to the annual inflation rate. An increase in the level of expenses would reduce profits for shareholders.

Lapses
Every two years an analysis of contract termination rates is performed, using actual data from the insurance company incorporation until the immediate preceding year. Rates vary according to the type and duration of the plan. According to the insurance legislation of Cyprus, no assumption is made for policy termination rates in the actuarial valuation.

Further details on insurance liabilities are disclosed in Note 32.

5.10 Exercise of significant influence

The Group determines whether it exercises significant influence on companies in which it has shareholdings of less than 20% if other factors exist that demonstrate significant influence. In performing this assessment it considers its representation in the Board of Directors which gives rise to voting rights of more than 20% and participation in policy-making processes, including participation in decisions about dividends and other distributions.

5.11 Classification of properties

The Group determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally they comprise leased properties which are acquired in exchange of debt and are leased out under operating leases.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 (except from those that are leased out and are classified as investment properties).

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

5.12 Fair value of properties held for own use and investment properties

The Group's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the fair value is established at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the internationally accepted valuation standards.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparable information, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Further information on inputs used is disclosed in Note 22.

5.13 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.27, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Group's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by the Company showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

- For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate, based on the horizon used in the Group's business plan. The current medium term business plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
- For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.
- For leases with an option for renewal, the Group's past practice regarding the period over which it has typically used properties (whether leased or owned), and its economic reasons for doing so, provide information that is helpful in assessing whether the lessee is reasonably certain to exercise, or not to exercise, an option.

Low value assets
The Group has exercised judgement in determining the threshold of low value assets which was set at €5,000.

Further details on the leases are disclosed in Note 43.

6. Segmental analysis

The Group's activities are mainly concentrated in Cyprus. Cyprus operations are organised into operating segments based on the line of business. As from October 2019 and following the reorganisation of the Company, a new operating segment was formed, namely Global corporate. As a result in 2019, certain identified areas and business products were classified out of the previously existing reporting lines Corporate and Wealth management and were included under the umbrella of the newly established Global corporate, targeting to further diversify the loan portfolio and to pursue revenue streams both locally and abroad.

6. **Segmental analysis** (continued)

The operating segments are analysed below:

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

The Company broadly categorises its loans per customer group, using the following customer sectors:

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

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

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

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

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. Loans and advances to customers which are originated in countries where the Group does not have operating entities are included in the country where they are managed.

6. Segmental analysis (continued)

Analysis by business line

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2020	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Net interest income/(expense)	65,524	66,953	36,579	125,818	26,162	17,410	2,280	(14,364)	(12)	(183)	11,828	**337,995**	(7,979)	**330,016**
Net fee and commission income/(expense)	11,484	7,364	8,570	37,370	8,229	50,222	2,791	-	(6,896)	1,735	23,695	**144,564**	110	**144,674**
Net foreign exchange gains/(losses)	622	220	540	1,856	105	5,686	2,949	-	-	5,545	46	**17,569**	(1,034)	**16,535**
Net gains/(losses) on financial instrument transactions and on disposal/dissolution of subsidiaries and associates	-	3,966	-	-	(360)	-	-	-	250	808	(1,078)	**3,586**	(1,865)	**1,721**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	54,744	-	-	**54,744**	1,319	**56,063**
Net (losses)/gains from revaluation and disposal of investment properties	-	-	-	-	-	-	-	(1,038)	292	-	-	**(746)**	(753)	**(1,499)**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	7,542	-	-	416	**7,958**	231	**8,189**
Other income	3	3	12	133	118	2	151	6,624	175	-	5,482	**12,703**	2,254	**14,957**
	77,633	78,506	45,701	165,177	34,254	73,320	8,171	(1,236)	48,553	7,905	40,389	**578,373**	(7,717)	**570,656**
Staff costs	(5,070)	(2,719)	(5,766)	(60,267)	(15,929)	(11,993)	(2,251)	(2,703)	(9,939)	(1,517)	(76,338)	**(194,492)**	(735)	**(195,227)**
Staff costs–voluntary exit plan and other termination benefits	(149)	(79)	(400)	(3,521)	(1,021)	(252)	(30)	(50)	-	(217)	(106)	**(5,825)**	-	**(5,825)**
Special levy on deposits of credit institutions and other levies	-	-	-	-	-	-	-	-	-	-	(33,656)	**(33,656)**	-	**(33,656)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(13,647)	(9,455)	(16,097)	(96,609)	(27,922)	(19,443)	(3,399)	(5,155)	(8,808)	(12,211)	45,748	**(166,998)**	(5,970)	**(172,968)**
Other operating (expenses)/income - advisory and other restructuring costs	-	-	(117)	-	(14,437)	-	-	(1,106)	-	-	171	**(15,489)**	-	**(15,489)**
	58,767	66,253	23,321	4,780	(25,055)	41,632	2,491	(10,250)	29,806	(6,040)	(23,792)	**161,913**	(14,422)	**147,491**
Net (losses)/gains on derecognition of financial assets measured at amortised cost	(460)	2,137	692	(916)	1,103	41	147	-	-	-	186	**2,930**	19	**2,949**
Credit (losses)/gains to cover credit risk on loans and advances to customers	(8,669)	(17,523)	(1,096)	(4,378)	(228,980)	(779)	496	-	-	-	(905)	**(261,834)**	(13,246)	**(275,080)**
Credit (losses)/gains of other financial instruments	-	-	-	-	-	-	-	(412)	(87)	(3,625)	(48)	**(4,172)**	(413)	**(4,585)**
Impairment of non-financial assets	-	-	-	-	-	-	-	(34,328)	-	-	-	**(34,328)**	(3,258)	**(37,586)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	69	**69**	-	**69**
Profit/(loss) before tax	49,638	50,867	22,917	(514)	(252,932)	40,894	3,134	(44,990)	29,719	(9,665)	(24,490)	**(135,422)**	(31,320)	**(166,742)**
Income tax	(6,205)	(6,358)	(2,865)	64	31,616	(5,112)	(392)	5,624	(4,379)	1,208	(20,577)	**(7,376)**	(544)	**(7,920)**
Profit/(loss) after tax	43,433	44,509	20,052	(450)	(221,316)	35,782	2,742	(39,366)	25,340	(8,457)	(45,067)	**(142,798)**	(31,864)	**(174,662)**
Non-controlling interests-profit	-	-	-	-	-	-	-	-	-	-	3,251	**3,251**	-	**3,251**
Profit/(loss) after tax attributable to the owners of the Company	**43,433**	**44,509**	**20,052**	**(450)**	**(221,316)**	**35,782**	**2,742**	**(39,366)**	**25,340**	**(8,457)**	**(41,816)**	**(139,547)**	**(31,864)**	**(171,411)**

6. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2019	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Net interest income/(expense)	63,294	54,317	36,385	144,480	52,896	33,541	3,709	(12,823)	57	1,299	(2,416)	**374,739**	(8,751)	**365,988**
Net fee and commission income/(expense)	10,759	6,083	9,374	44,602	21,281	49,540	2,129	(8)	(6,486)	1,934	22,519	**161,727**	167	**161,894**
Net foreign exchange gains/(losses)	580	347	658	2,775	204	7,382	3,291	-	-	14,667	(1,787)	**28,117**	(1,521)	**26,596**
Net (losses)/gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates	-	(466)	-	-	3,357	-	-	-	1,237	5,653	8,730	**18,511**	164	**18,675**
Insurance income net of claims and commissions	-	-	-	-	-	-	-	-	56,257	-	-	**56,257**	1,403	**57,660**
Net gains/(losses) from revaluation and disposal of investment properties	-	-	-	-	-	-	-	3,019	(39)	-	443	**3,423**	(1,174)	**2,249**
Net gains on disposal of stock of property	-	-	-	-	-	-	-	24,383	-	-	894	**25,277**	675	**25,952**
Other income	8	2	12	120	196	2	1	6,242	27	72	20,119	**26,801**	2,137	**28,938**
	74,641	60,283	46,429	191,977	77,934	90,465	9,130	20,813	51,053	23,625	48,502	**694,852**	(6,900)	**687,952**
Staff costs	(5,985)	(2,906)	(5,771)	(73,591)	(25,285)	(15,467)	(3,386)	(2,795)	(13,495)	(1,654)	(74,399)	**(224,734)**	(813)	**(225,547)**
Staff costs-voluntary exit plan and other termination benefits	(2,970)	(1,406)	(2,317)	(42,842)	(15,398)	(7,351)	(1,943)	(1,752)	(3,490)	(663)	(1,034)	**(81,166)**	-	**(81,166)**
Special levy on deposits of credit institutions and other levies	-	-	-	-	-	-	-	-	-	-	(43,609)	**(43,609)**	-	**(43,609)**
Other operating (expenses)/income (excluding advisory and other restructuring costs)	(16,120)	(9,701)	(17,228)	(97,891)	(35,571)	(21,504)	(3,865)	(5,871)	(10,223)	(8,066)	38,398	**(187,642)**	(8,453)	**(196,095)**
Other operating (expenses)/income-advisory and other restructuring costs	(312)	(130)	(311)	(2,762)	(38,782)	(633)	(134)	(3,864)	-	(102)	373	**(46,657)**	-	**(46,657)**
	49,254	46,140	20,802	(25,109)	(37,102)	45,510	(198)	6,531	23,845	13,140	(31,769)	**111,044**	(16,166)	**94,878**
Net gains on derecognition of financial assets measured at amortised cost	3,423	1,086	368	251	897	326	117	-	-	-	1,667	**8,135**	52	**8,187**
Credit gains/(losses) to cover credit risk on loans and advances to customers	12,473	20,291	9,418	(4,860)	(272,592)	1,213	328	-	-	-	119	**(233,610)**	1,159	**(232,451)**
Credit (losses)/gains of other financial instruments	-	-	-	-	-	-	-	(911)	(63)	4,411	(31)	**3,406**	(8,196)	**(4,790)**
Impairment of non-financial assets	-	-	-	-	-	-	-	(18,530)	-	-	-	**(18,530)**	(7,551)	**(26,081)**
Remeasurement of investment in associate upon classifications as held for sale	-	-	-	-	-	-	-	-	-	-	(25,943)	**(25,943)**	-	**(25,943)**
Share of profit from associates	-	-	-	-	-	-	-	-	-	-	5,513	**5,513**	-	**5,513**
Profit/(loss) before tax	65,150	67,517	30,588	(29,718)	(308,797)	47,049	247	(12,910)	23,782	17,551	(50,444)	**(149,985)**	(30,702)	**(180,687)**
Income tax	(8,144)	(8,440)	(3,824)	3,715	38,600	(5,881)	(31)	1,614	(2,983)	(2,194)	101,095	**113,527**	(691)	**112,836**
Profit/(loss) after tax	57,006	59,077	26,764	(26,003)	(270,197)	41,168	216	(11,296)	20,799	15,357	50,651	**(36,458)**	(31,393)	**(67,851)**
Non-controlling interests-loss	-	-	-	-	-	-	-	-	-	-	(2,537)	**(2,537)**	-	**(2,537)**
Profit/(loss) after tax attributable to the owners of the Company	**57,006**	**59,077**	**26,764**	**(26,003)**	**(270,197)**	**41,168**	**216**	**(11,296)**	**20,799**	**15,357**	**48,114**	**(38,995)**	**(31,393)**	**(70,388)**

6. **Segmental analysis** (continued)

Analysis of total revenue

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

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2020	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Revenue from third parties	79,822	84,858	44,666	130,841	83,940	58,921	6,754	13,167	48,078	(15,393)	33,841	**569,495**	1,161	**570,656**
Inter-segment (expense)/revenue	(2,189)	(6,352)	1,035	34,336	(49,686)	14,399	1,417	(14,403)	475	23,298	(2,330)	**-**	-	**-**
Revenue between Cyprus and other countries	-	-	-	-	-	-	-	-	-	-	8,878	**8,878**	(8,878)	**-**
Total revenue	**77,633**	**78,506**	**45,701**	**165,177**	**34,254**	**73,320**	**8,171**	**(1,236)**	**48,553**	**7,905**	**40,389**	**578,373**	**(7,717)**	**570,656**

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2019														
Total revenue from third parties	79,926	69,971	47,047	127,837	163,351	57,262	4,410	33,636	56,562	1,718	42,251	**683,971**	3,981	**687,952**
Inter-segment (expense)/revenue	(5,285)	(9,688)	(618)	64,140	(85,417)	33,203	4,720	(12,823)	(5,509)	21,907	(4,630)	**-**	-	**-**
Revenue between Cyprus and other countries	-	-	-	-	-	-	-	-	-	-	10,881	**10,881**	(10,881)	**-**
Total revenue	**74,641**	**60,283**	**46,429**	**191,977**	**77,934**	**90,465**	**9,130**	**20,813**	**51,053**	**23,625**	**48,502**	**694,852**	**(6,900)**	**687,952**

The revenue from 'Overseas segment' mainly relates to banking and financial services for 2020 and 2019 from operations that are being run down.

Analysis of assets and liabilities

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2020	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Assets														
Assets	1,918,726	2,043,938	1,079,633	3,798,897	1,354,964	132,900	30,865	1,499,032	935,705	7,736,802	1,312,805	**21,844,267**	137,349	**21,981,616**
Inter-segment assets	-	-	-	-	-	-	-	-	(18,334)	-	(47,656)	**(65,990)**	-	**(65,990)**
	1,918,726	**2,043,938**	**1,079,633**	**3,798,897**	**1,354,964**	**132,900**	**30,865**	**1,499,032**	**917,371**	**7,736,802**	**1,265,149**	**21,778,277**	**137,349**	**21,915,626**
Assets between Cyprus and overseas operations														**(401,412)**
Total assets														**21,514,214**

6. **Segmental analysis** (continued)

Analysis of assets and liabilities (continued)

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2019	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Assets														
Assets	1,937,813	2,107,543	1,092,937	3,638,880	1,786,170	130,720	29,516	1,382,907	880,721	7,097,866	1,398,232	**21,483,305**	161,378	**21,644,683**
Inter-segment assets	-	-	-	-	-	-	-	-	(32,448)	-	(57,862)	**(90,310)**	-	**(90,310)**
	1,937,813	**2,107,543**	**1,092,937**	**3,638,880**	**1,786,170**	**130,720**	**29,516**	**1,382,907**	**848,273**	**7,097,866**	**1,340,370**	**21,392,995**	**161,378**	**21,554,373**
Assets between Cyprus and overseas operations														**(431,668)**
Total assets														**21,122,705**

	Corporate	Global corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Treasury	Other	**Total Cyprus**	Overseas	**Total**
2020	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
Liabilities													
Liabilities	1,037,430	607,467	832,576	10,525,819	58,389	3,180,061	291,470	747,410	1,721,601	485,240	**19,487,463**	420,129	**19,907,592**
Inter-segment liabilities	-	-	-	-	-	-	-	-	(65,990)	-	**(65,990)**	-	**(65,990)**
	1,037,430	**607,467**	**832,576**	**10,525,819**	**58,389**	**3,180,061**	**291,470**	**747,410**	**1,655,611**	**485,240**	**19,421,473**	**420,129**	**19,841,602**
Liabilities between Cyprus and overseas operations													**(402,537)**
Total liabilities													**19,439,065**
2019													
Liabilities													
Liabilities	1,117,222	691,550	770,655	10,140,920	97,290	3,543,315	330,579	696,033	1,062,156	457,323	**18,907,043**	450,164	**19,357,207**
Inter-segment liabilities	-	-	-	-	-	-	-	-	(90,310)	-	**(90,310)**	-	**(90,310)**
	1,117,222	**691,550**	**770,655**	**10,140,920**	**97,290**	**3,543,315**	**330,579**	**696,033**	**971,846**	**457,323**	**18,816,733**	**450,164**	**19,266,897**
Liabilities between Cyprus and overseas operations													**(432,793)**
Total liabilities													**18,834,104**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 31 and 45.2 and 45.6 respectively.

6. **Segmental analysis** (continued)

Analysis of turnover

	2020	2019
	€000	€000
Interest income and income similar to interest income	**436,727**	508,189
Fees and commission income	**151,091**	171,715
Foreign exchange gains	**16,535**	26,596
Gross insurance premiums (Note 12)	**176,706**	172,243
(Losses)/gains of investment properties and stock of properties	**(30,903)**	2,907
Other income	**14,957**	28,938
	765,113	910,588

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

	2020	2019
	€000	€000
Net (losses)/gains from revaluation and disposal of investment properties	**(1,499)**	2,249
Net gains on disposal of stock of property	**8,189**	25,952
Impairment of stock of property (Note 16)	**(37,593)**	(25,294)
	(30,903)	2,907

7. Interest income and income similar to interest income

Interest income

	2020	2019
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**355,395**	416,422
- Loans and advances to banks and central banks	**1,467**	5,412
- Debt securities	**10,710**	12,120
Debt securities at FVOCI	**16,319**	21,055
Negative interest on funding from central banks	**5,306**	-
	389,197	455,009

Income similar to interest income

	2020	2019
	€000	€000
Loans and advances to customers at FVPL	**13,216**	15,690
Derivative financial instruments	**34,314**	37,490
	47,530	53,180

8. Interest expense and expense similar to interest expense

Interest expense

	2020	2019
Financial liabilities at amortised cost:	€000	€000
- Customer deposits	**14,034**	40,395
- Funding from central banks and deposits by banks	**1,573**	2,542
- Subordinated loan stock	**23,329**	23,325
- Repurchase agreements	**3,784**	9,397
Negative interest on loans and advances to banks and central banks	**18,782**	17,448
Interest expense on lease liabilities	**489**	386
	61,991	93,493

Expense similar to interest expense

	2020	2019
	€000	€000
Derivative financial instruments	**44,720**	48,708

9. Fee and commission income and expense

Fee and commission income

	2020	2019
	€000	€000
Credit-related fees and commissions	**40,782**	50,647
Other banking commissions	**81,105**	81,706
Fees on servicing loans disposed of under Project Helix	**2,170**	11,933
Mutual funds and asset management fees	**3,381**	3,111
Brokerage commissions	**966**	926
Other commissions	**22,687**	23,392
	151,091	171,715

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit related fees and commissions include commissions from credit card arrangements amounting to €19,806 thousand (2019: €27,323 thousand). Other banking commissions include commissions from payment orders amounting to €26,659 thousand (2019: €29,764 thousand) and account maintenance fees of €20,089 thousand (2019: €21,144 thousand).

Fee and commission expense

	2020	2019
	€000	€000
Banking commissions	**5,848**	9,277
Mutual funds and asset management fees	**274**	314
Brokerage commissions	**295**	230
	6,417	9,821

10. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

11. Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates

	2020	2019
	€000	€000
Trading portfolio:		
- derivative financial instruments	**(747)**	215
Other investments at FVPL:		
- debt securities	**(3,311)**	11,418
- equity securities	**1,006**	1,652
Net gains on disposal of FVOCI debt securities	**2,865**	-
Net gains on loans and advances to customers at FVPL (Note 22)	**3,606**	2,891
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 21)	**(5,205)**	(4,588)
- hedged items (Note 21)	**5,760**	3,696
Net losses on financial liabilities at FVPL	**(34)**	(495)
(Loss)/gain on disposal/dissolution of subsidiaries and associates	**(2,219)**	3,886
	1,721	18,675

The loss on disposal/dissolution of subsidiaries for 2020 mainly arises on the agreement signed between the Group's life insurance subsidiary and NN Hellenic Life Insurance Company S.A. for the disposal of the portfolio of the life insurance subsidiary's branch in Greece and the dissolution of the subsidiary Bank of Cyprus (Channel Islands) Ltd (Note 51). The gain on disposal/dissolution of subsidiaries for 2019 relates to the gain on disposal of Nicosia Mall Holdings (NMH) Limited and its subsidiaries (NMH group) (Note 52.4.2).

12. Insurance income net of claims and commissions

	2020			2019		
	Income	Claims and commissions	Insurance income net of claims and commissions	Income	Claims and commissions	Insurance income net of claims and commissions
	€000	€000	€000	€000	€000	€000
Life insurance business	**114,805**	**(87,544)**	**27,261**	138,139	(105,509)	32,630
Non-life insurance business	**51,605**	**(22,803)**	**28,802**	51,522	(26,492)	25,030
	166,410	**(110,347)**	**56,063**	189,661	(132,001)	57,660

	2020		2019	
	Life insurance	Non-life insurance	Life insurance	Non-life insurance
Income	€000	€000	€000	€000
Gross premiums	**101,740**	**74,966**	96,168	76,075
Reinsurance premiums	**(16,143)**	**(33,749)**	(15,382)	(34,362)
Net premiums	**85,597**	**41,217**	80,786	41,713
Change in provision for unearned premiums	**-**	**-**	-	(441)
Total net earned premiums	**85,597**	**41,217**	80,786	41,272
Investment income and other income	**12,594**	**-**	49,286	23
Commissions from reinsurers and other income	**7,071**	**10,388**	6,867	10,227
	105,262	**51,605**	136,939	51,522
Change in value of in-force business before tax (Note 26)	**9,543**	**-**	1,200	-
	114,805	**51,605**	138,139	51,522

12. Insurance income net of claims and commissions (continued)

	2020		2019	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
Claims and commissions	**€000**	**€000**	€000	€000
Gross payments to policyholders	**(49,464)**	**(26,277)**	(53,269)	(33,922)
Reinsurers' share of payments to policyholders	**4,455**	**10,857**	5,551	13,799
Gross change in insurance contract liabilities	**(29,463)**	**(2,605)**	(47,464)	(774)
Reinsurers' share of gross change in insurance contract liabilities	**1,150**	**2,198**	1,023	984
Commissions paid to agents and other direct selling costs	**(14,222)**	**(6,976)**	(11,350)	(6,579)
	(87,544)	**(22,803)**	(105,509)	(26,492)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the consolidated income statement:

	2020		2019	
	Life insurance	**Non-life insurance**	Life insurance	Non-life insurance
	€000	**€000**	€000	€000
Net expense from non-linked insurance business assets	**(129)**	**(34)**	(121)	(13)
Net (losses)/profit on financial instrument transactions and other non-linked insurance business income	**(1,077)**	**836**	(277)	1,695
Staff costs	**(5,312)**	**(4,813)**	(5,407)	(4,787)
Staff costs – restructuring costs	**-**	**-**	(1,379)	(2,111)
Other operating expenses	**(6,934)**	**(2,591)**	(7,959)	(2,821)

13. Other income

	2020	2019
	€000	€000
Dividend income	**294**	361
Loss on sale and write-off of property and equipment and intangible assets	**(90)**	(99)
Rental income from investment properties	**5,720**	8,255
Rental income from stock of property	**835**	1,427
Income from hotel, golf and leisure activities	**2,121**	13,673
Other income	**6,077**	5,321
	14,957	28,938

The income from hotel, golf and leisure activities primarily relates to activities of subsidiaries acquired in debt satisfaction as part of loan restructuring activity.

14. Staff costs

Staff costs

	2020	2019
	€000	€000
Salaries	**156,263**	182,053
Employer's contributions to state social insurance	**26,582**	28,432
Retirement benefit plan costs	**12,382**	15,062
	195,227	225,547
Restructuring costs - voluntary exit plans and other termination benefits	**5,825**	81,166
	201,052	306,713

14. Staff costs (continued)

The number of persons employed by the Group as at 31 December 2020 was 3,573. The number of persons employed by the Group as at 31 December 2019 was 3,672 and included 100 persons relating to Project Helix, whose transfer to the buyer was concluded in January 2020.

In December 2020, the Group proceeded with a targeted voluntary exit plan for its employees in Cyprus, with a cost amounting to €5,825 thousand. In total, 27 employees accepted the targeted voluntary exit plan and left the Group early in 2021. In October 2019, the Group proceeded with a voluntary exit plan for its employees in Cyprus, with a cost amounting to €81,166 thousand. In total, 464 employees accepted the voluntary exit plan and left the Group in late 2019 and early 2020.

The following table shows the analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2020 and 2019.

	2020	2019
Corporate	**91**	120
Global Corporate	**67**	43
Small and medium-sized enterprises	**107**	109
Retail	**1,127**	1,408
Restructuring and recoveries	**304**	435
International banking services	**248**	322
Wealth management	**39**	53
Treasury	**23**	26
REMU	**56**	54
Insurance	**189**	203
Other (primarily head office functions)	**1,322**	1,256
Total Cyprus	**3,573**	4,029
United Kingdom	**1**	1
Other countries	**19**	23
	3,593	4,053

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance, the Group operates plans for the provision of additional retirement benefits as described below:

	2020	2019
	€000	€000
Defined benefit plans	**592**	115
Defined contribution plans	**11,790**	14,947
	12,382	15,062

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (88% of total Group employees) is a defined contribution plan. This plan provides for employer contributions of 8% (2019: 9%) and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded with assets backing the obligations held in separate legal vehicles.

14. **Staff costs** (continued)

Retirement benefit plan costs (continued)

Greece
Following the disposal of the Greek operations in March 2013, a small number of employees of the Group's Greek Branch, who left the Group's employment before March 2013, continued to be members of the defined benefit plans until June 2019, when these employees were paid out. As at 31 December 2020 the remaining retirement benefit obligation in Greece related to Group subsidiaries.

United Kingdom
The Group has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

Other countries
The Group does not operate any retirement benefit plans in Romania and Russia.

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the consolidated balance sheet	**2020 €000**	2019 €000
Liabilities (Note 34)	**9,568**	9,212

One of the plans has a funded status surplus of €2,759 thousand (2019: €2,927 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the consolidated balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2020 and 2019 are presented below:

14. Staff costs (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2020	89,726	(83,441)	6,285	2,927	**9,212**
Current service cost	501	-	501	-	**501**
Net interest expense/(income)	1,560	(1,469)	91	-	**91**
Total amount recognised in the consolidated income statement	2,061	(1,469)	592	-	**592**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(6,105)	(6,105)	-	**(6,105)**
Actuarial loss from changes in financial assumptions	9,692	-	9,692	-	**9,692**
Demographic assumptions	(133)	-	(133)	-	**(133)**
Experience adjustments	129	-	129	-	**129**
Change in asset ceiling	-	-	-	(168)	**(168)**
Total amount recognised in the consolidated OCI	9,688	(6,105)	3,583	(168)	**3,415**
Exchange differences	(3,961)	3,587	(374)	-	**(374)**
Contributions:					
Employer	-	(3,277)	(3,277)	-	**(3,277)**
Plan participants	180	(180)	-	-	**-**
Benefits paid from the plans	(4,682)	4,682	-	-	**-**
31 December 2020	**93,012**	**(86,203)**	**6,809**	**2,759**	**9,568**

14. Staff costs (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2019	76,449	(75,366)	1,083	7,694	**8,777**
Current service cost	467	-	467	-	**467**
Gain on curtailment and settlement	(402)	-	(402)	-	**(402)**
Net interest expense/(income)	2,068	(2,018)	50	-	**50**
Total amount recognised in the consolidated income statement	2,133	(2,018)	115	-	**115**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(7,426)	(7,426)	-	**(7,426)**
Actuarial loss from changes in financial assumptions	10,837	-	10,837	-	**10,837**
Demographic assumptions	(915)	-	(915)	-	**(915)**
Experience adjustments	624	-	624	-	**624**
Change in asset ceiling	-	-	-	(4,767)	**(4,767)**
Asset adjustment	-	5,000	5,000	-	**5,000**
Total amount recognised in the consolidated OCI	10,546	(2,426)	8,120	(4,767)	**3,353**
Exchange differences	3,350	(3,017)	333	-	**333**
Contributions:					
Employer	-	(2,962)	(2,962)	-	**(2,962)**
Plan participants	195	(195)	-	-	**-**
Benefits paid from the plans	(2,543)	2,543	-	-	**-**
Benefits paid directly by the employer	(404)	-	(404)	-	**(404)**
31 December 2019	**89,726**	**(83,441)**	**6,285**	**2,927**	**9,212**

14. Staff costs (continued)

Retirement benefit plan costs (continued)

The actual return on plan assets for year 2020 was a gain of €7,574 thousand (2019: gain of €9,444 thousand).

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2020	2019
Equity securities	**48%**	48%
Debt securities	**47%**	45%
Loans and advances to banks	**5%**	7%
	100%	100%

The assets held by the funded plans include equity securities issued by BOCH the fair value of which as at 31 December 2020 is €41 thousand (2019: €67 thousand).

The Group expects to make additional contributions to defined benefit plans of €3,621 thousand during 2021.

At the end of the reporting period, the average duration of the defined benefit obligation was 18.5 years (2019: 19.0 years).

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Group during 2020 and 2019 are set out below:

14. **Staff costs** (continued)

Retirement benefit plan costs (continued)

2020	**Cyprus**	**Greece**	**UK**
Discount rate	**0.33%**	**0.70%**	**1.45%**
Inflation rate	**1.50%**	**1.50%**	**2.85%**
Future salary increases	**2.00%**	**1.75%**	**n/a**
Rate of pension increase	**2.00%**	**n/a**	**2.75%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**n/a**	**22.5 years M 24.9 years F**
2019			
Discount rate	0.93%-1.11%	1.30%	2.05%
Inflation rate	1.75%	1.75%	2.80%
Future salary increases	2.25%	2.00%	n/a
Rate of pension increase	2.00%	n/a	2.70%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a	n/a
Life expectancy for pensioners at age 65	n/a	n/a	22.5 years M 24.9 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone (Cyprus and Greece) which comprise 17% of the defined benefit obligations, the Group adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 83% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2020 and 2019 is presented below:

Variable	**2020**		2019	
	Change +0.5%	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-9.0%**	**9.7%**	-9.2%	9.9%
Inflation growth rate	**6.1%**	**-5.7%**	6.3%	-5.7%
Salary growth rate	**1.1%**	**-1.1%**	1.2%	-1.1%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**2.8%**	**-2.8%**	2.7%	-2.7%

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

15. Other operating expenses

	2020	2019
	€000	€000
Repairs and maintenance of property and equipment	**31,701**	29,763
Other property-related costs	**12,907**	17,735
Consultancy and other professional services fees	**12,409**	16,390
Insurance	**5,740**	5,806
Advertising and marketing	**8,036**	11,531
Depreciation of property and equipment (Note 25)	**19,224**	20,118
Amortisation of intangible assets (Note 26)	**18,263**	16,161
Communication expenses	**6,852**	8,486
Provisions for pending litigations, claims, regulatory and other matters (Note 39.4)	**30,897**	28,851
Printing and stationery	**1,953**	2,905
Cash transfer expenses	**2,526**	3,038
Other operating expenses	**22,460**	35,311
	172,968	196,095
Advisory and other restructuring costs	**15,489**	46,657
	188,457	242,752

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2020, the Group recognised €355 thousand relating to rent expense for short term leases, included within 'Other property-related costs (2019: €358 thousand) and €8,855 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2019: €8,839 thousand) (Note 43).

Within total other operating expenses an amount of €1,037 thousand (2019: €1,152 thousand) relates to investment property that generated rental income.

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the payment of the Special Levy up to the level of the total annual Special Levy charge. The Special levy on deposits of credit institutions in Cyprus and contribution to Single Resolution Fund amounted to €24,727 thousand (2019: €24,854 thousand) and is presented on the face of the consolidated income statement, together with the guarantee fee on annual deferred tax credit amounting to €3,445 thousand (2019: €18,755 thousand) (Note 17) and the contribution to the Deposit Guarantee Fund of €5,484 thousand (2019: nil).

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

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

Consultancy and other professional services fees and advisory and other restructuring costs include fees (including taxes) to the independent auditors of the Group, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2020	2019
	€000	€000
Audit of the financial statements of the Group and its subsidiaries	**1,602**	1,502
Other assurance services	**368**	732
Tax compliance and advisory services	**211**	225
Other non-audit services	**385**	338
	2,566	2,797

Other assurance services include fees related to the interim review.

16. Credit losses of financial instruments and impairment of non-financial assets

	2020	2019
	€000	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers (Note 45.9)	**284,969**	260,114
Recoveries of loans and advances to customers previously written off	**(20,621)**	(25,627)
Changes in expected cash flows	**12,866**	3,537
Financial guarantees and commitments (Notes 45.8.1 and 45.8.2)	**(2,134)**	(5,573)
	275,080	232,451

Credit losses of other financial instruments		
Amortised cost debt securities (Note 20)	**54**	(36)
FVOCI debt securities (Note 20)	**78**	101
Loans and advances to banks (Note 19)	**6**	(659)
Other financial assets	**4,447**	5,384
	4,585	4,790

Impairment/(reversal of impairment) of non-financial assets		
Stock of property (Note 27)	**37,593**	25,294
Other non-financial assets	**(7)**	787
	37,586	26,081

Changes in expected cash flows for the year ended 31 December 2020 relate mainly to gross modification loss arising as a result of the modification to loan terms offered pursuant to the moratorium (Note 5.2) as a result of the COVID-19 pandemic.

17. Income tax

	2020 €000	2019 €000
Current tax:		
- Cyprus	**3,934**	5,040
- Overseas	**93**	143
Cyprus special defence contribution	**136**	318
Deferred tax charge/(credit)	**1,611**	(113,436)
Prior years' tax adjustments	**838**	(4,909)
Other tax charges	**1,308**	8
	7,920	(112,836)

The Group's share of income tax from associates for 2020 amounted to €nil (2019: €703 thousand).

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2020 €000	2019 €000
Loss before tax	**(166,742)**	(180,687)
Income tax at the normal tax rates in Cyprus	**(20,706)**	(22,267)
Income tax effect of:		
- expenses not deductible for income tax purposes	**23,899**	30,788
- income not subject to income tax	**(11,504)**	(25,749)
- differences between overseas income tax rates and Cyprus income tax rates	**2,593**	2,890
- deferred tax charge/(reversal of previously recognised deferred tax)	**45**	(113,610)
- losses on which deferred tax was not recognised	**11,447**	20,014
	5,774	(107,934)
Prior years' tax adjustments	**838**	(4,910)
Other tax charges	**1,308**	8
	7,920	(112,836)

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2019: 12.5%).

For life insurance business there is a minimum income tax charge of 1.5% on gross premiums. Special defence contribution is payable on rental income at a rate of 3% (2019: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2019: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2020 were: Greece 24% (2019: 28%), Romania 16% (2019: 16%), Russia 20% (2019: 20%) and UK 19% (2019: 19%).

The Group is subject to income taxes in the various jurisdictions 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 open and judgemental matters are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

17. Income tax (continued)

Deferred tax

The net deferred tax assets arise from:

	2020	2019
	€000	€000
Difference between capital allowances and depreciation	**(10,820)**	(10,371)
Property revaluation	**(14,188)**	(15,975)
Investment revaluation and stock of property	**(2,847)**	(2,847)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**341,182**	379,091
Value of in-force life insurance business	**(15,772)**	(14,579)
Other temporary differences	**(2,177)**	(2,208)
Net deferred tax assets	**295,378**	333,111

The net deferred tax assets comprise of:

	2020	2019
	€000	€000
Deferred tax assets	**341,360**	379,126
Deferred tax liabilities	**(45,982)**	(46,015)
Net deferred tax assets	**295,378**	333,111

The deferred tax assets relate to Cyprus operations.

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

	2020	2019
	€000	€000
1 January	**333,111**	257,496
Deferred tax recognised in the consolidated income statement	**(1,611)**	113,436
Deferred tax recognised in the consolidated statement of comprehensive income	**1,787**	88
Transfer to current tax receivables following conversion into tax credit	**(37,909)**	(37,909)
31 December	**295,378**	333,111

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

The analysis of the net deferred tax charge/(credit) recognised in the consolidated income statement is set out below:

	2020	2019
	€000	€000
Difference between capital allowances and depreciation	**449**	1,643
Write-back of deferred tax assets	**-**	(115,228)
Value of in-force life insurance business	**1,193**	150
Other temporary differences	**(31)**	(1)
	1,611	(113,436)

The analysis of the net deferred tax recognised in other comprehensive income in the consolidated statement of comprehensive income is set out below:

	2020	2019
	€000	€000
Timing differences on property revaluation-income	**1,787**	88

17. Income tax (continued)

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

The main provisions of the legislation are set out below:
- The amendments allow for the conversion of specific tax losses into tax credits.
- The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.
- The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition. Tax losses in excess of the capped amount could only be utilised in cases involving transfers of tax losses in relation to tax reorganisations, completed before 1 October 2019. Post 1 October 2019, any excess tax losses expired.
- Acquired tax losses are converted into 15 equal annual instalments for credit institutions that will enter into resolution in the future or into 11 equal annual instalments for credit institutions which were in resolution pre 31 December 2017.
- Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
- Any amount of annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
- In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
- In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
- A guarantee fee of 1.5% on annual tax credit is payable annually by the credit institution to the Government.

The Company has DTA that meets the requirements of the Law relating to income tax losses transferred to the Company as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised following the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which the Company paid a consideration as part of the respective acquisition. Under the Law, the Company can convert up to an amount of €3.3 billion tax losses to tax credits (which led to the creation of DTA amounting to €417 million), with the conversion being based on the tax rate applicable at the time of conversion. As a result, a reversal of previously recognised DTA impairment of €115 million was recognised during the year ended 31 December 2019. Following the amendment of the Law, the period of utilisation of the tax losses which may be converted into tax credits remains unchanged (i.e. by end of 2028).

During the year ended 31 December 2020, an amount of €37,909 thousand has been reclassified from the DTA to current tax receivables (2019: €37,909 thousand) being the annual conversion into tax credit.

As a result of the above Law, the Group has deferred tax assets amounting to €341,182 thousand as at 31 December 2020 (2019: €379,091 thousand) that meet the requirements under this Law, the recovery of which is guaranteed.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13.

The Group understands that, in response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government is considering the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already acknowledged, to maintain the conversion of such DTAs into tax credits.

17. Income tax (continued)

The Group, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Group, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year. The Group estimates that such increased fees could range up to €5,300 thousand per year (for each tax year in scope i.e. since 2018) although the Group understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. To this respect, an amount of €3,445 thousand has been recorded in 2020 (Note 15) to bring the total amount provided for years 2018-2020 to €15,900 thousand, being the maximum expected increased amount for these years (2019: €18,755 thousand of which €12,500 thousand related to the additional expected increased amount).

Accumulated income tax losses

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

2020	**Total income tax losses**	**Income tax losses for which a deferred tax asset was recognised**	**Income tax losses for which no deferred tax asset was recognised**
	€000	**€000**	**€000**
Expiring within 5 years	**648,401**	**-**	**648,401**
Utilisation in annual instalments up to 2028	**2,729,454**	**2,729,454**	**-**
	3,377,855	**2,729,454**	**648,401**
2019			
Expiring within 5 years	520,988	-	520,988
Utilisation in annual instalments up to 2028	3,032,727	3,032,727	-
	3,553,715	3,032,727	520,988

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

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

18. Earnings per share

Basic and diluted loss per share attributable to the owners of the Company	**2020**	2019
Loss for the year attributable to the owners of the Company (€ thousand)	**(171,411)**	(70,388)
Weighted average number of shares in issue during the year (thousand)	**9,597,945**	9,483,903
Basic and diluted loss per share (€ cent)	**(1.8)**	(0.7)

19. Cash, balances with central banks and loans and advances to banks

	2020	2019
	€000	€000
Cash	**139,686**	151,555
Balances with central banks	**5,513,629**	4,908,487
	5,653,315	5,060,042

	2020	2019
	€000	€000
Loans and advances to banks	**402,862**	320,953
Allowance for expected credit losses	**(78)**	(72)
	402,784	320,881

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2020	2019
Gross carrying amount	**€000**	€000
1 January	**4,908,487**	4,456,768
Net increase	**673,567**	451,719
Transfer to disposal groups held for sale	**(68,425)**	-
31 December	**5,513,629**	4,908,487

Balances with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2020 and 2019.

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2020		2019	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**320,953**	**(72)**	473,263	(731)
Net increase /(decrease)	**83,380**	**-**	(149,899)	-
Disposal/dissolution of subsidiaries	**(398)**	**-**	(2,825)	-
Changes to models and inputs used for ECL calculation (Note 16)	**-**	**(6)**	-	659
Foreign exchange adjustments	**(1,073)**	**-**	414	-
31 December	**402,862**	**(78)**	320,953	(72)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes as at 31 December 2020 which amount to €158,031 thousand (2019: €160,048 thousand) (Note 42).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 45.13.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

Investments	2020 €000	2019 €000
Investments mandatorily measured at FVPL	**207,943**	176,106
Investments at FVOCI	**658,232**	701,704
Investments at amortised cost	**1,009,834**	805,059
	1,876,009	1,682,869

During 2020, the Group has proceeded to invest in debt securities, as part of its investing strategy which mainly related to the acquisition of treasury bills and Cyprus Government bonds.

The amounts pledged as collateral are shown below:

Investments pledged as collateral	2020 €000	2019 €000
Investments at FVOCI	**14,069**	199,916
Investments at amortised cost	**23,036**	23,045
	37,105	222,961

The decrease in investments pledged as collateral during 2020 related mainly to the maturity of investments pledged as collateral by the Group as well as to the maturity of repurchase agreements for which investments were pledged as collateral. Encumbered assets are disclosed in Note 47.

As at 31 December 2020 there are no investments pledged as collateral under repurchase agreements as no repurchase agreements remained outstanding. As at 31 December 2019 all investments pledged as collateral under repurchase agreements could be sold or repledged by the counterparty.

The maximum exposure to credit risk for debt securities is disclosed in Note 45.1 and the debt securities price risk sensitivity analysis is disclosed in Note 46.

There were no reclassifications of investments during the years 2020 and 2019.

The credit rating analysis of investments is disclosed in Note 45.13.

20. Investments (continued)

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2020	2019
	€000	€000
Debt securities	**19,118**	24,093
Equity securities	**3,277**	2,484
Mutual funds	**185,548**	149,529
	207,943	176,106

Debt securities		
Banks and other corporations	**19,118**	24,093
Unlisted	**19,118**	24,093

Equity securities		
Listed on the Cyprus Stock Exchange	**2,155**	1,607
Listed on other stock exchanges	**626**	777
Unlisted	**496**	100
	3,277	2,484

Mutual funds		
Listed on other stock exchanges	**131,771**	108,760
Unlisted	**53,777**	40,769
	185,548	149,529

The debt securities which are measured at FVPL are mandatorily classified, because they failed to meet the SPPI criteria.

The majority of the unlisted mutual funds relate to investments whose underlying assets are listed on stock exchanges and are therefore presented in Level 2 hierarchy in Note 22.

Investments at FVOCI

	2020	2019
	€000	€000
Debt securities	**656,856**	885,810
Equity securities (including preference shares)	**14,835**	15,202
Mutual funds	**610**	608
	672,301	901,620

20. **Investments** (continued)

Debt securities	**2020 €000**	2019 €000
Cyprus government	**382,742**	398,404
Other governments	**41,235**	228,838
Banks and other corporations	**232,879**	258,568
	656,856	885,810
Listed on the Cyprus Stock Exchange	**2,983**	3,922
Listed on other stock exchanges	**653,873**	881,888
	656,856	885,810
Geographic dispersion by country of issuer		
Cyprus	**382,742**	398,404
France	**51,784**	232,662
Other European Union countries	**90,226**	105,694
Supranational organisations	**10,364**	10,743
Other countries	**121,740**	138,307
	656,856	885,810

Equity securities		
Listed on the Cyprus Stock Exchange	**1,483**	1,451
Listed on other stock exchanges	**81**	137
Unlisted	**13,271**	13,614
	14,835	15,202

An analysis of the movement of debt instruments before ECL and the changes on the ECL are presented in the table below:

	2020		2019	
	Gross debt securities €000	**ECL €000**	Gross debt securities €000	ECL €000
1 January	**886,509**	**(699)**	820,346	(598)
New assets acquired in the year	**61,983**	**-**	135,042	-
Assets derecognised and redeemed in the year (Note 16)	**(263,335)**	**7**	(89,707)	-
Interest accrued and amortisation	**(4,170)**	**-**	(1,841)	-
Foreign exchange adjustments	**(17,410)**	**-**	3,250	-
Changes to models and input used for ECL calculations (Note 16)	**-**	**(85)**	-	(101)
Change in fair value	**(5,944)**	**-**	19,419	-
31 December	**657,633**	**(777)**	886,509	(699)

All debt securities measured at FVOCI are classified as Stage 1.

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 €14,835 thousand at 31 December 2020 and is equal to their fair value (2019: €15,202 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 €223 thousand has been received and recognised for 2020 in other income (2019: €306 thousand).

During 2020 and 2019 no equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the year.

20. 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 €12,134 thousand at 31 December 2020 (2019: €12,098 thousand). The fair value gain that would have been recognised in the consolidated income statement in 2020 if these financial assets had not been reclassified as part of the transition to IFRS 9, amounts to €28 thousand (2019: gain of €158 thousand). The effective interest rate of these instruments is 1.6%-5.0% (2019: 1.6%-5.0%) per annum and the respective interest income during the year 2020 amounts to €304 thousand (2019: €346 thousand).

Investments at amortised cost

	2020	2019
	€000	€000
Debt securities	**1,032,870**	828,104
Cyprus government	**440,983**	143,644
Other governments	**132,267**	161,090
Banks and other corporations	**292,918**	333,313
European Financial Stability Facility and European Investment Fund	**166,702**	190,057
	1,032,870	828,104
Listed on the Cyprus Stock Exchange	**318,141**	48,654
Listed on other stock exchanges	**714,729**	779,450
	1,032,870	828,104
Geographic dispersion by country of issuer		
Cyprus	**440,983**	143,644
Germany	**49,870**	51,846
UK	**33,671**	38,349
France	**25,646**	30,082
Other European Union countries	**184,804**	271,587
Other countries	**135,302**	107,012
Supranational organisations	**162,594**	185,584
	1,032,870	828,104

An analysis of changes in the gross carrying amount (before ECL) is presented in the table below:

	2020			2019		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**779,770**	**49,130**	**828,900**	482,229	48,982	531,211
New assets acquired in the year	**513,655**	**-**	**513,655**	318,187	-	318,187
Assets derecognised and redeemed in the year	**(294,756)**	**-**	**(294,756)**	(25,143)	-	(25,143)
Fair value due to hedging relationship	**644**	**(123)**	**521**	1,038	182	1,220
Interest accrued and amortisation	**(2,289)**	**(26)**	**(2,315)**	1,062	(33)	1,029
Foreign exchange adjustments	**(12,285)**	**-**	**(12,285)**	2,397	(1)	2,396
31 December	**984,739**	**48,981**	**1,033,720**	779,770	49,130	828,900

20. Investments (continued)

An analysis of changes on the ECL is presented in the table below:

	2020			2019		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(320)**	**(476)**	**(796)**	(142)	(690)	(832)
Assets derecognised or redeemed (Note 16)	**12**	**-**	**12**	-	-	-
Change to models and inputs used for ECL calculation (Note 16)	**(237)**	**171**	**(66)**	(178)	214	36
31 December	**(545)**	**(305)**	**(850)**	(320)	(476)	(796)

21. Derivative financial instruments

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

	2020			2019		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**37,912**	**834**	**346**	21,939	165	111
Currency swaps	**970,645**	**4,458**	**2,832**	1,170,915	775	5,897
Interest rate swaps	**92,305**	**271**	**597**	263,159	315	551
Currency options	**2,628**	**72**	**302**	1,800	10	296
Interest rate caps/floors	**527,883**	**83**	**25**	1,684,871	772	-
	1,631,373	**5,718**	**4,102**	3,142,684	2,037	6,855
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**877,783**	**18,907**	**39,720**	1,068,926	19,542	43,727
Net investments - forward exchange rate contracts and currency swaps	**84,588**	**2**	**2,156**	96,821	1,481	11
	962,371	**18,909**	**41,876**	1,165,747	21,023	43,738
Total	**2,593,744**	**24,627**	**45,978**	4,308,431	23,060	50,593

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates and exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Group sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 46. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Group converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Group converts floating rate assets/liabilities to fixed.

Currency risk is explained in Note 46. In order to eliminate the risk, the Group hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

21. Derivative financial instruments (continued)

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign exchange rates in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Group elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. The Group implements the amended IFRS 7 hedge disclosure requirements.

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

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

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

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

As at 31 December 2020, deposits, and forward and swap exchange rate contracts amounting to €9,988 thousand and €84,588 thousand respectively (2019: €10,667 thousand and €96,821 thousand respectively) have been designated as hedging instruments and have given rise to a loss of €23,756 thousand (2019: gain of €10,927 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.

21. Derivative financial instruments (continued)

	Gains/(losses) attributable to hedged risk		Hedged in-effectiveness
2020	**Hedged items**	**Hedging instrument**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	5,760	(5,205)	(555)
Net investments			
-forward exchange rate contracts	25,236	(25,236)	-
Total	**30,996**	**(30,441)**	**(555)**

2019			
Derivatives qualifying for hedge accounting			
Fair value hedges			
-interest rate swaps	3,696	(4,588)	892
Net investments			
-forward exchange rate contracts	(11,462)	11,462	-
Total	**(7,766)**	**6,874**	**892**

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	
2020	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
Interest rate swaps				
-debt securities	712,925	-	21,084	-
-subordinated loan stock	-	272,152	-	(1,374)
Net investments - forward and swap exchange rate contracts				
Net assets	434	84,154	-	(2,158)
Total	**713,359**	**356,306**	**21,084**	**(3,532)**

2019				
Derivatives qualifying for hedge accounting				
Fair value hedges - interest rate swaps				
interest rate swaps				
-debt securities	909,868	-	16,331	-
-subordinated loan stock	-	272,170	-	(1,596)
Net investments - forward and swap exchange rate contracts				
Net assets	2,472	94,349	(2)	1,472
Total	**912,340**	**366,519**	**16,329**	**(124)**

For assets hedged using fair value hedges the fixed rate is 2.35% and the floating rate is 1.03% (2019: 2.76% and 1.4% respectively). For liabilities hedged using fair value hedges, the fixed rate is 9.25% and the floating rate is 8.93% (2019: 9.25% and 8.95% respectively).

The maturity of the Group's contract amount of the derivatives is presented in the table below:

21. Derivative financial instruments (continued)

2020	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	17,125	15,510	5,277	-	-	**37,912**
Currency swaps	791,644	178,227	774	-	-	**970,645**
Interest rate swaps	44,069	23,970	14,169	10,097	-	**92,305**
Currency options	2,628	-	-	-	-	**2,628**
Interest rate caps/floors	-	-	-	527,883	-	**527,883**
	855,466	**217,707**	**20,220**	**537,980**	**-**	**1,631,373**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	30,358	653,925	193,500	**877,783**
Net investments - forward exchange rate contracts and currency swaps	66,849	17,739	-	-	-	**84,588**
	66,849	**17,739**	**30,358**	**653,925**	**193,500**	**962,371**
Total	**922,315**	**235,446**	**50,578**	**1,191,905**	**193,500**	**2,593,744**

21. Derivative financial instruments (continued)

2019	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	10,899	10,369	671	-	-	**21,939**
Currency swaps	1,170,672	20	223	-	-	**1,170,915**
Interest rate swaps	-	-	146,228	116,931	-	**263,159**
Currency options	600	1,200	-	-	-	**1,800**
Interest rate caps/floors	-	-	1,650,000	34,871	-	**1,684,871**
	1,182,171	**11,589**	**1,797,122**	**151,802**	**-**	**3,142,684**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	188,505	646,921	233,500	**1,068,926**
Net investments - forward exchange rate contracts and currency swaps	96,821	-	-	-	-	**96,821**
	96,821	**-**	**188,505**	**646,921**	**233,500**	**1,165,747**
Total	**1,278,992**	**11,589**	**1,985,627**	**798,723**	**233,500**	**4,308,431**

Interest rate benchmark reform

As at 31 December 2020 and 2019 the interest rate benchmarks to which the Company's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) for the cash flows of the hedging instruments. The Group has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing Interbank Offered Rate (IBOR) are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships that will be subject to the IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Company manages through hedging relationships.

Interest Rate Swaps	**2020**	2019
	€000	€000
Euribor (3 months)	**699,831**	865,431
Libor USD (3 months)	**177,952**	203,495
Total	**877,783**	1,068,926

As at 31 December 2020, the Group's assessment regarding the on-going transition to the new risk-free rates (RFRs) indicates a not significant impact on the hedging relationships and in value terms. Further details in relation to interest rate benchmark reform are disclosed in Note 46.

22. Fair value measurement

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

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**5,653,315**	**5,653,315**	5,060,042	5,060,042
Loans and advances to banks	**402,784**	**402,979**	320,881	319,852
Investments mandatorily measured at FVPL	**207,943**	**207,943**	176,106	176,106
Investments at FVOCI	**672,301**	**672,301**	901,620	901,620
Investments at amortised cost	**1,032,870**	**1,050,271**	828,104	844,795
Derivative financial assets	**24,627**	**24,627**	23,060	23,060
Loans and advances to customers	**9,886,047**	**9,687,663**	10,721,841	10,720,292
Life insurance business assets attributable to policyholders	**462,977**	**462,977**	447,172	447,172
Financial assets classified as held for sale	**561,462**	**561,462**	25,929	25,929
Other financial assets	**102,211**	**102,211**	146,596	146,596
	19,006,537	**18,825,749**	18,651,351	18,665,464
Financial liabilities				
Funding from central banks and deposits by banks	**1,386,643**	**1,325,538**	533,404	475,792
Repurchase agreements	**-**	**-**	168,129	170,816
Derivative financial liabilities	**45,978**	**45,978**	50,593	50,593
Customer deposits	**16,533,212**	**16,535,842**	16,691,531	16,692,463
Subordinated loan stock	**272,152**	**274,414**	272,170	293,623
Other financial liabilities and lease liabilities	**282,510**	**282,510**	255,125	255,125
	18,520,495	**18,464,282**	17,970,952	17,938,412

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

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

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

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

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

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

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

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

22. 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 the Company's own credit quality respectively.

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

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

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

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

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan.

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 the Company. The fair value of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Repurchase agreements
Repurchase agreements are collateralised bank takings. Given that the collateral provided by the Group is greater than the amount borrowed, the fair value calculation of these repurchase agreements takes into account the time value of money.

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

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

Subordinated loan stock
The current issue of the Company is traded in an active market with quoted prices.

Investment properties
The fair value of investment properties is determined using valuations performed by external accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

22. Fair value measurement (continued)

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

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

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

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	16,735	**16,735**
Offices and other commercial properties	-	-	57,041	**57,041**
Manufacturing and industrial properties	-	-	35,326	**35,326**
Hotels	-	-	626	**626**
Land (fields and plots)	-	-	18,360	**18,360**
	-	-	128,088	**128,088**
Investment properties held for sale				
Manufacturing and industrial	-	-	1,248	**1,248**
Freehold property				
Offices and other commercial properties	-	-	202,146	**202,146**
Freehold property held for sale				
Offices and other commercial properties	-	-	10,408	**10,408**
Loans and advances to customers measured at FVPL	-	-	289,861	**289,861**
Trading derivatives				
Forward exchange rate contracts	-	834	-	**834**
Currency swaps	-	4,458	-	**4,458**
Interest rate swaps	-	271	-	**271**
Currency options	-	72	-	**72**
Interest rate caps/floors	-	83	-	**83**
	-	5,718	-	**5,718**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	18,907	-	**18,907**
Net investments-forward exchange rate contracts and currency swaps	-	2	-	**2**
	-	18,909	-	**18,909**
Investments mandatorily measured at FVPL	134,918	53,347	19,678	**207,943**
Investments at FVOCI	655,813	2,984	13,504	**672,301**
	790,731	**80,958**	**664,933**	**1,536,622**
Other financial assets not measured at fair value				
Loans and advances to banks	-	402,979	-	**402,979**
Investments at amortised cost	695,666	321,612	32,993	**1,050,271**
Loans and advances to customers	-	-	9,397,802	**9,397,802**
	695,666	**724,591**	**9,430,795**	**10,851,052**

22. Fair value measurement (continued)

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,027 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,681 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 20) with a carrying amount of €18,618 thousand as of 31 December 2020, a change in the market value by 10% would result in a change in the value of the debt securities by €1,862 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 46.

The fair value measurement hierarchy for life insurance business assets attributable to policy holders is disclosed in Note 24.

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	346	-	**346**
Currency swaps	-	2,832	-	**2,832**
Interest rate swaps	-	597	-	**597**
Currency options	-	302	-	**302**
Interest rate caps/floors	-	25	-	**25**
	-	4,102	-	**4,102**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39,720	-	**39,720**
Net investments-forward exchange rate contracts and currency swaps	-	2,156	-	**2,156**
	-	41,876	-	**41,876**
	-	**45,978**	**-**	**45,978**
Other financial liabilities not measured at fair value				
Funding from central banks	-	992,494	-	**992,494**
Deposits by banks	-	333,044	-	**333,044**
Customer deposits	-	-	16,535,842	**16,535,842**
Subordinated loan stock	274,414	-	-	**274,414**
	274,414	**1,325,538**	**16,535,842**	**18,135,794**

22. Fair value measurement (continued)

2019	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	19,841	**19,841**
Offices and other commercial properties	-	-	59,052	**59,052**
Manufacturing and industrial properties	-	-	36,894	**36,894**
Hotels	-	-	1,701	**1,701**
Land (fields and plots)	-	-	18,709	**18,709**
	-	-	136,197	**136,197**
Freehold property				
Offices and other commercial properties	-	-	235,277	**235,277**
Loans and advances to customers measured at FVPL	-	-	369,293	**369,293**
Trading derivatives				
Forward exchange rate contracts	-	165	-	**165**
Currency swaps	-	775	-	**775**
Interest rate swaps	-	315	-	**315**
Currency options	-	10	-	**10**
Interest rate caps/floors	-	772	-	**772**
	-	2,037	-	**2,037**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	19,542	-	**19,542**
Net investments-forward exchange rate contracts and currency swaps	-	1,481	-	**1,481**
	-	21,023	-	**21,023**
Investments mandatorily measured at FVPL	100,270	51,243	24,593	**176,106**
Investments at FVOCI	886,680	1,026	13,914	**901,620**
	986,950	**75,329**	**779,274**	**1,841,553**
Other financial assets not measured at fair value				
Loans and advances to banks	-	319,852	-	**319,852**
Investments at amortised cost	751,326	53,523	39,946	**844,795**
Loans and advances to customers	-	-	10,350,999	**10,350,999**
	751,326	**373,375**	**10,390,945**	**11,515,646**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,696 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,549 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 20) with a carrying amount of €23,593 thousand as at 31 December 2019, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €2,359 thousand.

22. Fair value measurement (continued)

2019	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	111	-	**111**
Currency swaps	-	5,897	-	**5,897**
Interest rate swaps	-	551	-	**551**
Currency options	-	296	-	**296**
	-	6,855	-	**6,855**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43,727	-	**43,727**
Net investments-forward exchange rate contracts and currency swaps	-	11	-	**11**
	-	43,738	-	**43,738**
	-	**50,593**	**-**	**50,593**
Other financial liabilities not measured at fair value				
Deposits by banks	-	475,792	-	**475,792**
Repurchase agreements	-	170,816	-	**170,816**
Customer deposits	-	-	16,692,463	**16,692,463**
Subordinated loan stock	293,623	-	-	**293,623**
	293,623	**646,608**	**16,692,463**	**17,632,694**

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

During the year ended 31 December 2020 and 2019 there were no significant transfers between Level 1 and Level 2.

22. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

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

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

	2020						2019					
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Own use properties held for sale**	**Loans and advances to customers**	**Financial instruments**	Investment properties	Investment properties held for sale	Own use properties	Own use properties held for sale	Loans and advances to customers	Financial instruments
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000	€000
1 January	**136,197**	**-**	**235,277**	**-**	**369,293**	**38,507**	128,006	152,348	236,405	88,022	395,572	23,146
Additions	**2,649**	**-**	**303**	**-**	**-**	**-**	20,669	-	1,719	-	-	6,529
Disposals	**(6,674)**	**-**	**(159)**	**-**	**-**	**-**	(13,909)	(152,348)	-	(88,022)	-	(473)
Transfers from investment properties/own use properties to non-current assets and disposal groups held for sale (Note 29)	**(1,248)**	**1,248**	**(10,408)**	**10,408**	**-**	**-**	-	-	-	-	-	-
Transfers from/(to) stock of property (Note 27)	**74**	**-**	**(21,805)**	**-**	**-**	**-**	1,006	-	(234)	-	-	-
Transfers to Level 2	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	(22)
Depreciation charge for the year	**-**	**-**	**(2,612)**	**-**	**-**	**-**	-	-	(2,613)	-	-	-
Fair value (losses)/gains	**(2,055)**	**-**	**1,550**	**-**	**-**	**(4,109)**	(302)	-	-	-	-	9,327
Net gains on loans and advances to customers measured at FVPL (Note 11)	**-**	**-**	**-**	**-**	**3,606**	**-**	-	-	-	-	2,891	-
Derecognition of loans	**-**	**-**	**-**	**-**	**(96,254)**	**-**	-	-	-	-	(44,860)	-
Interest on loans (Note 7)	**-**	**-**	**-**	**-**	**13,216**	**-**	-	-	-	-	15,690	-
Foreign exchange adjustments	**(855)**	**-**	**-**	**-**	**-**	**(1,216)**	727	-	-	-	-	-
31 December	**128,088**	**1,248**	**202,146**	**10,408**	**289,861**	**33,182**	136,197	-	235,277	-	369,293	38,507

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties, investment properties held for sale and own use properties
The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties, investment properties held for sale and own use properties are presented in the tables below:

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

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2020	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**						**m^2**	**m^2**	**Years**
Cyprus	13,013	€29-€86	€134-€1,370	n/a	€380-€2,206	€110-€900	89-1,203	19-1,356	6-130
Greece	3,722	€3-€86	€136-€2,132	2.14%-9.91%	€45-€1,455	€3-€1,176	4-5,147	44-825	12-63
	16,735								
Offices and other commercial properties									
Cyprus	52,021	€26-€250	n/a	4%-8%	€550-€7,103	€550-€1,050	150-35,413	16-9,369	10-75
Greece	4,774	€15-€259	€157-€3,483	5.31%-10.07%	€52-€1,842	€19-€259	5-8,582	6-4,692	16-62
Russia	246	n/a	€19-€448	n/a	€10-€153	€2-€70	1,460-26,046	212-15,898	n/a
	57,041								
Manufacturing and industrial									
Cyprus	26,908	€21-€67	€448	5%-6%	€350-€1,602	n/a	1,593-15,965	421-7,340	8-36
Greece	9,627	€1-€37	€80-€603	1.79%-10.57%	€13-€396	€3-€302	56-34,495	349-5,858	11-82
Russia	39	n/a	€8-€357	n/a	€5-€185	€5-€86	2,162-10,500	304-1,246	n/a
	36,574								
Hotels									
Russia	**626**	n/a	€324	n/a	€324	n/a	n/a	7,436	15
Land (fields and plots)									
Cyprus	18,095	n/a	€1,000-€1,250	n/a	€524-€1,002	€524-€1,002	2,316-29,398	n/a	n/a
Greece	49	€1	n/a	6.43%	€12	€12	3,988	n/a	n/a
Russia	216	n/a	n/a	n/a	€13	€13	58,600	n/a	n/a
	18,360								
Total	**129,336**								

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

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties and own use properties held for sale

Type and country	2020	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	212,554	€23-€277	€750-€1,855	5%-6%	€14-€6,163	€70-€3,171	390-598,767	122-11,233	13-78
Total	**212,554**								

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

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2019	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**							**m^2**	**m^2**	**Years**
Cyprus	14,375	€32-€104	n/a	€131-€1,370	5.5%	€380-€1,925	€110-€1,110	71-1,203	8-1,356	5-104
Greece	4,835	€3-€84	0.9%-5.9%	€134-€2,186	0%-15.6%	€45-€2,186	€3-€2,763	4-5,147	44-825	11-65
Russia	631	n/a	n/a	€225-€633	n/a	€51-€297	€9-€38	800-1,573	198-1,186	n/a
	19,841									
Offices and other commercial properties										
Cyprus	53,086	€11-€500	n/a	€250-€900	5%-9%	€120-€8,921	€120-€2,000	140-35,413	25-9,423	6-85
Greece	4,885	€12-€239	0.7%-2.9%	€151-€3,400	0%-9.3%	€71-€3,400	€25-€106	282-8,582	6-4,087	15-61
Russia	1,081	n/a	n/a	€26-€461	n/a	€23-€461	€3-€93	1,460-5,545	261-3,288	n/a
	59,052									
Manufacturing and industrial										
Cyprus	26,646	€25-€67	n/a	€278-€765	6%-6.5%	€120-€1,484	€60-€550	2,202-15,965	744-7,180	12-35
Greece	9,736	€4-€39	0.9%-2.9%	€84-€1,318	0%-11%	€13-€416	€3-€10	57-34,495	349-5,858	10-81
Russia	512	n/a	n/a	€11-€475	n/a	€8-€247	€7-€115	2,162-29,538	304-8,874	11-32
	36,894									
Hotels										
Russia	**1,701**	n/a	n/a	€360	n/a	€360	n/a	n/a	7,436	14
Land (fields and plots)										
Cyprus	18,155	n/a	n/a	€1,000-€1,250	n/a	€538-€1,028	€538-€1,028	2,316-29,398	n/a	n/a
Greece	56	€1	0.9%	n/a	5.4%	€14	€14	3,988	n/a	n/a
Russia	498	n/a	n/a	n/a	n/a	€1-€18	€1-€18	58,600-300,000	n/a	n/a
	18,709									
Total	**136,197**									

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

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties and own use properties held for sale

Type and country	2019	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m^2**	**m^2**	**Years**
Cyprus	235,277	€26-€277	n/a	€821-€1,895	5%-6%	€14-€6,557	€140-€3,381	390-598,767	122-11,233	12-77
Total	**235,277**									

Sensitivity analysis
Most of the Group's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2020	2019
	€000	€000
Gross loans and advances to customers at amortised cost	**10,400,603**	12,008,146
Allowance for ECL for impairment of loans and advances to customers (Note 45.9)	**(804,417)**	(1,655,598)
	9,596,186	10,352,548
Loans and advances to customers measured at FVPL	**289,861**	369,293
	9,886,047	10,721,841

Loans and advances to customers pledged as collateral are disclosed in Note 47.

Gross loans comprise of gross loans and advances to customers measured at amortised cost (reported after the residual fair value adjustment on initial recognition as detailed in Note 45.6).

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 45.

24. Life insurance business assets attributable to policyholders

	2020	2019
	€000	€000
Equity securities	**898**	1,162
Debt securities	**43,064**	39,418
Mutual funds	**378,511**	360,692
Bank deposits and other receivables	**40,504**	45,900
	462,977	447,172
Property	**11,210**	11,680
	474,187	458,852

Financial assets of life insurance business attributable to policyholders are classified as investments at FVPL.

Bank deposits and other receivables include other financial receivables of €3,074 thousand (2019: €3,128 thousand).

In addition to the above assets, the life insurance subsidiary of the Group holds shares of BOCH, as part of the assets attributable to policyholders with a carrying value as at 31 December 2020 of €101 thousand (2019: €167 thousand). Such shares are presented in the Consolidated Financial Statements of BOCH as treasury shares (Note 35).

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level is presented below:

	Level 1	**Level 2**	**Level 3**	**Total**
2020	**€000**	**€000**	**€000**	**€000**
Equity securities	**898**	**-**	**-**	**898**
Debt securities	**16,778**	**5,991**	**20,295**	**43,064**
Mutual funds	**374,673**	**698**	**3,140**	**378,511**
	392,349	**6,689**	**23,435**	**422,473**
2019				
Equity securities	1,162	-	-	1,162
Debt securities	17,157	-	22,261	39,418
Mutual funds	357,307	-	3,385	360,692
	375,626	-	25,646	401,272

24. Life insurance business assets attributable to policyholders (continued)

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

The movement of financial assets classified as Level 3 is presented below:

	2020	2019
	€000	€000
1 January	**25,646**	28,489
Unrealised losses recognised in the consolidated income statement	**(2,211)**	(2,843)
31 December	**23,435**	25,646

During years 2020 and 2019 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

	Property	Equipment	**Total**
2020	€000	€000	**€000**
Net book value at 1 January	267,684	20,370	**288,054**
Additions	1,896	8,225	**10,121**
Revaluation	1,550	-	**1,550**
Transfers to stock of property (Note 27)	(21,805)	-	**(21,805)**
Transfers to non-current assets and disposal groups held for sale (Note 29)	(10,408)	-	**(10,408)**
Re-assessment of RoU Asset (Note 43)	26,936	-	**26,936**
Derecognition of RoU Asset (Note 43)	(2,399)	-	**(2,399)**
Disposals and write-offs	(191)	(160)	**(351)**
Depreciation charge for the year (Note 15)	(12,240)	(6,984)	**(19,224)**
Net book value at 31 December	**251,023**	**21,451**	**272,474**
1 January 2020			
Cost or valuation	317,994	140,681	**458,675**
Accumulated depreciation	(50,310)	(120,311)	**(170,621)**
Net book value	**267,684**	**20,370**	**288,054**
31 December 2020			
Cost or valuation	305,645	139,495	**445,140**
Accumulated depreciation	(54,622)	(118,044)	**(172,666)**
Net book value	**251,023**	**21,451**	**272,474**

25. **Property and equipment** (continued)

2019	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	238,889	21,834	**260,723**
Recognition of RoU asset upon adoption of IFRS 16	37,474	-	**37,474**
Balance at 1 January following adoption of IFRS 16	**276,363**	**21,834**	**298,197**
Additions	4,600	6,536	**11,136**
Transfers to stock of property (Note 27)	(234)	-	**(234)**
Transfer from non-current assets and disposal groups held for sale	-	93	**93**
Disposals and write-offs	(723)	(296)	**(1,019)**
Depreciation charge for the year (Note 15)	(12,322)	(7,796)	**(20,118)**
Foreign exchange adjustments	-	(1)	**(1)**
Net book value at 31 December	**267,684**	**20,370**	**288,054**

1 January 2019			
Cost or valuation	277,206	138,767	**415,973**
Accumulated depreciation	(38,317)	(116,933)	**(155,250)**
Net book value	**238,889**	**21,834**	**260,723**

31 December 2019			
Cost or valuation	317,994	140,681	**458,675**
Accumulated depreciation	(50,310)	(120,311)	**(170,621)**
Net book value	**267,684**	**20,370**	**288,054**

The net book value of the Group's property comprises:

	2020 €000	2019 €000
Freehold property	**202,146**	235,277
Improvements on leasehold property	**2,807**	2,019
RoU asset (Note 43)	**46,070**	30,388
Total	**251,023**	267,684

Freehold property includes land amounting to €81,221 thousand (2019: €92,471 thousand) for which no depreciation is charged.

The Group’s policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Group performed revaluations as at 31 December 2020. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

As at 31 December 2020 there are no charges against freehold property of the Group (2019: €20,879 thousand). The freehold property against which charges existed as at 31 December 2019 has been transferred to stock of property as at 31 December 2020.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2020 would have amounted to €135,657 thousand (2019: €179,501 thousand).

26. Intangible assets

2020	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	62,313	116,633	**178,946**
Additions	15,129	-	**15,129**
Increase in value of in-force life insurance business (Note 12)	-	9,543	**9,543**
Disposals and write-offs	(99)	-	**(99)**
Amortisation charge for the year (Note 15)	(18,263)	-	**(18,263)**
Net book value at 31 December	**59,080**	**126,176**	**185,256**
1 January 2020			
Cost	209,692	116,633	**326,325**
Accumulated amortisation and impairment	(147,379)	-	**(147,379)**
Net book value	**62,313**	**116,633**	**178,946**
31 December 2020			
Cost	224,722	126,176	**350,898**
Accumulated amortisation and impairment	(165,642)	-	**(165,642)**
Net book value	**59,080**	**126,176**	**185,256**

2019	Computer software €000	In-force life insurance business €000	**Total €000**
Net book value at 1 January	54,978	115,433	**170,411**
Additions	23,684	-	**23,684**
Increase in value of in-force life insurance business (Note 12)	-	1,200	**1,200**
Disposals and write-offs	(188)	-	**(188)**
Amortisation charge for the year (Note 15)	(16,161)	-	**(16,161)**
Net book value at 31 December	**62,313**	**116,633**	**178,946**
1 January 2019			
Cost	186,196	115,433	**301,629**
Accumulated amortisation and impairment	(131,218)	-	**(131,218)**
Net book value	**54,978**	**115,433**	**170,411**
31 December 2019			
Cost	209,692	116,633	**326,325**
Accumulated amortisation and impairment	(147,379)	-	**(147,379)**
Net book value	**62,313**	**116,633**	**178,946**

Valuation of in-force life insurance business

The actuarial assumptions made to determine the value of in-force life insurance business relate to future mortality, redemptions, level of administration and selling expenses and investment returns. The main assumptions used in determining the value of the in-force business are:

	2020	2019
Discount rate (after tax)	**10.0%**	10.0%
Return on investments	**5.0%**	5.0%
Expense inflation	**3.5%**	3.5%

27. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2020 an impairment loss of €37,593 thousand (2019: €25,294 thousand) was recognised in 'Impairment of non-financial assets' in the consolidated income statement. At 31 December 2020, stock of €523,927 thousand (2019: €310,573 thousand) is carried at net realisable value. Additionally, at 31 December 2020 stock of property with a carrying amount of €104,149 thousand (2019: €122,305 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

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

	2020	2019
	€000	€000
Net book value at 1 January	**1,377,453**	1,426,857
Additions	**121,168**	176,688
Disposals	**(75,478)**	(193,526)
Transfers to investment properties (Note 22)	**(74)**	(1,006)
Transfers of stock of property of Serbian entities to non-current assets held for sale	**-**	(2,427)
Transfers from own use properties (Note 25)	**21,805**	234
Transfers to disposal group (Note 29)	**(57,525)**	(3,816)
Impairment (Note 16)	**(37,593)**	(25,294)
Foreign exchange adjustments	**(147)**	(257)
Net book value at 31 December	**1,349,609**	1,377,453

There were no costs of construction during the years 2020 and 2019.

As at 31 December 2020 there are charges against stock of property of the Group with carrying value €21.805 thousand (2019: nil).

The table below shows the result on the disposal of stock of property in the year:

	2020	2019
	€000	€000
Net proceeds	**83,667**	219,478
Carrying value of stock of property disposed of (excluding stock of property held by subsidiary disposed of)	**(75,478)**	(193,526)
Net gains on disposal of stock of property	**8,189**	25,952

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2020	**€000**	**€000**	**€000**	**€000**
Residential properties	144,915	20,214	109	**165,238**
Offices and other commercial properties	189,172	21,302	5,135	**215,609**
Manufacturing and industrial properties	47,647	19,839	49	**67,535**
Hotels	24,684	465	-	**25,149**
Land (fields and plots)	868,615	5,694	1,769	**876,078**
Total	**1,275,033**	**67,514**	**7,062**	**1,349,609**

27. Stock of property (continued)

Analysis by type and country 2019	Cyprus €000	Greece €000	Romania €000	Total €000
Residential properties	167,330	21,300	116	**188,746**
Offices and other commercial properties	147,568	24,013	5,745	**177,326**
Manufacturing and industrial properties	46,703	22,754	50	**69,507**
Hotels	24,286	494	-	**24,780**
Land (fields and plots)	906,980	7,286	2,828	**917,094**
Total	**1,292,867**	**75,847**	**8,739**	**1,377,453**

28. Prepayments, accrued income and other assets

	2020 €000	2019 €000
Financial assets		
Receivables relating to disposal of operations, loan portfolios and other assets	**-**	53,354
Debtors	**39,011**	39,663
Receivable relating to tax	**4,706**	5,102
Other assets	**58,494**	48,477
	102,211	146,596
Non-financial assets		
Reinsurers' share of insurance contract liabilities (Note 32)	**53,479**	50,609
Current tax receivable	**48,198**	10,335
Prepaid expenses	**469**	1,020
Other assets	**45,603**	35,253
	147,749	97,217
	249,960	243,813

An analysis of changes in the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	Simplified method €000	Total €000
1 January	102,098	23,779	33,724	14,197	**173,798**
Net (decrease)/increase	(20,590)	(23,779)	1,307	(332)	**(43,394)**
31 December	**81,508**	**-**	**35,031**	**13,865**	**130,404**

2019					
1 January	80,865	30,846	31,323	14,856	**157,890**
Net increase/(decrease)	21,233	(7,067)	2,401	(659)	**15,908**
31 December	**102,098**	**23,779**	**33,724**	**14,197**	**173,798**

28. Prepayments, accrued income and other assets (continued)

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

	Stage 1	Stage 2	Stage 3	Simplified method	Total
2020	**€000**	**€000**	**€000**	**€000**	**€000**
1 January	-	-	28,464	980	**29,444**
Changes to models and inputs used for ECL calculations	-	-	908	83	**991**
31 December	**-**	**-**	**29,372**	**1,063**	**30,435**

2019					
1 January	-	-	19,022	912	**19,934**
Changes to models and inputs used for ECL calculations	-	-	9,442	68	**9,510**
31 December	**-**	**-**	**28,464**	**980**	**29,444**

Financial assets amounting to €2,242 thousand (2019: €2,242 thousand) are measured at FVPL.

As at 31 December 2019, the remaining receivable relating to the disposal of operations in the UK amounted to €29,575 thousand. Half of the consideration was received upon completion of the transaction, an amount was repaid in November 2019 and the remaining receivable was repaid in November 2020. As at 31 December 2019, the receivable relating to the disposal of the Ukrainian operations in 2014, amounted to €23,779 thousand and the deferred consideration was due to be paid to the Company under a repayment programme which had been extended from June 2019 to December 2022. The receivable was fully secured. The receivable was fully repaid in February 2020.

During 2020, credit losses of €991 thousand were recognised in relation to prepayments, accrued income and other assets. During 2019 credit losses amounted to €5,384 thousand, which included ECL of €9,510 thousand and net reversal of impairments amounting to €4,126 thousand (Note 16).

29. Non-current assets and disposal groups held for sale

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2020 and 2019:

	2020	2019
	€000	€000
Disposal group 1	**387,990**	-
Disposal group 2	**224,476**	-
Disposal group 3	**7,769**	25,929
Freehold property (Note 25)	**10,408**	-
Other exposures held by Serbian subsidiary	**288**	288
	630,931	26,217

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

	2020			2019
	Disposal Group 1	**Disposal Group 2**	**Disposal Group 3**	Disposal Group 3
	€000	**€000**	**€000**	€000
Gross loans and advances to customers	**820,429**	**488,777**	**32,049**	173,881
Allowance for ECL for impairment of loans and advances to customers (Note 45.9)	**(510,310)**	**(313,628)**	**(24,280)**	(147,952)
	310,119	**175,149**	**7,769**	25,929
Stock of property (Note 27)	**32,490**	**25,035**	**-**	-
Investment property (Note 22)	**-**	**1,248**	**-**	-
Cash (Note 19)	**45,381**	**23,044**	-	-
31 December	**387,990**	**224,476**	**7,769**	25,929

Disposal group 1 - Helix 2A
Disposal group 1 comprises a portfolio of loans and advances to customers (the 'Portfolio 2A') and other assets (comprising stock of property and cash already received since the reference date of Portfolio 2A being 30 September 2019) known as Project Helix 2A ('Project Helix 2A') as described below. The disposal group has been classified as held for sale since 30 June 2020 as management is committed to sell it and has proceeded with an active programme to complete this plan. The sale is expected to be completed within 12 months from the reporting date.

In August 2020, the Group reached an agreement for the sale of the Portfolio 2A. The Portfolio 2A will be transferred to a licensed Cypriot Credit Acquiring Company (the 'CyCAC') by the Company. The shares of the CyCAC will then be acquired by certain funds affiliated with Pacific Investment Management Company LLC ('PIMCO'), the purchaser of the Portfolio 2A.

The gross consideration for Helix 2A amounts to €422 million before transaction and other costs, of which 35% is payable at completion and the remaining 65% is deferred without any conditions attached. The deferred component is payable in three broadly equal instalments over 48 months from completion. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio. An amount of €21,100 thousand was received as a deposit shortly after the signing of the agreement (Note 34).

Disposal group 2 - Helix 2B
Disposal group 2 comprises a portfolio of loans and advances to customers (the 'Portfolio 2B') and other assets (comprising stock of property, investment property and cash already received since the reference date of Portfolio 2B being 30 September 2019) known as Project Helix 2B ('Project Helix 2B') as described below. The disposal group has been classified as held for sale since 31 December 2020 as management is committed to sell it and has proceeded with an active programme to complete this plan. The sale is expected to be completed within 12 months from the reporting date.

In January 2021, the Group reached an agreement for the sale of the Portfolio 2B. The Portfolio 2B will be transferred to the CyCAC by the Company, along with Portfolio 2A, and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B.

The gross consideration for Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

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

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

Disposal group 3
Disposal group 3 comprises loans and advances to customers of Project Helix tail (31 December 2019: Disposal group 3 comprised loans and advances to customers of Projects Helix tail and Velocity 2) as further analysed below. The disposal groups were first classified as held for sale as at 31 December 2019 as management was committed to sell them and had proceeded with an active programme to complete this plan.

Project Helix tail relates to a portfolio of credit facilities related to Project Helix (a portfolio of loans and advances to customers for which the sale was completed in June 2019) with a carrying value of €7,769 thousand and €11,998 thousand as at 31 December 2020 and 31 December 2019 respectively. The sale is expected to be completed within 2021.

Velocity 2 related to a portfolio of unsecured loans and advances to customers with a net book value of €13,931 thousand as at 31 December 2019 for which an agreement to sell was reached in January 2020 and completed in May 2020. Loans were derecognised giving rise to no gain or loss upon completion of the sale. On completion, the portfolio comprised of gross loans and advances to customers amounting to €125,525 thousand with a net book value of €13,555 thousand.

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 45.6.

Freehold property
Freehold property classified as held for sale as at 31 December 2020 are properties which management is committed to sell and proceeded with an active programme to complete this plan. The disposal is expected to be completed within 12 months from the classification date. Freehold property classified as held for sale is measured at fair value less cost to sell.

Other exposures held by Serbian subsidiary
The portfolio held by Serbian subsidiary related to loans with collaterals in Serbia and properties in Serbia. It was disposed of in August 2019 except for two properties with a carrying value of €288 thousand as at 31 December 2020 and 31 December 2019. These properties are still classified as non-current assets held for sale and are expected to be disposed of during 2021.

30. 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:

	2020	2019
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**994,694**	-

As at 31 December 2020, ECB funding amounted to €1 billion and was borrowed from the fourth TLTRO III (2019: €nil).

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

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB has announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 will be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently at 0%. For the counterparties whose eligible net lending reaches the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1% which is currently the expected rate. The deposit facility rate is currently minus 0.5%. In calculating the interest the Company follows a discrete approach by applying the relevant interest rate applicable for each period.

30. Funding from central banks (continued)

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to repay the amounts borrowed under TLTRO III one year from the settlement of each operation starting in September 2021.

Details on encumbered assets related to the above funding facilities are disclosed in Note 47.

31. Customer deposits

	2020	2019
	€000	€000
By type of deposit		
Demand	**8,149,688**	7,595,231
Savings	**1,970,975**	1,567,344
Time or notice	**6,412,549**	7,528,956
	16,533,212	16,691,531
By geographical area		
Cyprus	**16,533,212**	16,691,531

Deposits by geographical area are based on the originator country of the deposit.

	2020	2019
	€000	€000
By currency		
Euro	**14,929,662**	15,009,828
US Dollar	**1,199,069**	1,286,292
British Pound	**288,102**	288,289
Russian Rouble	**28,618**	30,113
Swiss Franc	**9,901**	10,803
Other currencies	**77,860**	66,206
	16,533,212	16,691,531

By customer sector		
Corporate	**1,037,430**	1,117,222
Global corporate	**607,467**	691,550
SMEs	**832,576**	770,655
Retail	**10,525,819**	10,140,920
Restructuring		
– Corporate	**27,889**	52,421
– SMEs	**16,688**	28,222
– Retail other	**10,561**	10,507
Recoveries		
– Corporate	**3,251**	6,140
International banking services	**3,180,061**	3,543,315
Wealth management	**291,470**	330,579
	16,533,212	16,691,531

32. Insurance liabilities

	2020			2019		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**608,591**	**(29,775)**	**578,816**	579,128	(28,625)	550,503
Non-life insurance						
Provision for unearned premiums	**26,178**	**(9,250)**	**16,928**	26,656	(9,728)	16,928
Other liabilities						
Claims outstanding	**36,756**	**(14,454)**	**22,302**	34,155	(12,256)	21,899
Unexpired risks reserve	**78**	**-**	**78**	74	-	74
Non-life insurance contract liabilities	**63,012**	**(23,704)**	**39,308**	60,885	(21,984)	38,901
	671,603	**(53,479)**	**618,124**	640,013	(50,609)	589,404

Reinsurers' share of insurance contract liabilities and other reinsurance balances receivable are included in 'Prepayments, accrued income and other assets' (Note 28).

Life insurance contract liabilities

The movement of life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2020			2019		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**579,128**	**(28,625)**	**550,503**	531,640	(27,601)	504,039
New business	**13,811**	**(3,367)**	**10,444**	11,045	(1,128)	9,917
Change in existing business	**15,652**	**2,217**	**17,869**	36,443	104	36,547
31 December	**608,591**	**(29,775)**	**578,816**	579,128	(28,625)	550,503

Non-life insurance contract liabilities

The movement in non-life insurance contract liabilities and reinsurance assets for the year is analysed as follows:

	2020			2019		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Liabilities for unearned premium	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**26,656**	**(9,728)**	**16,928**	25,962	(9,475)	16,487
Premium income	**74,966**	**(33,749)**	**41,217**	76,075	(34,362)	41,713
Earned premiums	**(75,444)**	**34,227**	**(41,217)**	(75,381)	34,109	(41,272)
31 December	**26,178**	**(9,250)**	**16,928**	26,656	(9,728)	16,928

The provisions for unearned insurance and reinsurance premiums represent the portion of premiums that relate to risks that have not yet expired at the reporting date.

32. Insurance liabilities (continued)

	2020			2019		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Claims outstanding	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**34,155**	**(12,256)**	**21,899**	33,397	(11,272)	22,125
Amount paid for claims settled in the year	**(26,277)**	**10,857**	**(15,420)**	(33,922)	13,799	(20,123)
Increase in liabilities arising from claims	**28,878**	**(13,055)**	**15,823**	34,680	(14,783)	19,897
31 December	**36,756**	**(14,454)**	**22,302**	34,155	(12,256)	21,899
Reported claims	**34,683**	**(13,510)**	**21,173**	32,166	(11,379)	20,787
Incurred but not reported	**2,073**	**(944)**	**1,129**	1,989	(877)	1,112
31 December	**36,756**	**(14,454)**	**22,302**	34,155	(12,256)	21,899

33. Subordinated loan stock

		2020	2019
	Contractual interest rate	**€000**	€000
Subordinated Tier 2 Capital Note with nominal value of €250 million	9.25% up to 19 January 2022	**272,152**	272,170

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

In January 2017, the Company issued a €250 million unsecured and subordinated Tier 2 Capital Note (the Note) under the Company's EMTN Programme. The Note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5-year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The Note matures on 19 January 2027. The Company has the option to redeem the Note early on 19 January 2022, subject to applicable regulatory consents. The Note is listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. The fair value as at 31 December 2020 is disclosed in Note 22.

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

	2020	2019
	€000	€000
Income tax payable and related provisions	**8,977**	5,019
Special defence contribution payable	**971**	2,065
Retirement benefit plans liabilities (Note 14)	**9,568**	9,212
Provisions for financial guarantees and commitments (Notes 45.8.1 and 45.8.2)	**19,658**	22,112
Liabilities for investment-linked contracts under administration	**18,747**	9,237
Accrued expenses and other provisions	**63,697**	89,556
Deferred income	**13,411**	13,611
Items in the course of settlement	**66,217**	49,975
Lease liabilities (Note 43)	**45,955**	29,704
Advances received for disposal group held for sale (Note 29)	**21,100**	-
Other liabilities	**91,579**	93,664
	359,880	324,155

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2020	**2019**
	€000	**€000**
Stage 1	**168**	51
Stage 2	**1,120**	157
Stage 3	**18,370**	21,904
	19,658	22,112

35. Share capital

	2020		2019	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January	**9,597,945**	**959,794**	8,922,945	892,294
Issue of shares (Note 36)	**-**	**-**	675,000	67,500
31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

There were no changes to the authorised share capital during the year ended 31 December 2020 and 2019.

2020
There were no changes to the issued share capital in the year ended 31 December 2020.

2019

During 2019, the Company issued 675,000 thousand ordinary shares of a nominal value of €0.10 each in the form of a scrip dividend.

All issued ordinary shares carry the same rights.

Share premium reserve
The share premium reserve is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113 and is not available for distribution to equity holders in the form of a dividend.

2020

The Company, having obtained approval by its shareholders the ECB and the Court of Cyprus, implemented a capital reduction process in October 2020, which resulted in a reclassification of €619 million of the Company's share premium balance as distributable reserves (retained earnings). Such reduction of capital did not have any impact on regulatory capital or the total equity position of the Company.

2019
The share premium increased by €67,500 thousand through the issuance of 675,000 thousand ordinary shares of a nominal value of €0.10 each at a premium of €0.10 per share (Note 36).

The share premium was created in 2014 and 2015 by the issuance of 4,167,234 thousand shares of a nominal value of €0.10 each of a subscription price of €0.24 each, and was reduced by the relevant transaction costs of €30,794 thousand.

Treasury shares of the Company

There were no treasury shares of the Company as at 31 December 2020 and 2019.

Share-based payments - share options

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

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

35. Share capital (continued)

Other equity instruments

	2020	2019
	€000	€000
Reset Perpetual Additional Tier 1 Capital Securities	**220,000**	220,000

In December 2018 BOCH issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the BOCH AT1). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH lent to the Company the entire €220 million proceeds of the issue of the BOCH AT1 (the AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH AT1. The AT1 Loan constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2020, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2019: €27,199 thousand). The Company may elect to cancel any interest payment for an unlimited period, and on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain circumstances. The AT1 Loan is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary; subject to the prior approval of the regulator.

36. Dividends

Based on the 2019 SREP decision which remains in effect during 2021 following relevant communication by the ECB, the Company and BOCH are under a regulatory prohibition for equity dividend distribution, similar to prior years. This prohibition 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. No dividends were declared or paid during years 2020 and 2019, except as described below.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company and BOCH.

On 14 December 2018, the Board of Directors of the Company approved the declaration of a conditional interim dividend, amounting to €135,000 thousand, in the form of scrip, through the issue of 675,000 thousand ordinary shares of a nominal value of €0.10 per share to be issued at a premium of €0.10 per share to BOCH, out of the Company’s profits for the financial year of 2016. The scrip dividend was paid on 27 March 2019 through the issue of 675,000 thousand ordinary shares of a total issue price of €0.20 per share to BOCH (Note 35).

37. Retained earnings

For the purpose of dividend distribution, retained earnings determined at the Company level, are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1.70% contribution to the National Health System, increased to 2.65% from 1 March 2020, with the exemption of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders.

During 2020 no special defence contribution on deemed dividend distribution was paid by the Company. During 2019, dividend distribution was made by the Company via the issuance of new ordinary shares.

38. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management and custody at 31 December 2020 amounted to €1,266,399 thousand (2019: €1,320,195 thousand).

39. Pending litigation, claims, regulatory and other matters

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

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 December 2020 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

39.1 Pending litigation and claims

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

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

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

So far the first two capital securities cases to reach the Areios Pagos (Supreme Court of Greece) have been adjudged in favour of the Company, ruling in effect that the Company can rely on the defence of frustration (i.e. intervening event out of the control of the Company, in this case the Company's resolution and recapitalisation through the bail-in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail-in were unforeseeable. The cases will be retried by the Court of Appeal as per the direction of the Supreme Court, however the ruling of the Supreme Court on this point is final and binding on lower courts and the Company's position is that the Company will, most probably, win the cases.

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

39.1 Pending litigation and claims (continued)

In Cyprus six judgments have been issued so far with regards to the Company capital securities. Five of the said judgments have been issued in favour of the Company (dismissing the plaintiffs' claims) and one of them against the Company. The Company has filed an appeal with regards to the case where the judgment was issued against it. In two of the five cases that the Company won, the plaintiffs have filed an appeal. It remains to be seen whether the plaintiffs will file appeals in the two most recent cases that the Company won as the time for filing an appeal has not elapsed.

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

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

The Bank has won a case with regards to bail-in related litigation for the first time in June 2020. The specifics of the case concerned alleged failure to follow instructions prior to the bail-in. The plaintiffs have filed an appeal with respect to this judgment.

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

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

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

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

Employment litigation
Former senior officers of the Company have instituted one claim for unfair dismissal and one claim for Provident Fund entitlements against the Company and the Trustees of the Provident Fund. The action with respect to the Provident Fund entitlements has been dismissed by the court in November 2020 and the plaintiff has not appealed. The Company does not consider that the case which is still pending will have a material impact on its financial position.

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

39.1 Pending litigation and claims (continued)

Additionally, a number of former employees have filed claims against the Company contesting entitlements received relating to the various voluntary exit plans. As at the reporting date no judgement has been issued in any of the said claims. The Group does not expect that these actions will have a material impact on its financial position.

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

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

Banking business cases
There is a number of banking business cases where the amounts claimed are significant. These cases primarily concern allegations as to the Company's standard policies and procedures allegedly resulting to damages and other losses for the claimants. Further several other banking business cases claims where amounts involved are not as significant have been assessed by management and appropriate provisions have been taken. Management has assessed the probability of loss as remote and 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.

In addition, the Company has received claims in relation to alleged breaches of various provisions for warranties and indemnities relating to the disposal process of certain operations of the Group. Management views this matter to be at an early stage and cannot determine the outcome, however it is assessing the relevant risks and taking appropriate actions and where necessary has set up appropriate provisions.

General criminal investigations and proceedings
The Attorney General and the Cypriot Police (the Police) are conducting various investigations and inquiries following and relating to the financial crisis which culminated in March 2013. The Company is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the 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.

In January 2017 the Attorney General had filed a criminal case against a number of current and former officers of the Company relating to the reclassification of Greek Government Bonds in April 2010. No charges were instituted against the Company in this case. On 19 March 2020, the Assize Court of Nicosia discontinued the criminal case and discharged all accused, including the current officers of the Company, who had been charged with various criminal offences relating to events occurring before the financial crisis of 2013 and the bail-in of the Company. The Court ruled that there had been clear and serious abuse of the process of the Court and that in fact the specific prosecution should never have been instituted.

Others
An investigation is in process related to potentially overstated and/or fictitious claims settled 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.

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

39.2 Regulatory matters

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

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

During 2020, HCMC imposed two fines on the Company, an approximately €5 thousand fine regarding the sale of Greek Government Bonds on behalf of the Greek Government and an approximately €4 thousand fine regarding the failure of the Company to comply with certain articles of the HCMC.

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

The Cyprus Securities and Exchange Commission (CySEC) Investigations
As at 31 December 2020 and 31 December 2019 there were no pending CySEC investigations against the Company.

Central Bank of Cyprus (CBC)
In June 2020 the Company has won the recourse that it had filed before the Administrative Court with regards to the decision and fine that was imposed in September 2013 upon the Company by CBC concerning the selling practices that the Company used during the 2009 capital securities issuance.

The CBC has carried out certain investigations to assess compliance of the Company under the anti-money laundering (AML) legislation which was in place during years 2008-2015 and 2016-2018.

Following the investigations and the on-site audit findings, the CBC concluded on 27 January 2021 that in the case of AML legislation 2008-2015 the Company was in breach of certain articles of the said legislation and for the investigation relating to the years 2016-2018 the Company prima facie, failed to act in accordance with certain provisions of the AML/counter terrorism financing (CTF) Law and the CBC AML/CTF Directive.

With respect to the above investigations a fine may be imposed upon the Company. According to the CBC AML Directive, the maximum fine that may be imposed amounts to €5 million or 10% of the annual turnover of the Company for each investigation. The fine is expected to be in the region of €30 thousand for each investigation, as per the current assessment of the Group. The Company will file representations towards mitigation of the fine. If a fine is imposed upon the Company, the Company can file a recourse before the Administrative Court.

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

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

39.2 Regulatory matters (continued)

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

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

CPC has ruled in March 2020 that there is breach of competition law in relation to the Company's participation in the shareholding of Fairways Ltd. A €5 thousand fine has been imposed upon the Company following submission of the Company's written address on mitigation. The said fine has been paid.

Consumer Protection Service
In July 2017, the Consumer Protection Service (CPS) has imposed a fine of €170 thousand upon the Company after concluding an ex officio investigation regarding some terms in both the Company's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, The Company has filed an application before the Administrative Court which has not yet issued its judgement. The case is set for Directions in April 2021.

In March 2020 the Company has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for the Company to cease the use of a number of terms in the contracts of the Company which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering the Company to undertake measures to remedy the situation. The case is set for Directions in April 2021. The Company will take all necessary steps for the protection of its interests.

In March 2021, the Company was served with an application (79/2021) filed by the Cyprus Consumers' Association for the issuance of a court order prohibiting the use of a number of contractual terms included in the Company's consumer contracts and the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against the Company in 2016 and 2017. The Company will take all necessary steps for the protection of its interests.

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

Data Protection Commissioner (DPC)
A customer of the Company complained to the Office of the Commissioner for Personal Data Protection that the Company violated certain provisions of the General Data Protection Regulation (GDPR). The Commissioner's Office imposed a fine on the Company of €15 thousand. The said fine has been paid.

UK regulatory matters
The provision outstanding as at 31 December 2020 is €548 thousand (2019: €1,645 thousand). 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.

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

39.2 Regulatory matters (continued)

Romanian Competition Council
An investigation has been initiated by the Romanian Competition Council in October 2019 on all leasing companies in Romania. All leasing companies were members of the professional association ALB (Asociatia Societatilor Financiare din Romania) and the Romanian Competition Council is alleging that there was an illegal exchange of information between them. BOC Asset Management Romania S.A. was included in the said investigation due to the fact that it is a member of the said association. This investigation has been concluded in October 2020 and no fine has been imposed upon BOC Asset Management Romania S.A.

39.3 Other matters

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

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

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

	Pending litigation and claims (Note 39.1)	Regulatory matters (Note 39.2)	Other matters (Note 39.3)	**Total**
2020	€000	€000	€000	**€000**
1 January	70,075	13,691	24,328	**108,094**
Increase of provisions including unwinding of discount (Note 15)	24,908	271	21,417	**46,596**
Utilisation of provisions	(12,706)	(1,555)	(1,013)	**(15,274)**
Release of provisions (Note 15)	(14,838)	-	(861)	**(15,699)**
Foreign exchange adjustments	-	(102)	-	**(102)**
31 December	**67,439**	**12,305**	**43,871**	**123,615**
Provisions expected to be settled within 12 months post reporting date	**15,795**	**548**	-	**16,343**

	Pending litigation and claims (Note 39.1)	Regulatory matters (Note 39.2)	Other matters (Note 39.3)	**Total**
2019	€000	€000	€000	**€000**
1 January	74,372	29,569	13,010	**116,951**
Increase of provisions including unwinding of discount (Note 15)	16,325	413	18,574	**35,312**
Utilisation of provisions	(15,641)	(14,856)	(2,397)	**(32,894)**
Release of provisions (Note 15)	(4,981)	(1,480)	-	**(6,461)**
Transfer to income tax payable	-	-	(4,859)	**(4,859)**
Foreign exchange adjustments	-	45	-	**45**
31 December	**70,075**	**13,691**	**24,328**	**108,094**
Provisions expected to be settled within 12 months post reporting date	**16,333**	**1,600**	-	**17,933**

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Group.

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

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

The net increase in provisions for pending litigation and claims for the year 2020 was primarily driven by the progressed status of the pending investigations and litigations relating to securities issued by the Company in Greece. With regards to other matters, additional provisions were taken for matters in relation to the disposal process of certain of the Group's operations as elements of those processes are ongoing.

An increase by 5% in the probability of loss rate for pending litigation and claims (2019: 5%) with all other variables held constant, would lead to an increase in the actual provision by €6,956 thousand at 31 December 2020 (2019: increase by €5,848 thousand).

40. 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 contain credit risk and are therefore part of the overall credit risk exposure of the Group (Note 45.8).

40.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2020 amount to €19,420 thousand (2019: €26,341 thousand).

40.2. Other contingent liabilities

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

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

41. Net cash flow from operating activities

	2020	2019
	€000	€000
Loss before tax	**(166,742)**	(180,687)
Adjustments for:		
Credit losses to cover credit risk on loans and advances to customers and net gains on derecognition of financial assets measured at amortised cost	**272,131**	224,264
Depreciation of property and equipment	**19,224**	20,118
Amortisation of intangible assets	**18,263**	16,161
(Reversal of impairment)/impairment of other non-financial assets	**(7)**	787
Credit losses of other financial instruments	**4,585**	4,790
Amortisation of discounts/premiums, catch-up adjustment on debt securities and interest on debt securities	**(27,029)**	(33,175)
Loss on sale and write-offs of property and equipment and intangible assets	**90**	99
Net gains on disposal of investment properties	**(556)**	(2,551)
Net losses from revaluation of investment properties and investment properties held for sale	**2,055**	302
Dividend income	**(294)**	(361)
Net losses on financial liabilities at FVPL	**34**	495
Net gains on disposal of investments in debt securities	**(2,865)**	-
Share of profit from associates	**(69)**	(5,513)
Profit from revaluation of debt securities designated as fair value hedges	**(5,239)**	(5,539)
Loss/(profit) on disposal/dissolution of subsidiaries and associates	**2,219**	(3,886)
Net gains on disposal of stock of property	**(8,189)**	(25,952)
Impairment of stock of property	**37,593**	25,294
Negative interest on loans and advances to banks and central banks	**18,782**	17,448
Negative interest on funding from central banks	**(5,306)**	-
Interest on subordinated loan stock	**23,329**	23,325
Change in value of in-force life insurance business	**(9,543)**	(1,200)
Remeasurement of investment in associate upon classification as held for sale	**-**	25,943
Interest expense on lease liability	**489**	386
Special levy	**-**	13,077
	172,955	113,625
Change in:		
Loans and advances to banks	**13,648**	26,150
Deposits by banks	**(141,455)**	101,462
Obligatory balances with central banks	**2,017**	2,627
Customer deposits	**(158,319)**	(152,027)
Value of in-force life insurance policies and liabilities	**16,255**	(7,331)
Loans and advances to customers measured at amortised cost	**(118,500)**	(178,414)
Loans and advances to customers measured at FVPL	**79,432**	26,279
Other assets	**(23,571)**	9,440
Accrued income and prepaid expenses	**747**	2,030
Other liabilities and pending litigation, claims, regulatory and other matters	**34,837**	22,334
Accrued expenses and deferred income	**(26,059)**	17,714
Derivative financial instruments	**(6,182)**	13,304
Investments measured at FVPL	**(31,837)**	(23,633)
Repurchase agreements	**(168,129)**	(80,816)
Proceeds on disposals of stock of property	**81,917**	219,478
	(272,244)	112,222
Tax paid	**(1,259)**	(2,475)
Net cash flow (used in)/from operating activities	**(273,503)**	109,747

41. Net cash flow from operating activities (continued)

Non-cash transactions

2020

Repossession of collaterals
During 2020, the Group acquired properties by taking possession of collaterals held as security for loans and advances to customers of €123,817 thousand (2019: €197,209 thousand) (Note 45.10).

Recognition of RoU asset and lease liabilities
During 2020 the Group recognised RoU assets and corresponding lease liabilities of €24,388 thousand (2019: €39,227 thousand).

2019

Disposal of Project Helix
Upon the disposal of Project Helix, the Group participated in a senior debt in relation to the financing of the Project Helix amounting to €45 million (Note 29).

Acquisition of equity investments
During 2019 the Group acquired equity investments amounting to €6,529 thousand as a result of its loan restructuring activities. The Group elected to classify this equity participation at FVOCI. The carrying value as at 31 December 2019 is €6,789 thousand.

Disposal of NMH group
During 2019 the Group disposed of its 64% holding in NMH group. The transaction involved settlement of existing facilities and provision of new lending. Further information is disclosed in Note 52.4.2.

Net cash flow from operating activities - interest and dividends

	2020	2019
	€000	€000
Interest paid	**(119,321)**	(161,447)
Interest received	**443,589**	733,623
Dividends received	**294**	361
	324,562	572,537

Changes in liabilities arising from financing activities

	Funding from central banks (Note 30)	Subordinated loan stock (Note 33)	**Total**
2020	€000	€000	**€000**
1 January	-	272,170	**272,170**
Cash flows	1,000,000	(23,329)	**976,671**
Other non-cash movements	(5,306)	23,311	**18,005**
31 December	**994,694**	**272,152**	**1,266,846**

2019			
1 January	830,000	270,930	**1,100,930**
Cash flows	(830,000)	(23,325)	**(853,325)**
Other non-cash movements	-	24,565	**24,565**
31 December	**-**	**272,170**	**272,170**

Further information relating to the change in lease liabilities is disclosed in Note 43.

42. Cash and cash equivalents

Cash and cash equivalents comprise:

	2020	2019
	€000	€000
Cash and non-obligatory balances with central banks	**5,495,284**	4,899,994
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**68,425**	-
Loans and advances to banks with original maturity less than three months	**326,426**	230,869
	5,890,135	5,130,863

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

	2020	2019
	€000	€000
Cash and non-obligatory balances with central banks	**5,495,284**	4,899,994
Obligatory balances with central banks (Note 19)	**158,031**	160,048
Total cash and balances with central banks (Note 19)	**5,653,315**	5,060,042

Loans and advances to banks with original maturity less than three months	**326,426**	230,869
Restricted loans and advances to banks	**76,358**	88,712
Other loans and advances to banks	**-**	1,300
Total loans and advances to banks (Note 19)	**402,784**	320,881

Restricted loans and advances to banks include collaterals under derivative transactions of €34,032 thousand (2019: €41,104 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

43. Leases

The Group is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Group has the option to extend the tenancy for four further periods of two years each. The Group has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rents of the area and considering the relevant legislation.

Office buildings are leased by the Group for the operation of administrative functions. The basic terms for new lease contracts and the current practise are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2020, the lease liability was remeasured due to changes in future lease payments and re-assessment of the lease term of existing contracts using the assumptions as detailed in Note 5.13.

43. **Leases** (continued)

The carrying amounts of the Group's RoU assets and lease liabilities and the movement during the year ended 31 December 2020 and the year ended 31 December 2019 is presented in the table below:

2020	**RoU asset (Note 25)**	**Lease Liabilities (Note 34)**
	€000	**€000**
1 January	**30,388**	**(29,704)**
Assets derecognised (Note 25)	**(2,399)**	**2,399**
Depreciation charge for the year (Note 15)	**(8,855)**	**-**
Interest expense (Note 8)	**-**	**(489)**
Remeasurement of lease liability	**26,936**	**(26,787)**
Cash outflows-payments	**-**	**8,626**
31 December	**46,070**	**(45,955)**

2019	**RoU asset (Note 25)**	**Lease Liabilities (Note 34)**
	€000	**€000**
1 January - Impact on adoption of IFRS 16	37,474	(37,474)
Additions	2,476	(2,476)
Assets derecognised	(723)	723
Restoration liability - disclosed within other liabilities	-	1,230
Depreciation charge for the year (Note 15)	(8,839)	-
Interest expense (Note 8)	-	(386)
Cash outflows-payments	-	8,679
31 December	**30,388**	**(29,704)**

RoU assets comprised of leases of buildings and are presented within Property, disclosed in Note 25.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 47.

44. Analysis of assets and liabilities by expected maturity

	2020			2019		
	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	**5,495,284**	**158,031**	**5,653,315**	4,899,994	160,048	5,060,042
Loans and advances to banks	**326,426**	**76,358**	**402,784**	232,169	88,712	320,881
Derivative financial assets	**5,556**	**19,071**	**24,627**	3,217	19,843	23,060
Investments including investments pledged as collateral	**371,953**	**1,541,161**	**1,913,114**	446,293	1,459,537	1,905,830
Loans and advances to customers	**1,369,576**	**8,516,471**	**9,886,047**	1,521,642	9,200,199	10,721,841
Life insurance business assets attributable to policyholders	**15,078**	**459,109**	**474,187**	14,528	444,324	458,852
Prepayments, accrued income and other assets	**144,115**	**105,845**	**249,960**	192,295	51,518	243,813
Stock of property	**341,698**	**1,007,911**	**1,349,609**	582,878	794,575	1,377,453
Deferred tax assets	**37,909**	**303,451**	**341,360**	37,909	341,217	379,126
Property, equipment and intangible assets	**-**	**457,730**	**457,730**	14	466,986	467,000
Investment properties	**25,244**	**102,844**	**128,088**	-	136,197	136,197
Investment in associates and joint venture	**-**	**2,462**	**2,462**	-	2,393	2,393
Non-current assets and disposal groups held for sale	**630,931**	**-**	**630,931**	26,217	-	26,217
	8,763,770	**12,750,444**	**21,514,214**	7,957,156	13,165,549	21,122,705
Liabilities						
Deposits by banks	**82,250**	**309,699**	**391,949**	203,406	329,998	533,404
Funding from central banks	**-**	**994,694**	**994,694**	-	-	-
Repurchase agreements	**-**	**-**	**-**	168,129	-	168,129
Derivative financial liabilities	**6,805**	**39,173**	**45,978**	11,839	38,754	50,593
Customer deposits	**5,242,058**	**11,291,154**	**16,533,212**	5,327,735	11,363,796	16,691,531
Insurance liabilities	**91,467**	**580,136**	**671,603**	88,796	551,217	640,013
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**258,653**	**224,842**	**483,495**	273,823	158,426	432,249
Subordinated loan stock	**172,152**	**100,000**	**272,152**	-	272,170	272,170
Deferred tax liabilities	**-**	**45,982**	**45,982**	-	46,015	46,015
	5,853,385	**13,585,680**	**19,439,065**	6,073,728	12,760,376	18,834,104

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

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. The latter would be the case where there is secured borrowing, requiring the pledging of bonds and these bonds mature before the maturity of the secured borrowing. The maturity of bonds is then extended to cover the period of the secured borrowing.

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.

44. Analysis of assets and liabilities by expected maturity (continued)

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.

45. 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 obligations towards the Group.

The Credit Risk Management department sets the Group's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and the quality of the Group's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures from related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, safeguards the effective management of credit risk at all stages of the credit cycle, monitors the quality of decisions and processes and ensures that credit sanctioning function is being properly managed.

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

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate.

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

The Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

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

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

The Group's maximum exposure to credit risk is analysed by geographic area as follows:

	2020	2019
On-balance sheet	**€000**	€000
Cyprus	**18,214,537**	17,890,028
Other countries	**38,546**	45,382
	18,253,083	17,935,410
Off-balance sheet		
Cyprus	**2,573,197**	2,563,718
Other countries	**52,145**	58,290
	2,625,342	2,622,008

45. Risk management - Credit risk (continued)

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

	2020	2019
Total on and off-balance sheet	**€000**	€000
Cyprus	**20,787,734**	20,453,746
Other countries	**90,691**	103,672
	20,878,425	20,557,418

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.

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

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

The Group's management 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.

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

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

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

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

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

45. Risk management - Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2020	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**5,513,629**	-	-	-	-	-	-	-	**5,513,629**
Loans and advances to banks (Note 19)	**402,784**	1,190	-	-	-	-	-	1,190	**401,594**
FVPL debt securities (Note 20)	**19,118**	-	-	-	-	-	-	-	**19,118**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,689,726**	-	-	-	-	-	-	-	**1,689,726**
Derivative financial instruments (Note 21)	**24,627**	-	-	-	-	-	-	-	**24,627**
Loans and advances to customers (Note 23)	**9,886,047**	440,034	582,867	158,765	14,005,567	1,517,072	(7,765,182)	8,939,123	**946,924**
Loans and advances to customers classified as held for sale (Note 29)	**493,037**	806	271	6,121	1,229,782	50,263	(807,942)	479,301	**13,736**
Cash and non-obligatory balances with central banks classified as held for sale (Note 29)	**68,425**	-	-	-	-	-	-	-	**68,425**
Debtors (Note 28)	**39,011**	-	-	-	-	-	-	-	**39,011**
Reinsurers' share of insurance contract liabilities (Note 28)	**53,479**	-	-	-	-	-	-	-	**53,479**
Other assets (Note 28)	**63,200**	-	-	-	-	-	-	-	**63,200**
On-balance sheet total	**18,253,083**	**442,030**	**583,138**	**164,886**	**15,235,349**	**1,567,335**	**(8,573,124)**	**9,419,614**	**8,833,469**
Contingent liabilities									
Acceptances and endorsements	**4,655**	277	2	-	3,869	507	-	4,655	**-**
Guarantees	**619,530**	110,304	2,305	1,332	123,283	43,154	-	280,378	**339,152**
Commitments									
Documentary credits	**14,866**	1,854	169	-	4,992	815	-	7,830	**7,036**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,986,291**	26,194	643	1,479	372,670	54,996	-	455,982	**1,530,309**
Off-balance sheet total	**2,625,342**	**138,629**	**3,119**	**2,811**	**504,814**	**99,472**	**-**	**748,845**	**1,876,497**
	20,878,425	**580,659**	**586,257**	**167,697**	**15,740,163**	**1,666,807**	**(8,573,124)**	**10,168,459**	**10,709,966**

45. Risk management - Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2019	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**4,908,487**	-	-	-	-	-	-	-	**4,908,487**
Loans and advances to banks (Note 19)	**320,881**	470	-	-	-	-	-	470	**320,411**
FVPL debt securities (Note 20)	**24,093**	-	-	-	-	-	-	-	**24,093**
Debt securities classified at amortised cost and FVOCI (Note 20)	**1,713,914**	-	-	-	-	-	-	-	**1,713,914**
Derivative financial instruments (Note 21)	**23,060**	-	-	-	-	-	-	-	**23,060**
Loans and advances to customers (Note 23)	**10,721,841**	434,985	637,792	170,711	15,507,312	1,387,859	(8,525,943)	9,612,716	**1,109,125**
Loans and advances to customers classified as held for sale (Note 29)	**25,929**	25	689	253	29,276	15,704	(31,293)	14,654	**11,275**
Receivable relating to disposal of operations (Note 28)	**53,354**	-	-	23,816	48,900	44,270	(93,207)	23,779	**29,575**
Debtors (Note 28)	**39,663**	-	-	-	-	-	-	-	**39,663**
Reinsurers' share of insurance contract liabilities (Note 28)	**50,609**	-	-	-	-	-	-	-	**50,609**
Other assets (Note 28)	**53,579**	-	-	-	-	-	-	-	**53,579**
On-balance sheet total	**17,935,410**	**435,480**	**638,481**	**194,780**	**15,585,488**	**1,447,833**	**(8,650,443)**	**9,651,619**	**8,283,791**
Contingent liabilities									
Acceptances and endorsements	**5,816**	447	-	-	4,471	175	-	5,093	**723**
Guarantees	**683,084**	127,078	2,045	3,132	137,509	34,527	-	304,291	**378,793**
Commitments									
Documentary credits	**11,767**	1,993	-	-	5,429	618	-	8,040	**3,727**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,921,341**	28,653	6,087	1,590	345,199	51,128	-	432,657	**1,488,684**
Off-balance sheet total	**2,622,008**	**158,171**	**8,132**	**4,722**	**492,608**	**86,448**	**-**	**750,081**	**1,871,927**
	20,557,418	**593,651**	**646,613**	**199,502**	**16,078,096**	**1,534,281**	**(8,650,443)**	**10,401,700**	**10,155,718**

The contingent liabilities and commitments include exposures relating to loans and advances to customers classified as held for sale amounting to €2,188 thousand (2019: €1.579 thousand), which largely relate to the Cyprus geographical area.

45. Risk management - Credit risk (continued)

45.2 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. According to these restrictions, banks are prohibited from lending more than 25% of their capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of these internal limits over time.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented below. The geographical concentration, for credit risk concentration purposes, is based on the Group's Country Risk Policy which is followed for monitoring the Group's exposures. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually. In accordance with the Group's policy, exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

The below geographical concentration presents separately countries with high concentration of risk and all other countries with low concentration of risk, are presented within 'Other countries' as per Group policy.

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	1,014,445	717	252	3,767	7,291	112	**1,026,584**
Manufacturing	350,403	389	177	704	1,399	31,717	**384,789**
Hotels and catering	875,572	35,989	34,736	504	-	40,185	**986,986**
Construction	613,895	8,689	123	2,786	741	234	**626,468**
Real estate	867,601	127,342	1,899	33,484	-	41,223	**1,071,549**
Private individuals	4,670,357	8,024	163,613	1,202	48,361	84,830	**4,976,387**
Professional and other services	652,928	407	5,711	3,968	23,074	39,933	**726,021**
Other sectors	432,569	13	219	838	5	168,175	**601,819**
	9,477,770	**181,570**	**206,730**	**47,253**	**80,871**	**406,409**	**10,400,603**

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,922,810	8,949	94	605	18,913	2,760	**1,954,131**
Global corporate	1,344,983	163,153	41,334	35,546	9,308	302,734	**1,897,058**
SMEs	1,081,773	708	2,881	2,393	4,361	2,337	**1,094,453**
Retail							
- housing	2,862,802	3,052	57,627	623	6,051	25,622	**2,955,777**
- consumer, credit cards and other	884,151	1,286	1,507	196	256	2,061	**889,457**
Restructuring							
- corporate	175,386	-	524	-	-	5,324	**181,234**
- SMEs	86,644	189	1,633	-	263	133	**88,862**
- retail housing	130,661	182	2,849	130	219	1,703	**135,744**
- retail other	94,560	13	127	-	-	12	**94,712**
Recoveries							
- corporate	20,388	-	-	7,592	-	23	**28,003**
- SMEs	87,276	9	275	-	1,465	1,728	**90,753**
- retail housing	364,775	326	73,460	160	18,511	30,042	**487,274**
- retail other	327,637	34	6,157	4	355	2,076	**336,263**
International banking services	68,923	2,905	18,262	4	21,169	24,075	**135,338**
Wealth management	25,001	764	-	-	-	5,779	**31,544**
	9,477,770	**181,570**	**206,730**	**47,253**	**80,871**	**406,409**	**10,400,603**

45. Risk management - Credit risk (continued)

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

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	1,315,261	1,019	905	3,843	7,779	416	**1,329,223**
Manufacturing	416,263	677	69	1,309	1,913	34,461	**454,692**
Hotels and catering	806,009	34,169	36,914	731	-	38,016	**915,839**
Construction	817,816	8,433	160	3,007	1,026	397	**830,839**
Real estate	943,141	128,955	3,319	38,311	672	25,798	**1,140,196**
Private individuals	5,374,482	8,589	221,924	1,370	64,391	112,662	**5,783,418**
Professional and other services	728,704	1,016	6,901	5,155	38,310	36,183	**816,269**
Other sectors	532,594	54	241	986	31	203,764	**737,670**
	10,934,270	**182,912**	**270,433**	**54,712**	**114,122**	**451,697**	**12,008,146**

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,937,940	7,924	2,932	780	22,269	2,970	**1,974,815**
Global corporate	1,334,054	163,332	42,776	40,654	19,588	299,345	**1,899,749**
SMEs	1,095,447	785	3,657	2,509	5,847	2,059	**1,110,304**
Retail							
- housing	2,687,248	2,615	65,241	710	6,958	29,915	**2,792,687**
- consumer, credit cards and other	890,112	768	1,904	210	382	2,468	**895,844**
Restructuring							
- corporate	303,960	298	648	-	-	16,219	**321,125**
- SMEs	313,550	218	1,797	-	565	1,147	**317,277**
- retail housing	337,344	150	7,710	-	977	4,353	**350,534**
- retail other	177,841	25	919	-	17	243	**179,045**
Recoveries							
- corporate	73,656	-	-	9,444	-	7,507	**90,607**
- SMEs	423,326	155	3,798	-	1,481	4,818	**433,578**
- retail housing	656,974	2,312	109,237	357	29,588	46,189	**844,657**
- retail other	614,137	362	11,053	38	2,375	5,566	**633,531**
International banking services	62,938	3,941	18,759	10	24,074	23,930	**133,652**
Wealth management	25,743	27	2	-	1	4,968	**30,741**
	10,934,270	**182,912**	**270,433**	**54,712**	**114,122**	**451,697**	**12,008,146**

In 2019 Consolidated Financial Statements the concentration analysis by industry and business line concentration was presented by geographical analysis which allocated industry and business lines exposures to the country where the loans and advances to customers are being managed. For the purposes of this note the geographical analysis has been replaced with geographical concentration based on the country of residency for individuals and the country of registration for companies.

As a result, for 2019, an amount of loans and advances to customers of €988,236 thousand relates to loans managed in 'Cyprus' and presented within 'Cyprus' in the respective note in 2019 Consolidated Financial Statements, which relates to customers resident/registered in the following countries by country of risk: €182,701 thousand in Greece, €269,742 thousand in UK, €17,679 thousand in Romania, €66,417 thousand in Russia and €451,697 thousand in 'Other countries' and have been allocated accordingly to the aforesaid countries in the 2019 tables as restated above.

Similarly an amount of loans and advances to customers €85,640 thousand managed in 'Other Countries' as at 31 December 2019 relate to customers resident in/registered in the following countries by country of risk: €211 thousand in Greece, €691 thousand in UK, €37,033 thousand in Romania and €47,705 thousand in Russia and have been allocated accordingly to the aforesaid countries in the 2019 tables as restated above.

45. Risk management - Credit risk (continued)

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

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2020 of €85,424 thousand (2019: €80,324 thousand).

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

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

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	137,088	-	-	-	-	**137,088**
Manufacturing	49,724	84	305	-	560	**50,673**
Hotels and restaurants	30,266	-	496	-	29	**30,791**
Construction	151,907	-	8	26	76	**152,017**
Real estate	68,685	-	-	-	314	**68,999**
Private individuals	712,742	1,423	16,225	10,004	14,969	**755,363**
Professional and other services	85,933	199	62	1,093	192	**87,479**
Other sectors	58,845	-	-	-	-	**58,845**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
SMEs	3	-	-	-	-	**3**
Retail						
- housing	40	-	-	-	-	**40**
- consumer, credit cards and other	23	-	-	-	-	**23**
Restructuring						
- corporate	65,947	-	-	-	-	**65,947**
- SMEs	117,541	1	1,734	163	368	**119,807**
- retail housing	21,584	-	402	-	76	**22,062**
- retail other	39,998	-	137	-	160	**40,295**
Recoveries						
- corporate	132,494	-	1,164	3,552	2,918	**140,128**
- SMEs	365,829	149	2,993	842	1,842	**371,655**
- retail housing	298,136	1,305	9,019	5,705	7,492	**321,657**
- retail other	253,595	251	1,647	861	3,284	**259,638**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	18,037	-	-	-	2	-	**18,039**
Manufacturing	6,327	-	-	-	-	-	**6,327**
Hotels and catering	5,135	-	14	-	-	15	**5,164**
Construction	10,588	4	-	-	-	-	**10,592**
Real estate	1,263	-	-	-	-	-	**1,263**
Private individuals	108,043	1,779	441	35	56	309	**110,663**
Professional and other services	15,930	80	11	-	1	556	**16,578**
Other sectors	5,252	3	-	-	-	-	**5,255**
	170,575	**1,866**	**466**	**35**	**59**	**880**	**173,881**

45. Risk management - Credit risk (continued)

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

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	710	-	-	-	-	-	**710**
SMEs	5	-	-	-	-	-	**5**
Retail							
- consumer, credit cards and other	330	-	-	-	-	-	**330**
Restructuring							
- corporate	7,618	-	-	-	-	-	**7,618**
- SMEs	1,155	-	-	-	-	-	**1,155**
- retail housing	923	204	-	-	-	-	**1,127**
- retail other	39,832	45	179	-	11	45	**40,112**
Recoveries							
- corporate	17,640	-	-	-	-	-	**17,640**
- SMEs	20,662	-	-	-	-	29	**20,691**
- retail housing	3,244	1,317	191	-	-	-	**4,752**
- retail other	78,391	300	96	35	48	804	**79,674**
International banking services	65	-	-	-	-	2	**67**
	170,575	**1,866**	**466**	**35**	**59**	**880**	**173,881**

As explained in Note 45.2, the 2019 Consolidated Financial Statements presented the above analysis by geographical analysis. All loans and advances to customers classified as held for sale were presented within 'Cyprus' in the geographical analysis as all loans were managed in Cyprus.

45.4 Currency concentration of loans and advances to customers

	2020	2019
Gross loans at amortised cost	**€000**	€000
Euro	**9,833,176**	11,282,192
US Dollar	**344,446**	406,139
British Pound	**91,213**	85,925
Russian Rouble	**14,957**	20,537
Romanian Lei	**344**	669
Swiss Franc	**108,198**	198,260
Other currencies	**8,269**	14,424
	10,400,603	12,008,146

45.5 Currency concentration of loans and advances to customers classified as held for sale

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

	2020	2019
Gross loans at amortised cost	**€000**	€000
Euro	**1,285,894**	170,050
US Dollar	**7,023**	55
British Pound	**709**	2
Swiss Franc	**42,964**	2,422
Other currencies	**4,665**	1,352
	1,341,255	**173,881**

45. Risk management - Credit risk (continued)

45.6 Analysis of loans and advances to customers by staging

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,681,481	2,148,946	1,380,926	335,852	**10,547,205**
Residual fair value adjustment on initial recognition	(72,591)	(25,815)	(9,376)	(38,820)	**(146,602)**
Gross loans at amortised cost	**6,608,890**	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,020,377	1,523,823	3,038,733	627,212	**12,210,145**
Residual fair value adjustment on initial recognition	(75,508)	(20,455)	(16,516)	(89,520)	**(201,999)**
Gross loans at amortised cost	**6,944,869**	**1,503,368**	**3,022,217**	**537,692**	**12,008,146**

Loans and advances to customers classified as held for sale

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,177	21,801	1,138,587	221,365	**1,387,930**
Residual fair value adjustment on initial recognition	(41)	397	(7,650)	(39,381)	**(46,675)**
Gross loans at amortised cost	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	176	807	153,608	30,373	**184,964**
Residual fair value adjustment on initial recognition	-	13	(3,402)	(7,694)	**(11,083)**
Gross loans at amortised cost	**176**	**820**	**150,206**	**22,679**	**173,881**

Residual fair value adjustment

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

45. Risk management - Credit risk (continued)

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

The following tables present the Group's gross loans and advances to customers at amortised cost by staging, by business line concentration and geographical analysis. In this note and the remaining notes of Note 45, Risk management - Credit risk, geographical analysis refers to the country where loans are being managed.

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,519,663	362,199	37,635	34,634	**1,954,131**
Global corporate	1,393,025	367,147	102,881	34,005	**1,897,058**
SMEs	740,305	325,412	17,731	11,005	**1,094,453**
Retail					
- housing	2,223,620	651,980	68,644	11,533	**2,955,777**
- consumer, credit cards and other	588,339	251,022	33,095	17,001	**889,457**
Restructuring					
- corporate	29,545	65,166	70,190	16,333	**181,234**
- SMEs	12,418	28,321	39,398	8,725	**88,862**
- retail housing	2,237	8,144	120,558	4,805	**135,744**
- retail other	1,586	5,888	84,047	3,191	**94,712**
Recoveries					
- corporate	-	-	19,185	8,818	**28,003**
- SMEs	-	-	82,317	8,436	**90,753**
- retail housing	-	-	405,052	82,222	**487,274**
- retail other	224	13	280,872	55,154	**336,263**
International banking services	76,160	49,222	9,767	189	**135,338**
Wealth management	21,768	8,617	178	981	**31,544**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**
Cyprus	6,608,309	2,123,131	1,306,992	297,032	**10,335,464**
Other countries	581	-	64,558	-	**65,139**
	6,608,890	**2,123,131**	**1,371,550**	**297,032**	**10,400,603**

45. Risk management - Credit risk (continued)

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

2019 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	1,624,886	247,501	61,917	40,511	**1,974,815**
Global corporate	1,456,080	258,425	149,464	35,780	**1,899,749**
SMEs	837,825	221,977	40,219	10,283	**1,110,304**
Retail					
- housing	2,202,044	430,200	149,020	11,423	**2,792,687**
- consumer, credit cards and other	646,648	169,063	60,890	19,243	**895,844**
Restructuring					
- corporate	32,879	60,545	197,319	30,382	**321,125**
- SMEs	49,193	55,345	193,415	19,324	**317,277**
- retail housing	2,604	3,866	334,892	9,172	**350,534**
- retail other	430	607	172,079	5,929	**179,045**
Recoveries					
- corporate	-	-	74,637	15,970	**90,607**
- SMEs	-	-	372,046	61,532	**433,578**
- retail housing	-	-	702,392	142,265	**844,657**
- retail other	216	-	499,018	134,297	**633,531**
International banking services	75,965	44,317	12,788	582	**133,652**
Wealth management	16,099	11,522	2,121	999	**30,741**
	6,944,869	**1,503,368**	**3,022,217**	**537,692**	**12,008,146**
Cyprus	6,944,083	1,503,368	2,937,364	537,692	**11,922,507**
Other countries	786	-	84,853	-	**85,639**
	6,944,869	**1,503,368**	**3,022,217**	**537,692**	**12,008,146**

45. Risk management - Credit risk (continued)

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

Loans and advances to customers classified as held for sale

The following tables present the Group's gross loans and advances to customers at amortised cost classified as held for sale by staging, business line concentration and geographical analysis.

2020 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
SMEs	-	-	-	3	**3**
Retail					
- housing	-	40	-	-	**40**
- consumer, credit cards and other	-	2	21	-	**23**
Restructuring					
- corporate	-	948	63,465	1,534	**65,947**
- SMEs	4,126	15,085	96,757	3,839	**119,807**
- retail housing	652	3,279	17,083	1,048	**22,062**
- retail other	1,358	2,844	33,298	2,795	**40,295**
Recoveries					
- corporate	-	-	115,320	24,808	**140,128**
- SMEs	-	-	322,729	48,926	**371,655**
- retail housing	-	-	277,084	44,573	**321,657**
- retail other	-	-	205,180	54,458	**259,638**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**
Cyprus	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

2019 **By business line**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	-	360	350	-	**710**
SMEs	-	-	2	3	**5**
Retail					
- consumer, credit cards and other	139	47	144	-	**330**
Restructuring					
- corporate	20	410	6,162	1,026	**7,618**
- SMEs	7	1	952	195	**1,155**
- retail housing	4	-	1,119	4	**1,127**
- retail other	6	2	36,549	3,555	**40,112**
Recoveries					
- corporate	-	-	14,543	3,097	**17,640**
- SMEs	-	-	15,392	5,299	**20,691**
- retail housing	-	-	3,954	798	**4,752**
- retail other	-	-	71,020	8,654	**79,674**
International banking services	-	-	19	48	**67**
	176	**820**	**150,206**	**22,679**	**173,881**
Cyprus	**176**	**820**	**150,206**	**22,679**	**173,881**

45. Risk management - Credit risk (continued)

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

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

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	6,945,045	1,504,188	3,172,423	560,371	**12,182,027**
Transfers to stage 1	551,657	(528,094)	(23,563)	-	**-**
Transfers to stage 2	(1,180,335)	1,319,619	(139,284)	-	**-**
Transfers to stage 3	(20,831)	(28,251)	49,082	-	**-**
Foreign exchange and other adjustments	10	(2)	(4,951)	4	**(4,939)**
Write offs	(1,496)	(805)	(359,257)	(36,872)	**(398,430)**
Interest accrued and other adjustments	132,740	65,383	202,795	39,674	**440,592**
New loans originated or purchased and drawdowns of existing facilities	1,157,886	42,276	41,778	183	**1,242,123**
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(971,374)	(224,760)	(321,136)	(72,354)	**(1,589,624)**
Changes to contractual cash flows due to modifications	1,724	(4,225)	(2,998)	1,133	**(4,366)**
Disposal of Velocity 2 portfolio	-	-	(112,402)	(13,123)	**(125,525)**
31 December	**6,615,026**	**2,145,329**	**2,502,487**	**479,016**	**11,741,858**

For overlays performed in the content of COVID-19 resulting in transfers of loans and advances to customers in Stage 2 refer to Note 5.2.

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	5,964,996	1,991,921	6,073,519	1,111,891	**15,142,327**
Transfers to stage 1	1,099,371	(935,543)	(163,828)	-	**-**
Transfers to stage 2	(616,576)	776,129	(159,553)	-	**-**
Transfers to stage 3	(98,708)	(117,022)	215,730	-	**-**
Foreign exchange and other adjustments	10	-	533	-	**543**
Write offs	(3,351)	(5,096)	(369,744)	(63,674)	**(441,865)**
Interest accrued and other adjustments	47,600	216,036	258,631	67,757	**590,024**
New loans originated or purchased and drawdowns of existing facilities	1,801,886	49,540	67,220	798	**1,919,444**
Loans other than Helix and Velocity 1 portfolios derecognised or repaid (excluding write offs)	(1,239,757)	(426,773)	(551,549)	(148,439)	**(2,366,518)**
Changes to contractual cash flows due to modifications	487	72	(298)	(717)	**(456)**
Disposal of Helix and Velocity 1 portfolios	(10,913)	(45,076)	(2,198,238)	(407,245)	**(2,661,472)**
31 December	**6,945,045**	**1,504,188**	**3,172,423**	**560,371**	**12,182,027**

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 as 'Loans derecognised or repaid'.

45. Risk management - Credit risk (continued)

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

The movement of gross loans and advances to customers at amortised cost, in the Corporate, Global corporate and Retail business line in Cyprus (excluding loans under Restructuring Recoveries, International banking services and Wealth management), including loans and advances to customers classified as held for sale, are presented in the tables below:

2020	**Corporate €000**	**Global corporate €000**	**Retail €000**
1 January	1,953,170	1,845,777	3,688,137
Transfers (out)/in of business line	(3,162)	22,046	(11,783)
Interest accrued, foreign exchange and other adjustments	52,673	24,402	90,158
Write offs	(1,165)	(19,191)	(4,026)
New loans originated or purchased	319,385	261,281	508,773
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(380,501)	(271,581)	(428,755)
Changes to contractual cash flows due to modifications not resulting to derecognition	(5,094)	(4,397)	2,058
31 December	**1,935,306**	**1,858,337**	**3,844,562**

2019	Corporate €000	Global corporate €000	Retail €000
1 January	3,323,801	-	3,769,872
Transfers (out)/in of business line	(8,718)	8,867	(167,414)
Transfer (to)/in Global corporate business line	(1,367,371)	1,487,391	(3)
Interest accrued, foreign exchange and other adjustments	69,113	62,841	108,655
Write offs	(12,740)	(545)	(7,637)
New loans originated or purchased	489,068	644,947	524,813
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(528,094)	(356,620)	(540,004)
Changes to contractual cash flows due to modifications not resulting to derecognition	2,776	(1,104)	(18)
Disposal of Helix and Velocity portfolios	(14,665)	-	(127)
31 December	**1,953,170**	**1,845,777**	**3,688,137**

45.7 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of the Company. These portfolios are Corporate, Retail and SMEs. Corporate and SME clients include legal entities. Retail includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality, in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower’s behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months default rates (PDs) are calculated per rating. These default rates are assumed to be the 12 month probability of default for the scored borrowers. The following table maps PD bands to various risk levels for corporate, retail and SME exposures.

45. Risk management - Credit risk (continued)

45.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

Unrated loans for corporate are assessed using the Group's in-house behavioural scorecard model for corporate legal entities. Unrated loans for retail include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

New customers for corporate and SME legal entities and new lending for retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The IFRS 9 PD models were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations (before the COVID-19 pandemic) and incorporate the latest scorecard models.

Overall there is an evident increase both across ratings and portfolios PDs due to the integration of COVID-19 driven forward looking economic outlook in the IFRS 9 PDs.

2020	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	3.77	2.24	0.82
2	5.93	2.37	1.66
3	6.30	4.15	4.32
4	9.22	7.48	11.75
5	13.65	13.14	21.80
6	15.08	22.44	29.92
7	29.50	53.47	63.00

2019	**12-month PD**		
Rating	**Corporate legal entities %**	**Retail individuals %**	**SME legal entities %**
1	0.89	1.15	0.34
2	1.55	1.75	0.81
3	1.59	3.08	2.30
4	2.53	7.29	7.46
5	3.51	12.72	13.11
6	4.16	19.21	18.16
7	8.63	43.82	41.82

Low rating exposures demonstrate a good capacity to meet financial commitments, with low probability of default. Medium range rating exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. High rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of the Company. Loans and advances to customers classified based on the internal credit rating grades include €38,721 thousand (2019: €53,972 thousand) managed in Cyprus but originated in other countries.

45. Risk management - Credit risk (continued)

45.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2020			2019		
Corporate legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	713,090	65,056	**778,146**	455,089	28,855	**483,944**
Rating 2	269,133	53,533	**322,666**	307,934	43,602	**351,536**
Rating 3	610,596	119,729	**730,325**	663,727	41,449	**705,176**
Rating 4	471,544	178,093	**649,637**	503,200	44,019	**547,219**
Rating 5	708,462	219,873	**928,335**	559,043	78,257	**637,300**
Rating 6	130,600	98,869	**229,469**	170,365	58,189	**228,554**
Rating 7	9,767	19,187	**28,954**	59,916	42,488	**102,404**
Unrated	34,075	140,432	**174,507**	88,175	240,389	**328,564**
New customers	221,325	2,588	**223,913**	581,894	65,999	**647,893**
	3,168,592	**897,360**	**4,065,952**	**3,389,343**	**643,247**	**4,032,590**
Total Stage 3 and POCI			**398,726**			**839,728**
			4,464,678			**4,872,318**

	2020			2019		
Retail individuals	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	693,768	96,548	**790,316**	372,733	32,921	**405,654**
Rating 2	743,838	136,888	**880,726**	878,683	93,604	**972,287**
Rating 3	615,175	163,727	**778,902**	968,991	146,123	**1,115,114**
Rating 4	432,447	211,631	**644,078**	340,375	110,972	**451,347**
Rating 5	141,377	133,226	**274,603**	201,829	139,552	**341,381**
Rating 6	83,489	143,947	**227,436**	72,163	97,418	**169,581**
Rating 7	46,760	114,183	**160,943**	22,411	52,736	**75,147**
Unrated	-	2,715	**2,715**	-	3,284	**3,284**
New customers	269,584	15,502	**285,086**	249,288	24,024	**273,312**
	3,026,438	**1,018,367**	**4,044,805**	**3,106,473**	**700,634**	**3,807,107**
Total Stage 3 and POCI			**1,075,211**			**2,220,743**
			5,120,016			**6,027,850**

	2020			2019		
SMEs legal entities	Stage 1 €000	Stage 2 €000	**Total €000**	Stage 1 €000	Stage 2 €000	**Total €000**
Rating 1	133,876	29,345	**163,221**	121,507	17,969	**139,476**
Rating 2	150,155	58,282	**208,437**	144,339	35,365	**179,704**
Rating 3	50,690	33,370	**84,060**	59,538	14,584	**74,122**
Rating 4	15,347	28,751	**44,098**	31,598	14,430	**46,028**
Rating 5	8,195	18,347	**26,542**	19,863	14,639	**34,502**
Rating 6	4,456	15,392	**19,848**	14,724	18,698	**33,422**
Rating 7	2,301	12,125	**14,426**	9,176	23,431	**32,607**
Unrated	-	9,241	**9,241**	-	14,658	**14,658**
New customers	48,259	2,551	**50,810**	47,522	5,713	**53,235**
	413,279	**207,404**	**620,683**	**448,267**	**159,487**	**607,754**
Total Stage 3 and POCI			**168,808**			**468,411**
			789,491			**1,076,165**

45. Risk management - Credit risk (continued)

45.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

Loans and advances to customers classified as held for sale

An analysis of gross loans and advances to customers classified as held for sale, as per the internal rating system of the Company is disclosed in the tables below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 3	31	193	**224**	-	-	**-**
Rating 5	-	363	**363**	-	-	**-**
Rating 6	-	106	**106**	20	-	**20**
Unrated	-	485	**485**	-	769	**769**
	31	**1,147**	**1,178**	**20**	**769**	**789**
Total Stage 3 and POCI			**267,609**			**12,910**
			268,787			**13,699**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	23	70	**93**	-	-	**-**
Rating 2	105	70	**175**	-	-	**-**
Rating 3	108	43	**151**	15	-	**15**
Rating 4	568	583	**1,151**	45	10	**55**
Rating 5	942	1,985	**2,927**	53	3	**56**
Rating 6	126	3,749	**3,875**	2	10	**12**
Rating 7	2,585	11,460	**14,045**	3	-	**3**
New customers	-	58	**58**	**-**	**-**	**-**
	4,457	**18,018**	**22,475**	**118**	**23**	**141**
Total Stage 3 and POCI			**801,289**			**125,377**
			823,764			**125,518**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 2	161	-	**161**	-	10	**10**
Rating 3	19	8	**27**	-	-	**-**
Rating 4	65	226	**291**	38	-	**38**
Rating 5	50	146	**196**	-	14	**14**
Rating 6	760	156	**916**	-	4	**4**
Rating 7	593	2,497	**3,090**	-	-	**-**
	1,648	**3,033**	**4,681**	**38**	**28**	**66**
Total Stage 3 and POCI			**244,023**			**34,598**
			248,704			**34,664**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments

The Group enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

45.8.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Exposures				
1 January	430,293	159,924	98,683	**688,900**
Transfers to stage 1	6,146	(5,376)	(770)	**-**
Transfers to stage 2	(187,975)	217,131	(29,156)	**-**
Transfers to stage 3	(4)	(4,011)	4,015	**-**
Net decrease	(40,050)	(4,649)	(20,016)	**(64,715)**
31 December	**208,410**	**363,019**	**52,756**	**624,185**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Exposures				
1 January	399,573	194,076	160,617	**754,266**
Transfers to stage 1	39,122	(28,885)	(10,237)	**-**
Transfers to stage 2	(29,376)	44,313	(14,937)	**-**
Transfers to stage 3	(2,776)	(3,495)	6,271	**-**
Net increase/(decrease)	23,750	(46,085)	(43,031)	**(65,366)**
31 December	**430,293**	**159,924**	**98,683**	**688,900**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
ECL				
1 January	21	70	21,904	**21,995**
Transfers to stage 1	10	(8)	(2)	**-**
Transfers to stage 2	(200)	305	(105)	**-**
Transfers to stage 3	-	(3,500)	3,500	**-**
Charge/(credit) for the year*	211	3,828	(6,927)	**(2,888)**
31 December	**42**	**695**	**18,370**	**19,107**
Individually assessed	12	287	18,366	**18,665**
Collectively assessed	30	408	4	**442**
	42	**695**	**18,370**	**19,107**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments (continued)

45.8.1 Contingent liabilities (continued)

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	302	811	23,778	**24,891**
Transfers to stage 1	9	(1)	(8)	**-**
Transfers to stage 2	(10)	21	(11)	**-**
Charge for the year*	(280)	(761)	(1,855)	**(2,896)**
31 December	**21**	**70**	**21,904**	**21,995**
Individually assessed	11	12	21,904	**21,927**
Collectively assessed	10	58	-	**68**
	21	**70**	**21,904**	**21,995**

* The charge for the year mainly relates to changes to inputs and net exposure.

The outstanding contingent liabilities by geography are disclosed in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	208,410	329,940	33,690	**572,040**
Other countries	-	33,079	19,066	**52,145**
Total	**208,410**	**363,019**	**52,756**	**624,185**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	430,293	127,493	73,167	**630,953**
Other countries	-	32,431	25,516	**57,947**
Total	**430,293**	**159,924**	**98,683**	**688,900**

The credit quality of contingent liabilities as per the internal rating system of the Company is disclosed in the table below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	18,551	52,371	**70,922**	99,978	10,831	**110,809**
Rating 2	24	8,050	**8,074**	8,548	93	**8,641**
Rating 3	12,172	59,503	**71,675**	68,485	3,263	**71,748**
Rating 4	2,532	37,000	**39,532**	16,230	331	**16,561**
Rating 5	3,184	70,690	**73,874**	68,600	5,417	**74,017**
Rating 6	2,228	18,556	**20,784**	5,257	974	**6,231**
Rating 7	-	164	**164**	15,561	-	**15,561**
Unrated	30,678	79,731	**110,409**	29,715	91,811	**121,526**
New customers	85,153	2,830	**87,983**	63,757	-	**63,757**
	154,522	**328,895**	**483,417**	**376,131**	**112,720**	**488,851**
Total Stage 3			**44,625**			**79,600**
			528,042			**568,451**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments (continued)

45.8.1 Contingent liabilities (continued)

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	22,858	3,407	**26,265**	24,343	3,989	**28,332**
Rating 2	5,667	2,790	**8,457**	4,881	2,919	**7,800**
Rating 3	1,540	590	**2,130**	3,197	400	**3,597**
Rating 4	430	254	**684**	464	43	**507**
Rating 5	53	178	**231**	330	276	**606**
Rating 6	18	122	**140**	85	26	**111**
Rating 7	163	1,871	**2,034**	451	1,770	**2,221**
Unrated	-	10,390	**10,390**	-	14,165	**14,165**
New customers	23,159	170	**23,329**	20,411	51	**20,462**
	53,888	**19,772**	**73,660**	**54,162**	**23,639**	**77,801**
Total Stage 3			**7,692**			**18,450**
			81,352			**96,251**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Unrated	-	14,352	**14,352**	-	23,565	**23,565**
	-	**14,352**	**14,352**	**-**	**23,565**	**23,565**
Total Stage 3			**439**			**633**
			14,791			**24,198**

45.8.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2020	€000	€000	€000	**€000**
Exposure				
1 January	1,291,393	508,861	132,854	**1,933,108**
Transfers to stage 1	133,657	(132,525)	(1,132)	**-**
Transfers to stage 2	(399,593)	413,026	(13,433)	**-**
Transfers to stage 3	(1,280)	(2,753)	4,033	**-**
Net increase/(decrease)	122,785	(11,445)	(43,291)	**68,049**
31 December	**1,146,962**	**775,164**	**79,031**	**2,001,157**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments (continued)

45.8.2 Commitments (continued)

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Exposure				
1 January	1,307,229	615,502	165,538	**2,088,269**
Transfers to stage 1	204,396	(200,726)	(3,670)	**-**
Transfers to stage 2	(127,827)	144,188	(16,361)	**-**
Transfers to stage 3	(2,006)	(5,217)	7,223	**-**
Net decrease	(90,399)	(44,886)	(19,876)	**(155,161)**
31 December	**1,291,393**	**508,861**	**132,854**	**1,933,108**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
ECL				
1 January	30	87	-	**117**
Transfers to stage 1	34	(34)	-	**-**
Transfers to stage 2	(128)	168	(40)	**-**
Charge for the year*	190	204	40	**434**
31 December	**126**	**425**	**-**	**551**
Individually assessed	36	111	-	**147**
Collectively assessed	90	314	-	**404**
	126	**425**	**-**	**551**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
ECL				
1 January	1,012	1,782	-	**2,794**
Transfers to stage 1	3	(3)	-	**-**
Transfers to stage 2	(11)	20	(9)	**-**
(Credit)/charge for the year*	(974)	(1,712)	9	**(2,677)**
31 December	**30**	**87**	**-**	**117**
Individually assessed	6	8	-	**14**
Collectively assessed	24	79	-	**103**
	30	**87**	**-**	**117**

*The charge in the year mainly relates to changes to inputs.

Commitments by geography are presented in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Cyprus	1,146,962	775,164	79,031	**2,001,157**
Total	**1,146,962**	**775,164**	**79,031**	**2,001,157**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total** **€000**
Cyprus	1,291,393	508,861	132,511	**1,932,765**
Other countries	-	-	343	**343**
Total	**1,291,393**	**508,861**	**132,854**	**1,933,108**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments (continued)

45.8.2 Commitments (continued)

The credit quality of commitments, as per the internal rating system of the Company is disclosed in the table below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	241,799	28,308	**270,107**	299,680	22,488	**322,168**
Rating 2	19,069	57,360	**76,429**	32,741	4,960	**37,701**
Rating 3	64,983	74,480	**139,463**	89,930	24,666	**114,596**
Rating 4	30,570	57,489	**88,059**	32,658	1,835	**34,493**
Rating 5	27,382	50,681	**78,063**	55,968	14,695	**70,663**
Rating 6	3,093	16,443	**19,536**	1,237	3,863	**5,100**
Rating 7	28	61	**89**	906	183	**1,089**
Unrated	19,947	118,931	**138,878**	13,133	139,064	**152,197**
New customers	92,936	398	**93,334**	42,973	134	**43,107**
	499,807	**404,151**	**903,958**	**569,226**	**211,888**	**781,114**
Total Stage 3			**50,700**			**98,942**
			954,658			**880,056**

	2020			**2019**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	204,597	43,683	**248,280**	174,415	54,779	**229,194**
Rating 2	44,967	21,932	**66,899**	52,230	12,724	**64,954**
Rating 3	12,287	10,000	**22,287**	15,215	6,448	**21,663**
Rating 4	3,585	5,402	**8,987**	4,952	4,691	**9,643**
Rating 5	1,168	2,635	**3,803**	1,970	3,418	**5,388**
Rating 6	385	756	**1,141**	521	940	**1,461**
Rating 7	125	807	**932**	138	1,777	**1,915**
Unrated	-	12,301	**12,301**	-	12,942	**12,942**
New customers	8,710	618	**9,328**	14,784	176	**14,960**
	275,824	**98,134**	**373,958**	**264,225**	**97,895**	**362,120**
Total Stage 3			**20,607**			**22,597**
			394,565			**384,717**

45. Risk management - Credit risk (continued)

45.8 Contingent liabilities and commitments (continued)

45.8.2 Commitments (continued)

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	179,709	99,239	**278,948**	106,440	36,537	**142,977**
Rating 2	58,949	58,456	**117,405**	121,923	65,694	**187,617**
Rating 3	25,306	46,873	**72,179**	89,794	32,207	**122,001**
Rating 4	14,508	28,034	**42,542**	49,897	15,709	**65,606**
Rating 5	4,893	16,434	**21,327**	13,786	9,285	**23,071**
Rating 6	2,422	9,759	**12,181**	5,894	6,258	**12,152**
Rating 7	199	4,036	**4,235**	721	4,755	**5,476**
Unrated	-	7,567	**7,567**	-	23,998	**23,998**
New lending	85,345	2,481	**87,826**	69,487	4,635	**74,122**
	371,331	**272,879**	**644,210**	**457,942**	**199,078**	**657,020**
Total Stage 3			**7,724**			**11,315**
			651,934			**668,335**

45. Risk management - Credit risk (continued)

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

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

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
Cyprus	€000	€000	€000	€000	**€000**
1 January	16,665	25,380	1,493,892	206,166	**1,742,103**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	6,097	(191)	**6,766**
Foreign exchange and other adjustments	-	-	(628)	(81)	**(709)**
Write offs	(1,496)	(807)	(337,024)	(36,872)	**(376,199)**
Interest (provided) not recognised in the income statement	-	-	73,647	9,939	**83,586**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,597)	(4,206)	**(34,377)**
Write offs*	1,032	812	19,848	6,509	**28,201**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	221,473	34,648	**259,715**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,330,433**	**204,477**	**1,606,656**
Individually assessed	5,801	10,715	45,813	6,967	**69,296**
Collectively assessed	16,818	38,412	1,284,620	197,510	**1,537,360**
	22,619	**49,127**	**1,330,433**	**204,477**	**1,606,656**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

The main driver for the increase in the impairment loss for the year is due to the component 'Changes to models and inputs used for ECL calculations'. The key driver is the LGD input which has impacted mainly Stage 3 and POCI loans due to additional credit losses recorded in the year ended 31 December 2020 in relation to NPE reduction envisaged sale transactions, of approximately €120 million. In addition, the impact of the updated macroeconomic scenarios and overlays performed in the context of COVID-19 and PD calibration (as disclosed in Note 5.2) is also reflected within line item 'models and inputs used for ECL calculations' and has impacted the ECL charge for all Stages. Further for Stage 3 loans, in addition to the impairment loss recognised as a result of the NPE reduction initiatives, another key driver for the impairment loss is the assumptions on the LGD component (disclosed in Note 5.2).

45. Risk management - Credit risk (continued)

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

2020 **Other countries**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	-	-	61,447	-	**61,447**
Impact on transfer between stages during the year*	-	-	920	-	**920**
Foreign exchange and other adjustments	-	-	(3,505)	-	**(3,505)**
Write offs	-	-	(22,231)	-	**(22,231)**
Interest (provided) not recognised in the income statement	-	-	(4,728)	-	**(4,728)**
Loans derecognised or repaid (excluding write offs)*	-	-	37	-	**37**
Write offs*	-	-	10,802	-	**10,802**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	-	-	3,237	-	**3,237**
31 December	**-**	**-**	**45,979**	**-**	**45,979**
Individually assessed	-	-	43,842	-	**43,842**
Collectively assessed	-	-	2,137	-	**2,137**
	-	**-**	**45,979**	**-**	**45,979**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

45. Risk management - Credit risk (continued)

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

2020 **Total**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	16,665	25,380	1,555,339	206,166	**1,803,550**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	7,017	(191)	**7,686**
Foreign exchange and other adjustments	-	-	(4,133)	(81)	**(4,214)**
Write offs	(1,496)	(807)	(359,255)	(36,872)	**(398,430)**
Interest (provided) not recognised in the income statement	-	-	68,919	9,939	**78,858**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,560)	(4,206)	**(34,340)**
Write offs*	1,032	812	30,650	6,509	**39,003**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	224,710	34,648	**262,952**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,376,412**	**204,477**	**1,652,635**
Individually assessed	5,801	10,715	89,655	6,967	**113,138**
Collectively assessed	16,818	38,412	1,286,757	197,510	**1,539,497**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 16).

45. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
Cyprus	€000	€000	€000	€000	**€000**
1 January	26,233	73,870	2,783,232	431,924	**3,315,259**
Transfers to stage 1	28,434	(13,836)	(14,598)	-	**-**
Transfers to stage 2	(3,645)	16,739	(13,094)	-	**-**
Transfers to stage 3	(1,297)	(18,404)	19,701	-	**-**
Impact on transfer between stages during the year*	(18,450)	(569)	51,033	(128)	**31,886**
Foreign exchange and other adjustments	-	-	5,949	675	**6,624**
Write offs	(3,991)	(3,888)	(331,239)	(63,216)	**(402,334)**
Interest (provided) not recognised in the income statement	-	-	96,042	13,299	**109,341**
New loans originated or purchased*	3,581	-	-	-	**3,581**
Loans derecognised or repaid (excluding write offs)*	228	(3,154)	(55,752)	5,430	**(53,248)**
Write offs*	1,933	2,011	46,020	5,595	**55,559**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(8,446)	(5,401)	214,203	17,988	**218,344**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(137)	260	5,917	(889)	**5,151**
Disposal of Helix and Velocity 1 portfolios	(7,778)	(22,248)	(1,313,522)	(204,512)	**(1,548,060)**
31 December	**16,665**	**25,380**	**1,493,892**	**206,166**	**1,742,103**
Individually assessed	3,862	7,572	136,369	8,983	**156,786**
Collectively assessed	12,803	17,808	1,357,523	197,183	**1,585,317**
	16,665	**25,380**	**1,493,892**	**206,166**	**1,742,103**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

45. Risk management - Credit risk (continued)

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

2019 **Other countries**	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	135	-	146,611	-	**146,746**
Impact on transfer between stages during the year*	(3)	-	(350)	-	**(353)**
Foreign exchange and other adjustments	-	-	3,857	-	**3,857**
Write offs	-	-	(38,608)	-	**(38,608)**
Interest (provided) not recognised in the income statement	-	-	5,376	-	**5,376**
Loans derecognised or repaid (excluding write offs)*	(132)	-	(247)	-	**(379)**
Write offs*	-	-	17	-	**17**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	-	-	(444)	-	**(444)**
Disposal of Helix and Velocity 1 portfolios	-	-	(54,765)	-	**(54,765)**
31 December	**-**	**-**	**61,447**	**-**	**61,447**
Individually assessed	-	-	55,433	-	**55,433**
Collectively assessed	-	-	6,014	-	**6,014**
	-	**-**	**61,447**	**-**	**61,447**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

45. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
Total	€000	€000	€000	€000	**€000**
1 January	26,368	73,870	2,929,843	431,924	**3,462,005**
Transfers to stage 1	28,434	(13,836)	(14,598)	-	**-**
Transfers to stage 2	(3,645)	16,739	(13,094)	-	**-**
Transfers to stage 3	(1,297)	(18,404)	19,701	-	**-**
Impact on transfer between stages during the year*	(18,453)	(569)	50,683	(128)	**31,533**
Foreign exchange and other adjustments	-	-	9,806	675	**10,481**
Write offs	(3,991)	(3,888)	(369,847)	(63,216)	**(440,942)**
Interest (provided) not recognised in the income statement	-	-	101,418	13,299	**114,717**
New loans originated or purchased*	3,581	-	-	-	**3,581**
Loans derecognised or repaid (excluding write offs)*	96	(3,154)	(55,999)	5,430	**(53,627)**
Write offs*	1,933	2,011	46,037	5,595	**55,576**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(8,446)	(5,401)	213,759	17,988	**217,900**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(137)	260	5,917	(889)	**5,151**
Disposal of Helix and Velocity 1 portfolios	(7,778)	(22,248)	(1,368,287)	(204,512)	**(1,602,825)**
31 December	**16,665**	**25,380**	**1,555,339**	**206,166**	**1,803,550**
Individually assessed	3,862	7,572	191,802	8,983	**212,219**
Collectively assessed	12,803	17,808	1,363,537	197,183	**1,591,331**
	16,665	**25,380**	**1,555,339**	**206,166**	**1,803,550**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 16).

The above tables do not include the residual fair value adjustments on initial recognition of loans acquired from Laiki Bank as this forms part of the gross carrying amount and ECL on financial guarantees which are part of other liabilities on the balance sheet.

The movement of credit losses of loans and advances to customers for 2020 and 2019 includes credit losses relating to loans and advances to customers classified as held for sale. Their balance by staging and geographical area is presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2020	€000	€000	€000	€000	**€000**
Cyprus	3,260	12,254	721,470	111,234	**848,218**
Total	**3,260**	**12,254**	**721,470**	**111,234**	**848,218**
Collectively assessed	3,260	12,254	721,470	111,234	**848,218**

45. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Cyprus	7	42	130,551	17,352	**147,952**
Total	**7**	**42**	**130,551**	**17,352**	**147,952**
Individually assessed	-	-	115	64	**179**
Collectively assessed	7	42	130,436	17,288	**147,773**
	7	**42**	**130,551**	**17,352**	**147,952**

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

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,652	6,003	21,811	624	**32,090**
Global corporate	4,375	5,600	38,758	1,076	**49,809**
SMEs	2,352	4,263	7,182	363	**14,160**
Retail					
- housing	4,616	6,947	12,259	437	**24,259**
- consumer, credit cards and other	3,551	7,731	9,741	925	**21,948**
Restructuring					
- corporate	286	3,993	58,438	3,294	**66,011**
- SMEs	2,383	9,979	62,891	3,802	**79,055**
- retail housing	401	1,742	51,358	2,034	**55,535**
- retail other	923	2,200	57,810	2,688	**63,621**
Recoveries					
- corporate	-	-	96,183	22,286	**118,469**
- SMEs	-	-	254,462	31,585	**286,047**
- retail housing	-	-	360,331	66,721	**427,052**
- retail other	3	-	343,302	68,158	**411,463**
International banking services	67	658	1,707	5	**2,437**
Wealth management	10	11	179	479	**679**
	22,619	**49,127**	**1,376,412**	**204,477**	**1,652,635**

45. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	2,133	846	28,615	676	**32,270**
Global corporate	3,447	5,016	60,175	1,908	**70,546**
SMEs	1,525	1,940	12,458	334	**16,257**
Retail					
- housing	2,871	4,720	19,499	413	**27,503**
- consumer, credit cards and other	2,247	3,077	15,823	1,104	**22,251**
Restructuring					
- corporate	232	2,834	80,347	3,195	**86,608**
- SMEs	2,905	4,695	72,662	5,224	**85,486**
- retail housing	1,052	1,445	143,988	3,985	**150,470**
- retail other	173	251	125,335	7,190	**132,949**
Recoveries					
- corporate	-	-	55,912	13,719	**69,631**
- SMEs	-	-	213,544	29,726	**243,270**
- retail housing	-	-	337,807	62,576	**400,383**
- retail other	2	-	386,193	75,507	**461,702**
International banking services	73	546	2,223	157	**2,999**
Wealth management	5	10	758	452	**1,225**
	16,665	**25,380**	**1,555,339**	**206,166**	**1,803,550**

The movement of the ECL allowance for the loans and advances to customers in the Corporate, Global corporate and Retail business line in Cyprus (excluding loans under Restructuring, Recoveries, International banking services and Wealth management), including ECL allowance for loans and advances to customers held for sale, is presented in the table below:

2020	**Corporate €000**	**Global corporate €000**	**Retail €000**
1 January	15,354	33,982	49,257
Transfer out of the business line	(1,170)	(1,909)	(7,706)
Loans derecognised or repaid (excluding write offs)	(298)	(132)	(300)
Write offs	(1,165)	(19,191)	(4,026)
Interest (provided) not recognised in the income statement	197	1,052	620
New loans originated or purchased*	620	2,568	1,456
Loans derecognised or repaid (excluding write offs)*	(609)	2,108	(632)
Write offs*	16	769	2,178
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	911	7,196	2,530
Changes to contractual cash flows due to modifications not resulting in derecognition*	327	(1,340)	1,313
Impact on transfer between stages during the year*	2,512	977	1,040
Disposal of Velocity 2	(113)	-	-
31 December	**16,582**	**26,080**	**45,730**

45. Risk management - Credit risk (continued)

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

2019	Corporate €000	Global corporate €000	Retail €000
1 January	107,869	-	70,476
Transfer (out of Corporate)/in Global corporate business line	(56,374)	56,576	-
Transfer out of the business line	(8,110)	(1,351)	(19,793)
Loans derecognised or repaid (excluding write offs)	(410)	-	(1,260)
Write offs	(12,740)	(545)	(8,436)
Interest (provided) not recognised in the income statement	268	2,381	931
New loans originated or purchased*	528	1,400	979
Loans derecognised or repaid (excluding write offs)*	(2,541)	(4,977)	(1,900)
Write offs*	572	1	4,586
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(1,777)	(11,679)	3,169
Changes to contractual cash flows due to modifications not resulting in derecognition*	25	-	2,436
Impact on transfer between stages during the year*	(2,092)	(7,824)	(1,806)
Disposal of Helix and Velocity portfolios	(9,864)	-	(125)
31 December	**15,354**	**33,982**	**49,257**

* Individual components of the 'Impairment loss net of reversal on loans and advances to customers'

During the year ended 31 December 2020 the total non-contractual write-offs recorded by the Group amounted to €294,932 thousand (2019: €235,181 thousand). The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is €1,062,224 thousand (2019: €626,171 thousand).

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

At 31 December 2020 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (2019: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (2019: average of seven years), excluding those classified as held for sale.

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

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

45. Risk management - Credit risk (continued)

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

For Stage 3 customers, the base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional scenarios for either better or worse cases. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario. Under the favourable scenario, applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures. In the case of loans held for sale the Group has taken into consideration the timing of expected sale and the estimated sale proceeds in determining the ECL. Amounts previously written off which are expected to be recovered through sale are included in 'Recoveries of loans and advances to customers previously written off' in Note 16.

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

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

Sensitivity analysis
The Group has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents 99% of the total loan portfolio of the Group (excluding the loans and advances to customers classified as held for sale) with reference date 31 December 2020.

The Group has altered for the purpose of sensitivity analysis the weights of the economic scenarios and changed the collateral realisation periods and the impact on the ECL, for both individually and collectively assessed ECL calculations, as presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2020	2019
	€000	€000
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**3,599**	2,702
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(3,658)**	(2,682)
Increase the expected recovery period by 1 year	**21,904**	42,064
Decrease the expected recovery period by 1 year	**(18,746)**	(42,200)
Increase the collateral realisation haircut by 5%	**42,769**	81,569
Decrease the collateral realisation haircut by 5%	**(36,934)**	(75,148)
Increase in the PDs of stages 1 and 2 by 20%	**8,718**	5,486
Decrease in the PDs of stages 1 and 2 by 20%	**(7,824)**	(5,632)

A number of sensitivity runs were carried out as at 31 December 2019 in order to stress the expected lifetime on revolving facilities. The expected lifetime for all Stage 1 and Stage 2 facilities was extended to three, five, seven and nine years and the impact on the carrying value upon increase in the imposed lifetime is shown in the table below:

45. Risk management - Credit risk (continued)

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

Increase in the expected lifetime of revolving facilities	**Increase on the ECL carrying value of Stage 1 facilities**	**Increase on the ECL carrying value of Stage 2 facilities**
	2019	2019
	€000	€000
3 years	4,160	2,400
5 years	7,030	3,960
7 years	9,390	5,080
9 years	11,370	5,950

No sensitivity analysis is performed for the year ended 31 December 2020, as the Group has developed a behavioural maturity model applying an expected lifetime for revolving facilities during the year, as explained in Note 5.2.

45.10 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2020 and 2019 by taking possession of collateral held as security, was as follows:

	2020	2019
	€000	€000
Residential property	**33,059**	69,134
Commercial and other property	**90,758**	128,075
	123,817	197,209

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2020 amounted to €1,484,292 thousand (2019: €1,483,167 thousand).

The disposals of repossessed assets during 2020 amounted to €81,840 thousand (2019: €212,501 thousand).

45.11 Forbearance

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

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

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

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

45. Risk management - Credit risk (continued)

45.11 Forbearance (continued)

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

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

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

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

Restructuring options may be of a short or long-term nature or 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:
- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: the capitalisation of arrears and/or of accrued interest arrears; that is forbearance of the arrears and capitalisation of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.

Long-term restructuring solutions can include the following:
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- 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.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.

45. Risk management - Credit risk (continued)

45.11 Forbearance (continued)

- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Group in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Group and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Group and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.
- Debt write-off: cancellation of part or the whole of the amount of debt outstanding by the borrower. The Group applies the debt forgiveness solution only as a last resort and in remote cases having taken into consideration the ability of the borrower to repay the remaining debt in the agreed timeframe and the moral hazard.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. 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.

Stage 2 and Stage 3 loans that were forborne during the year amounted to €44,823 thousand (2019: €206,007 thousand). Their related modification loss amounted to €10,133 thousand (2019: €2,141 thousand) (the modification mainly relates to credit-related reasons).

Previously classified Stage 2 and Stage 3 customers that have facilities modified during the year and are classified as Stage 1 at 31 December 2020 amount to €347,966 thousand (2019: €13,221 thousand) and their corresponding ECL amount to €2,732 thousand (2019: €37 thousand). The modification for the majority of these facilities reflects the modification due to moratorium.

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €109,663 thousand (2019: €66,215 thousand) and their corresponding ECL amounts to €2,591 thousand (2019: €1,431 thousand) as at 31 December 2020.

45.12 Rescheduled loans and advances to customers

The below table presents the movement of the Group's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale (by geographical analysis). The rescheduled loans related to loans and advances classified as held for sale as at 31 December 2020 amounts to €754,795 thousand (2019: €42,803 thousand).

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
1 January	2,469,566	33,367	**2,502,933**
New loans and advances rescheduled in the year	64,520	11,019	**75,539**
Loans no longer classified as rescheduled and repayments	(484,169)	(873)	**(485,042)**
Applied in writing off rescheduled loans and advances	(126,412)	(3,909)	**(130,321)**
Interest accrued on rescheduled loans and advances	52,150	1,484	**53,634**
Foreign exchange adjustments	(444)	(3,650)	**(4,094)**
Disposal of Velocity 2 portfolio	(30,824)	-	**(30,824)**
31 December	**1,944,387**	**37,438**	**1,981,825**

45. Risk management - Credit risk (continued)

45.12 Rescheduled loans and advances to customers (continued)

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
1 January	4,566,470	48,806	**4,615,276**
New loans and advances rescheduled in the year	146,422	-	**146,422**
Loans no longer classified as rescheduled and repayments	(830,137)	(683)	**(830,820)**
Applied in writing off rescheduled loans and advances	(136,135)	(13,634)	**(149,769)**
Interest accrued on rescheduled loans and advances	91,281	(5,509)	**85,772**
Foreign exchange adjustments	2,490	4,387	**6,877**
Disposal of Helix and Velocity 1 portfolios	(1,370,825)	-	**(1,370,825)**
31 December	**2,469,566**	**33,367**	**2,502,933**

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

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

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
Stage 1	199,090	103	**199,193**
Stage 2	242,493	-	**242,493**
Stage 3	649,609	37,335	**686,944**
POCI	98,400	-	**98,400**
	1,189,592	**37,438**	**1,227,030**

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
Stage 1	357,658	114	**357,772**
Stage 2	299,448	-	**299,448**
Stage 3	1,567,155	33,253	**1,600,408**
POCI	202,502	-	**202,502**
	2,426,763	**33,367**	**2,460,130**

45. Risk management - Credit risk (continued)

45.12 Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
Stage 1	161,346	103	**161,449**
Stage 2	225,402	-	**225,402**
Stage 3	531,741	18,617	**550,358**
POCI	88,925	-	**88,925**
	1,007,414	**18,720**	**1,026,134**

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
Stage 1	334,938	114	**335,052**
Stage 2	254,238	-	**254,238**
Stage 3	1,276,055	16,102	**1,292,157**
POCI	187,363	-	**187,363**
	2,052,594	**16,216**	**2,068,810**

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

Credit risk concentration

2020	Cyprus	Other countries	**Total**
By economic activity	€000	€000	**€000**
Trade	81,973	5,842	**87,815**
Manufacturing	30,185	1,168	**31,353**
Hotels and catering	46,145	-	**46,145**
Construction	68,785	403	**69,188**
Real estate	80,918	20,571	**101,489**
Private individuals	763,593	130	**763,723**
Professional and other services	85,061	9,324	**94,385**
Other sectors	32,932	-	**32,932**
	1,189,592	**37,438**	**1,227,030**

45. Risk management - Credit risk (continued)

45.12 Rescheduled loans and advances to customers (continued)

2020 By business line	Cyprus €000	Other countries €000	Total €000
Corporate	54,245	14,168	**68,413**
Global corporate	94,251	20,571	**114,822**
SMEs	56,172	2,581	**58,753**
Retail			
- housing	222,078	-	**222,078**
- consumer, credit cards and other	70,805	118	**70,923**
Restructuring			
- corporate	83,804	-	**83,804**
- SMEs	58,374	-	**58,374**
- retail housing	102,312	-	**102,312**
- retail other	56,788	-	**56,788**
Recoveries			
- corporate	15,678	-	**15,678**
- SMEs	47,654	-	**47,654**
- retail housing	208,916	-	**208,916**
- retail other	103,395	-	**103,395**
International banking services	14,015	-	**14,015**
Wealth management	1,105	-	**1,105**
	1,189,592	**37,438**	**1,227,030**

2020 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	19,359	26,319	20,618	2,117	**68,413**
Global corporate	69,789	18,908	26,125	-	**114,822**
SMEs	23,041	22,750	11,504	1,458	**58,753**
Retail					
- housing	55,086	108,175	54,892	3,925	**222,078**
- consumer, credit cards and other	17,391	27,694	22,962	2,876	**70,923**
Restructuring					
- corporate	6,162	13,406	49,380	14,856	**83,804**
- SMEs	5,993	14,556	31,049	6,776	**58,374**
- retail housing	1,388	4,350	93,962	2,612	**102,312**
- retail other	234	2,565	52,588	1,401	**56,788**
Recoveries					
- corporate	-	-	8,238	7,440	**15,678**
- SMEs	-	-	42,885	4,769	**47,654**
- retail housing	-	-	176,025	32,891	**208,916**
- retail other	-	-	87,162	16,233	**103,395**
International banking services	750	3,770	9,376	119	**14,015**
Wealth management	-	-	178	927	**1,105**
	199,193	**242,493**	**686,944**	**98,400**	**1,227,030**

45. Risk management - Credit risk (continued)

45.12 Rescheduled loans and advances to customers (continued)

2019 **By economic activity**	Cyprus €000	Other countries €000	**Total** **€000**
Trade	187,008	5,824	**192,832**
Manufacturing	67,568	1,601	**69,169**
Hotels and catering	80,704	-	**80,704**
Construction	281,820	535	**282,355**
Real estate	161,629	12,793	**174,422**
Private individuals	1,427,904	143	**1,428,047**
Professional and other services	145,220	12,470	**157,690**
Other sectors	74,910	1	**74,911**
	2,426,763	33,367	**2,460,130**

2019 **By business line**	Cyprus €000	Other countries €000	**Total** **€000**
Corporate	106,889	17,000	**123,889**
Global corporate	172,924	12,794	**185,718**
SMEs	104,271	3,449	**107,720**
Retail			
- housing	322,880	-	**322,880**
- consumer, credit cards and other	98,973	124	**99,097**
Restructuring			
- corporate	181,986	-	**181,986**
- SMEs	226,447	-	**226,447**
- retail housing	269,648	-	**269,648**
- retail other	111,534	-	**111,534**
Recoveries			
- corporate	46,299	-	**46,299**
- SMEs	191,847	-	**191,847**
- retail housing	376,391	-	**376,391**
- retail other	196,431	-	**196,431**
International banking services	17,017	-	**17,017**
Wealth management	3,226	-	**3,226**
	2,426,763	33,367	**2,460,130**

45. Risk management - Credit risk (continued)

45.12 Rescheduled loans and advances to customers (continued)

2019 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	32,875	49,897	38,369	2,748	**123,889**
Global corporate	104,633	68,291	12,794	-	**185,718**
SMEs	40,025	33,453	31,632	2,610	**107,720**
Retail					
- housing	118,262	71,835	128,167	4,616	**322,880**
- consumer, credit cards and other	27,598	20,901	48,059	2,539	**99,097**
Restructuring					
- corporate	3,901	17,843	141,185	19,057	**181,986**
- SMEs	26,658	28,055	157,682	14,052	**226,447**
- retail housing	1,811	3,077	260,227	4,533	**269,648**
- retail other	239	443	108,838	2,014	**111,534**
Recoveries					
- corporate	-	-	36,395	9,904	**46,299**
- SMEs	-	-	154,134	37,713	**191,847**
- retail housing	-	-	316,500	59,891	**376,391**
- retail other	-	-	154,670	41,761	**196,431**
International banking services	1,770	5,166	9,959	122	**17,017**
Wealth management	-	487	1,797	942	**3,226**
	357,772	**299,448**	**1,600,408**	**202,502**	**2,460,130**

ECL allowances

2020	Cyprus €000	Other countries €000	Total €000
Stage 1	4,317	-	**4,317**
Stage 2	9,729	-	**9,729**
Stage 3	261,784	25,404	**287,188**
POCI	37,888	-	**37,888**
	313,718	**25,404**	**339,122**

2019	Cyprus €000	Other countries €000	Total €000
Stage 1	4,391	-	**4,391**
Stage 2	9,595	-	**9,595**
Stage 3	638,308	22,379	**660,687**
POCI	78,088	-	**78,088**
	730,382	**22,379**	**752,761**

45. Risk management - Credit risk (continued)

45.13 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2020	2019
	€000	€000
Aaa - Aa3	**165,489**	62,550
A1 - A3	**89,692**	76,916
Baa1 - Baa3	**45,641**	101,093
Ba1 - Ba3	**5,517,033**	4,909,533
B1 - B3	**13,830**	7,553
Caa - C	**5,309**	5,968
Unrated	**45,672**	15,284
Other receivables from banks	**33,747**	50,471
	5,916,413	5,229,368

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 19).

Debt securities
Investments in debt securities are analysed as follows:

	2020	2019
Moody's rating	**€000**	€000
Aaa - Aa3	**727,289**	1,044,585
A1 - A3	**98,397**	75,161
Baa1 - Baa3	**26,047**	35,901
Ba1 - Ba3	**823,724**	542,047
Unrated	**33,387**	40,313
	1,708,844	1,738,007
Issued by:		
- Cyprus government	**823,725**	542,048
- Other governments	**173,502**	389,928
- Banks and other corporations	**711,617**	806,031
	1,708,844	1,738,007
Classified as:		
Investments mandatorily measured at FVPL	**19,118**	24,093
Investments at FVOCI	**656,856**	885,810
Investments at amortised cost	**1,032,870**	828,104
	1,708,844	1,738,007

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2020	€000	€000	€000	€000
Aaa - Aa3	244,767	463,904	-	463,904
A1 - A3	28,347	70,050	-	70,050
Baa1 - Baa3	1,000	25,047	-	25,047
Ba1 - Ba3	382,742	392,306	48,676	440,982
Unrated	-	32,887	-	32,887
	656,856	**984,194**	**48,676**	**1,032,870**

45. Risk management - Credit risk (continued)

45.13 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	Total
2019	€000	€000	€000	€000
Aaa - Aa3	448,296	572,696	-	572,696
A1 - A3	28,259	46,902	-	46,902
Baa1 - Baa3	10,851	25,050	-	25,050
Ba1 - Ba3	398,404	94,989	48,654	143,643
Unrated	-	39,813	-	39,813
	885,810	**779,450**	**48,654**	**828,104**

46. Risk management - Market risk

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

Interest rate risk

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

Interest rate risk is measured mainly using the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis where the assets, liabilities and off balance sheet items, are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated.

Interest rate risk is managed through a 1 Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the net interest income (when positive). There are different limits for the Euro and the US Dollar.

Sensitivity analysis

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

46. Risk management - Market risk (continued)

Currency	Interest Rate Scenario	Impact on Net Interest Income in €000	
		2020 (50 bps for Euro and 60 bps for US Dollar)	2019 (50 bps for Euro and 60 bps for US Dollar)
All	Parallel up	27,592	28,446
All	Parallel down	(23,627)	(33,117)
All	Steepening	(15,184)	(24,875)
All	Flattening	22,494	21,023
All	Short up	26,310	27,010
All	Short down	(22,790)	(32,076)
Euro	Parallel up	26,093	27,577
Euro	Parallel down	(21,042)	(30,735)
Euro	Steepening	(12,898)	(23,857)
Euro	Flattening	21,424	21,225
Euro	Short up	24,886	26,401
Euro	Short down	(20,267)	(29,958)
US Dollar	Parallel up	1,499	869
US Dollar	Parallel down	(2,585)	(2,382)
US Dollar	Steepening	(2,286)	(1,018)
US Dollar	Flattening	1,070	(202)
US Dollar	Short up	1,424	609
US Dollar	Short down	(2,523)	(2,118)

46. Risk management - Market risk (continued)

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

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**2020 (50 bps for Euro and 60 bps for US Dollar)**	**2019 (50 bps for Euro and 60 bps US Dollar)**
All	Parallel up	174	(55,270)
All	Parallel down	42,736	42,858
All	Steepening	50,082	(22,598)
All	Flattening	51,093	7,278
All	Short up	6,044	(28,788)
All	Short down	47,392	23,067
Euro	Parallel up	(1,760)	(56,259)
Euro	Parallel down	90,207	91,255
Euro	Steepening	101,292	(21,581)
Euro	Flattening	101,893	14,034
Euro	Short up	8,897	(29,632)
Euro	Short down	99,812	51,308
US Dollar	Parallel up	3,867	1,977
US Dollar	Parallel down	(2,367)	(2,769)
US Dollar	Steepening	(564)	(1,017)
US Dollar	Flattening	293	523
US Dollar	Short up	3,191	1,687
US Dollar	Short down	(2,514)	(2,588)

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

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

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

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

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on loss before tax**	**Impact on equity**
2020	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**686**	**(541)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**1,496**	**541**

46. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	Impact on loss before tax €000	Impact on equity €000
2019		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	(239)	(1,041)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	3,120	1,041

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

EURIBOR reform has been completed and EURIBOR now complies with the EU Benchmark Regulation following a new hybrid methodology calculation. The Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future and, therefore, does not consider that Group's exposure to EURIBOR is affected by the BMR reform as at 31 December 2020.

Regarding LIBOR reform, industry working groups are working to identify alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:
- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings

The Company is in process of adopting phase 2 of IBOR reform. In July and October 2020, the Company performed settlements with derivatives clearing organisations so as to switch from Euro Overnight Index Average (EONIA) to Euro short-term rate (ESTR) (Euro denominated financial instruments) and from Fed Fund rate (USD denominated financial instruments) to Secure Overnight Financing Rate (SOFR) risk-free rates (RFR) respectively.

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

The Steering Committee has been working towards minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. It has identified that areas most significantly impacted and risks arising from IBORS' transition to alternative interest rate benchmarks are: updating systems and processes affected from the transition, reviewing and amending legal IBORS' referencing contracts, market risk profile changes due to IBOR transition, and financial and accounting matters including among other hedge accounting issues and mismatches in timing of derivatives and loans transitioning from IBORS.

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

The Company has in place an action plan in order to facilitate the transition to alternative rates, including a plan to engage into amending credit facilities contracts. The Company continues to work on technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transition to alternative RFRs in line with official sector expectations and milestones.

46. Risk management - Market risk (continued)

The Group is actively preparing for the transition, including the assessment of appropriate fallback provisions for LIBOR-linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to be published. The Group will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2020:

	EURIBOR	GBP LIBOR	USD LIBOR	CHF LIBOR	Other	Total
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,463,730	89,523	331,684	36,967	4,102	**4,926,006**
Investments	32,993	-	-	-	-	**32,993**
Loans and advances to banks	69,405	1,858	69,326	4,968	9,420	**154,977**
Total	**4,566,128**	**91,381**	**401,010**	**41,935**	**13,522**	**5,113,976**
Non-derivative financial liabilities						
Deposits by banks	154,435	1,110	1,074	-	4,668	**161,287**
Total	**154,435**	**1,110**	**1,074**	**-**	**4,668**	**161,287**

For derivatives in hedging relationships subject to IBOR reform refer to Note 21.

Currency risk

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

In order to manage currency risk, the ALCO has approved open position limits for the total foreign exchange positions. The foreign exchange position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market Risk.

The Group does not maintain a currency trading book.

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

46. Risk management - Market risk (continued)

2020	Change in foreign exchange rate %	Impact on loss after tax €000	Impact on equity €000
US Dollar	**+15**	**4,032**	**-**
Russian Rouble	**+25**	**2,594**	**27,556**
Romanian Lei	**+10**	**-**	**133**
Swiss Franc	**+10**	**1,923**	**-**
British Pound	**+10**	**389**	**(1,110)**
Japanese Yen	**+10**	**118**	**-**
Other currencies	**+10**	**13**	**-**
US Dollar	**-15**	**(2,980)**	**-**
Russian Rouble	**-25**	**(1,556)**	**(16,534)**
Romanian Lei	**-10**	**-**	**(109)**
Swiss Franc	**-10**	**(1,422)**	**-**
British Pound	**-10**	**(318)**	**909**
Japanese Yen	**-10**	**(96)**	**-**
Other currencies	**-10**	**(11)**	**-**

2019	Change in foreign exchange rate %	Impact on loss after tax €000	Impact on equity €000
US Dollar	+10	2,717	-
Russian Rouble	+10	995	10,483
Romanian Lei	+10	-	(275)
Swiss Franc	+10	460	-
British Pound	+10	420	(1,185)
Japanese Yen	+10	44	-
Other currencies	+10	(14)	-
US Dollar	-10	(2,223)	-
Russian Rouble	-10	(814)	(8,577)
Romanian Lei	-10	-	225
Swiss Franc	-10	(376)	-
British Pound	-10	(344)	969
Japanese Yen	-10	(36)	-
Other currencies	-10	11	-

Price risk

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

Investments in equities are outside the Group's risk appetite but may be acquired in the context of delinquent loan workouts. The Group monitors the current portfolio mostly acquired by the Group as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Group as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Group, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Group.

46. Risk management - Market risk (continued)

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

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

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

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

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

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

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

46. Risk management - Market risk (continued)

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

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

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

47. Risk management - Liquidity risk and funding

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 or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

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

Management and structure

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

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

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

The Treasury Division is responsible for liquidity management at Group level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

47. Risk management - Liquidity risk and funding (continued)

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

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.

(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags 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 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 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) of the key objectives of the RP are to set key Recovery and Early Warning Indicators so as to monitor these 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 position.

Monitoring process

Daily

The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. The historical summary results of this report, is made available to ALCO and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Group.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Group maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The liquidity buffer is made up of: Banknotes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), unpledged cash and nostro current accounts, as well as money market placements up to the stress horizon, available ECB credit line and market value net of haircut of unencumbered/available liquid bonds. These bonds are High Quality Liquid Assets (HQLA) as per the LCR definitions and/or ECB Eligible bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition, it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Group. The stress tests assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

47. Risk management - Liquidity risk and funding (continued)

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Bi-Weekly report
Market Risk prepares a liquidity report twice a month which is submitted to the ECB. The report includes information on the following: deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis) and concentration of funding and collateral details. It concludes on the overall liquidity position of the Company and describes the measures implemented and to be implemented in the short-term to improve liquidity position.

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of IBU deposits over total deposits and the percentage of instant access deposits are also presented to the ALCO. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is also presented to ALCO and resulting mismatch between assets and liabilities is compared to previous month's mismatch. A monthly customer deposit analysis by Business Line, Tenor and currency is also presented to ALCO.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

Annually
The Group prepares on an annual basis its report on ILAAP. The ILAAP report provides a holistic view of the Group's liquidity adequacy under normal and stress conditions. Within ILAAP, the Group evaluates its liquidity risk within the context of established policies, the processes for the identification, measurement, management and monitoring of liquidity implemented by the institution.

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

Liquidity ratios

The Group LCR is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The minimum requirement is 100%.

Main sources of funding

As at 31 December 2020 the Group's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations.

In June 2020, ECB funding of €1,000 million was raised under the TLTRO III given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID-19 aid package. In September 2019, ECB funding of €830 million in the form of 4-Year TLTRO II was repaid early thus no ECB funding was outstanding as at December 2019.

47. Risk management - Liquidity risk and funding (continued)

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements. Certain subsidiaries have a recommendation from their regulator to avoid any dividend distribution at this point in time.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Group's encumbered assets as at 31 December 2020 and 2019 are summarised below:

	2020	2019
	€000	€000
Cash and other liquid assets	**78,831**	90,437
Investments	**37,105**	222,961
Loans and advances	**2,842,941**	2,537,031
	2,958,877	2,850,429

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

Investments are mainly used as collateral for supplementary assets for the covered bond and repurchase transactions with commercial banks. As at 31 December 2019, investments were mainly used as collateral for repurchase transactions with commercial banks. As at 31 December 2020, no investments were used as collateral for repurchase transactions with commercial banks as these matured within 2020.

Loans and advances indicated as encumbered as at 31 December 2020 and 2019 are mainly used as collateral for available funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,017 million as at 31 December 2020 (2019: €1,000 million) in Cyprus, pledged as collateral for the covered bond issued by the Company in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2020 housing loans of a nominal amount of €1,827 million (2019: €1,498 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 30).

The Company maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, the Company has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 6 June 2018, the terms of the covered bonds have been amended to extend the maturity date to 12 December 2021 and set the interest rate to 3 months Euribor plus 2.50% on a quarterly basis. The covered bonds are traded on the Luxemburg Bourse. The covered bonds have a conditional Pass-Through structure. All the bonds are held by the Company. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks as shown in the table further below which discloses contractual maturities include balances of €44,220 thousand as at 31 December 2020 (2019: €51,934 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 €88,963 thousand as at 31 December 2020 (2019: €93,668 thousand).

47. Risk management - Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

Subordinated loan stock is classified in the relevant time band according to the remaining contractual maturity, ignoring the call date.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Group after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

47. Risk management - Liquidity risk and funding (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,606,343	18,276	25,430	1,886	1,380	**5,653,315**
Loans and advances to banks	322,874	3,229	249	76,358	74	**402,784**
Investments at FVPL	207,383	-	-	60	500	**207,943**
Loans and advances to customers	1,349,563	198,647	783,138	3,176,677	4,378,022	**9,886,047**
Fair value of derivative assets	4,857	522	178	19,018	52	**24,627**
Non-trading investments	4,737	28,209	300,124	1,089,668	282,433	**1,705,171**
Financial assets classified as held for sale	470,112	773	2,756	9,046	78,775	**561,462**
Other assets	74,148	15,255	8,110	2,678	2,020	**102,211**
	8,040,017	**264,911**	**1,119,985**	**4,375,391**	**4,743,256**	**18,543,560**
Financial liabilities						
Deposits by banks	40,311	24,966	19,375	166,712	148,593	**399,957**
Funding from central banks	-	-	-	979,666	-	**979,666**
Customer deposits	11,846,823	1,916,872	2,717,157	58,496	-	**16,539,348**
Subordinated loan stock	23,125	-	-	92,500	296,250	**411,875**
Fair value of derivative liabilities	4,930	998	877	23,138	16,035	**45,978**
Lease liabilities	815	1,374	6,193	26,364	11,320	**46,066**
Other liabilities	179,006	20,473	27,571	5,281	2,691	**235,022**
	12,095,010	**1,964,683**	**2,771,173**	**1,352,157**	**474,889**	**18,657,912**
Net financial (liabilities)/assets	**(4,054,993)**	**(1,699,772)**	**(1,651,188)**	**3,023,234**	**4,268,367**	**(114,352)**

47. Risk management - Liquidity risk and funding (continued)

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,002,953	21,601	31,129	2,571	1,788	**5,060,042**
Loans and advances to banks	178,469	52,400	1,300	88,712	-	**320,881**
Investments at FVPL	150,225	1,573	-	59	24,249	**176,106**
Loans and advances to customers	2,181,791	196,572	776,266	3,160,333	4,406,879	**10,721,841**
Fair value of derivative assets	2,953	105	158	19,511	333	**23,060**
Non-trading investments	32,182	64,401	327,718	999,274	306,149	**1,729,724**
Financial assets classified as held for sale	19,660	85	503	2,651	3,030	**25,929**
Other assets	76,140	32,436	29,710	8,310	-	**146,596**
	7,644,373	**369,173**	**1,166,784**	**4,281,421**	**4,742,428**	**18,204,179**
Financial liabilities						
Deposits by banks	159,078	28,581	18,759	147,378	194,118	**547,914**
Repurchase agreements	-	-	170,503	-	-	**170,503**
Customer deposits	10,931,766	2,292,781	3,353,357	132,036	-	**16,709,940**
Subordinated loan stock	23,125	-	-	92,500	319,375	**435,000**
Fair value of derivative liabilities	6,244	71	5,524	13,194	25,560	**50,593**
Lease liabilities	946	1,535	6,884	22,075	-	**31,440**
Other liabilities	213,879	6,319	3,943	-	50	**224,191**
	11,335,038	**2,329,287**	**3,558,970**	**407,183**	**539,103**	**18,169,581**
Net financial (liabilities)/assets	**(3,690,665)**	**(1,960,114)**	**(2,392,186)**	**3,874,238**	**4,203,325**	**34,598**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	504,655	36,127	3,193	-	-	**543,975**
Contractual amounts payable	(499,949)	(35,502)	(3,148)	-	-	**(538,599)**
	4,706	**625**	**45**	**-**	**-**	**5,376**
Financial liabilities						
Contractual amounts receivable	565,613	175,348	2,858	-	-	**743,819**
Contractual amounts payable	(570,353)	(175,907)	(2,888)	-	-	**(749,148)**
	(4,740)	**(559)**	**(30)**	**-**	**-**	**(5,329)**

47. Risk management - Liquidity risk and funding (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,801	1,542	312	-	-	**4,655**
Guarantees	101,769	105,057	264,089	123,140	25,475	**619,530**
Commitments						
Documentary credits	2,482	5,591	4,957	676	1,160	**14,866**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,986,291	-	-	-	-	**1,986,291**
	2,093,343	**112,190**	**269,358**	**123,816**	**26,635**	**2,625,342**

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	434,309	6,525	448	-	-	**441,282**
Contractual amounts payable	(432,201)	(6,439)	(445)	-	-	**(439,085)**
	2,108	**86**	**3**	**-**	**-**	**2,197**
Financial liabilities						
Contractual amounts receivable	843,726	4,222	445	-	-	**848,393**
Contractual amounts payable	(850,046)	(4,276)	(444)	-	-	**(854,766)**
	(6,320)	**(54)**	**1**	**-**	**-**	**(6,373)**

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,922	2,373	521	-	-	**5,816**
Guarantees	88,696	117,436	278,187	155,718	43,047	**683,084**
Commitments						
Documentary credits	3,217	4,002	2,403	985	1,160	**11,767**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,921,341	-	-	-	-	**1,921,341**
	2,016,176	**123,811**	**281,111**	**156,703**	**44,207**	**2,622,008**

48. Risk management - Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the 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.

48. Risk management - Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are largely random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

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

Life 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 well 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 careful use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The Group uses an analysis based on its embedded value which provides a comprehensive framework for the evaluation and management of risks faced, the understanding of earnings volatility and operational planning. The table below shows the sensitivity of the embedded value to assumption changes that substantially affect the results:

Changes in embedded value	**2020** €000	2019 €000
Change in unit growth +0.25%	**97**	80
Change in expenses +10%	**(2,451)**	(2,351)
Change in lapsation rates +10%	**(480)**	(665)
Change in mortality rates +10%	**(6,457)**	(6,196)

The variables above are not linear. In each sensitivity calculation for changes in key economic variables, all other assumptions remain unchanged except when they are directly affected by the revised economic conditions.

Changes to key non–economic variables do not incorporate management actions that could be taken to mitigate effects, nor do they take account of consequential changes in policyholder behaviour. In each sensitivity calculation all other assumptions are therefore unchanged.

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.

While the magnitude of these sensitivities will, to a large extent, reflect the size of closing embedded value, each variable will have a different impact on different components of the embedded value. In addition, other factors such as the intrinsic cost and time value of options and guarantees, the proportion of investments between equities and bonds and the type of business written, including for example, the extent of with–profit business versus non–profit business and to the extent to which the latter is invested in matching assets, will also have a significant impact on sensitivities.

48. Risk management - Insurance risk (continued)

Non-life insurance contracts
Non-life insurance business is concentrated in Cyprus and the main claims during 2020 and 2019 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 strict underwriting policies, strict review of all claims occurring, immediate review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

49. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholders' value.

The capital adequacy framework, as in force, was incorporated through the CRR and Capital Requirements Directive IV (CRD IV) and came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD IV 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 and investment firms. It is directly applicable in all EU member states. CRD IV 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 IV 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 (CRR II and CRD V) came into force. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II. Member states are required to transpose the CRD V into national law. Certain provisions took immediate effect (primarily relating to MREL), but most changes will start to apply from mid-2021. Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission. The key changes introduced consist of among others changes to qualifying criteria for 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 and a Net Stable Funding Ratio (NSFR).

In addition, the Regulation (EU) 2016/445 of the ECB on the exercise of options and discretions available in Union law (ECB/2016/4) provides certain transitional arrangements which supersede the national discretions unless they are stricter than the EU Regulation 2016/445.

49. Capital management (continued)

Moreover, in June 2020 Regulation (EU) 2020/873 came into force which provides for certain amendments in response to the COVID-19 pandemic, bringing forward some of the capital relieving measures that were due to come into force at a later stage and introducing modifications as part of the wider efforts of competent authorities to provide the support necessary to the institutions. The main adjustments affecting the Group's own funds as at 31 December 2020 relate to the acceleration of the implementation of the new SME discount factor under CRR II introduced in June 2020 instead of June 2021 (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. In addition, the amendments, introduce temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented in the third quarter of 2020. Lastly changes on the application of prudential treatment of software assets as amended by CRR II came into force in December 2020 advancing the implementation to 2020 instead of 2021.

The Group and the Company have complied with the minimum capital requirements (Pillar I and Pillar II).

The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated UCITS management company of the Group, BOC Asset Management Ltd complies with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations as at 31 December 2020. The regulated investment firm (CIF) of the Group, The Cyprus Investment and Securities Corporation Ltd (CISCO) was behind the minimum initial capital requirement and the additional capital conservation buffer as at 31 December 2019. In 2020, CISCO took the necessary steps, restored its regulatory capital and complied with the minimum capital adequacy ratio requirements.

The Pillar III Disclosures Report (unaudited) of the Group required with respect to the requirements of the Capital Requirements Regulation (EU) No 575/2013 as amended by CRR II applicable as at the reporting date, is published on the Group's website www.bankofcyprus.com (Investor Relations).

50. Related party transactions

Aggregate amounts outstanding at year end and additional transactions

	2020	2019	2020	2019
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons				
- less than 1% of the Group's net assets per director	**9**	11	**98**	309
Loans and advances to other key management personnel and connected persons			**21,870**	22,227
Total loans and advances as at 31 December			**21,968**	22,536
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,515**	3,247
- connected persons			**19,453**	19,289
			21,968	22,536
Interest income for the year			**710**	179
Commission income for the year			**3**	3
Insurance premium income for the year			**257**	179
Subscriptions and insurance expenses for the year			**461**	902
Deposits at 31 December:				
- members of the Board of Directors and other key management personnel			**2,017**	1,896
- connected persons			**2,801**	4,979
			4,818	6,875
Interest expense on deposits for the year			**3**	4
Accruals and other liabilities as at 31 December with entity providing key management personnel services			**2,013**	9,827
Staff costs consultancy and restructuring expenses with entity providing key management personnel services			**10,087**	17,941

The above table does not include year-end balances for members of the Board of Directors and their connected persons who resigned during the year.

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.

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 €57 thousand (2019: €78 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €3,007 thousand (2019: €1,367 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 other connected persons, using forced-sale values for tangible collaterals and assigning no value to other types of collaterals, at 31 December 2020 amounted to €1,197 thousand (2019: €1,216 thousand).

At 31 December 2020 the Group has a deposit of €4,081 thousand (2019: €2,848 thousand) with Piraeus Bank SA, in which Mr Arne Berggren is a non-executive Director. The Group has also provided certain indemnities to Piraeus Bank SA as part of the disposal of Kyprou Leasing SA in 2015.

50. Related party transactions (continued)

During the year ended 31 December 2020 premiums of €26 thousand (2019: €40 thousand) and claims of €15 thousand (2019: €784 thousand) were paid between the members of the Board of Directors of the Company and their connected persons and the insurance subsidiaries of the Group.

There were no other transactions during the year ended 31 December 2020 and the year ended 31 December 2019 with connected persons of the current members of the Board of Directors or with any members who resigned during the year.

Connected persons include spouses, minor children and companies in which directors/other key management personnel, hold directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties include entities providing key management personnel services to the Company.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions including interest rates with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Company's employees and their connected persons on the same terms as those of customers.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2020	2019
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**708**	1,910
Termination benefits	**450**	-
Employer's contributions	**49**	100
Retirement benefit plan costs	**55**	152
	1,262	2,162
Other key management personnel emoluments		
Salaries and other short term benefits	**3,363**	3,013
Termination benefits	**-**	186
Employer's contributions	**241**	170
Retirement benefit plan costs	**155**	131
Total other key management personnel emoluments	**3,759**	3,500
Total	**5,021**	5,662

Fees and benefits are included for the period that they serve as members of the Board of Directors.

The termination benefits of the executive directors relate to compensation paid to an executive director who left the Group on 31 October 2020. The retirement benefit plan costs relate to contributions paid for defined contribution plan.

The termination benefits for other key management personnel during 2019 relate to compensation paid to a member of the Executive Committee who left the Group under the voluntary exit plan.

50. Related party transactions (continued)

Executive Directors
The salaries and other short term benefits of the Executive Directors are analysed as follows:

	2020	2019
	€000	€000
John Patrick Hourican (Chief Executive Officer - resigned on 30 August 2019)	**-**	1,510
Panicos Nicolaou (Chief Executive Officer - appointed on 1 September 2019)	**506**	168
Christodoulos Patsalides (First Deputy Chief Executive Officer - resigned on 31 October 2020)	**202**	232
	708	1,910

The retirement benefit plan costs for 2020 amounting to €55 thousand (2019: €152 thousand) relate to Mr Panicos Nicolaou €40 thousand (2019: €15 thousand since the date of his appointment), Dr Christodoulos Patsalides €15 thousands up to the date of his resignation (2019: €20 thousand) and for 2019 Mr John Patrick Hourican up to the date of his resignation €117 thousand.

Non-executive Directors
Non-executive director fees are reflected as an expense of BOCH and as a result no non-executive director fees are disclosed. However, these are recharged by the holding company back to the Company and the recharge cost is included within 'Other operating expenses'.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the management team who report directly to the Chief Executive Officer or to the First Deputy Chief Executive Officer or Deputy CEO (prior to the change in the group organisational structure, those who reported directly to the Chief Executive Officer or the Deputy Chief Executive Officer and Chief Operating Officer).

51. Group companies

The main subsidiary companies and branches included in the Consolidated Financial Statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2020 are:

Company	**Country**	**Activities**	**Percentage holding (%)**
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	100
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd)	Cyprus	UCITS Fund	58
LCP Holdings and Investments Public Ltd	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
BOC Asset Management Ltd	Cyprus	Management administration and safekeeping of UCITS Units	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

51. Group companies (continued)

In addition to the above companies, at 31 December 2020 the Company had 100% shareholding in the companies listed below, whose activity is the ownership and management of immovable property:

Cyprus: Belvesi Properties Ltd, Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Folimo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Orzo Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Subworld Properties Ltd, Jongeling Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Intelamon Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Edilia Properties Ltd, Icazo Properties Ltd, Limoro Properties Ltd, Rofeno Properties Ltd, Samilo Properties Ltd, Jalimo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Vemoto Properties Ltd, Prodino Properties Ltd and Zenoplus Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Romaland Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2020 the Company had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2020 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Alepar Properties Ltd, Cramonco Properties Ltd, Monata Properties Ltd, Aktilo Properties Ltd, Alezia Properties Ltd, Aparno Properties Ltd, Enelo Properties Ltd, Mikosa Properties Ltd, Stormino Properties Ltd, Stevolo Properties Ltd, Lomenia Properties Ltd, Vertilia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Romaland Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Tantora Properties Ltd, Zunimar Properties Ltd, Selilar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

51. Group companies (continued)

The Company also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC III Ltd, CYCMC IV Ltd and BOC Terra AIF V.C.I Plc.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above, except for Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC which is a UCITS Fund, have share capital consisting of ordinary shares.

Control over CLR Investment Fund Public Ltd (CLR) and its subsidiaries without substantial shareholding

The Group considers that it exercises control over CLR and its subsidiaries (Europrofit Capital Investors Public Ltd, Axxel Ventures Ltd and CLR Private Equity Ltd) through control of the members of the Board of Directors and is exposed to variable returns through its holding.

Restructuring of investment of banking and brokerage activities

On 19 November 2020, the Group proceeded with a restructuring of its investment banking and brokerage activities through the acquisition by CISCO of LCP Holdings and Investments Public Ltd and CLR Investment Fund Public Ltd. This was achieved by an increase in the share capital of CISCO to the Company in exchange of the shares held by the Company in both companies. In particular 67% of LCP Holdings and Investments Public Ltd and 20% in CLR Investment Fund Public Ltd are owned by CISCO as at 31 December 2020. In January 2021, CISCO also proceeded with the acquisition of BOC Asset Management Ltd from the Company. The above restructuring did not have an impact on the results of the Group.

Dissolution and disposal of subsidiaries

As at 31 December 2020, the following subsidiaries were in the process of dissolution or in the process of being struck off: Renalandia Properties Ltd, Crolandia Properties Ltd, Fantasio Properties Ltd, Demoro Properties Ltd, Elosis Properties Ltd, Polkima Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Bramwell Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Corner LLC, Diners Club (Cyprus) Ltd, Fairford Properties Ltd, Leasing Finance LLC, Mirodi Properties Ltd, Nallora Properties Ltd, Omiks Finance LLC, Salecom Ltd, Sylvesta Properties Ltd, Commonland Properties Ltd, Fledgego Properties Ltd, Loneland Properties Ltd, Frozenport Properties Ltd, Melgred Properties Ltd, Unknownplan Properties Ltd, Battersee Real Estate SRL and Trecoda Real Estate SRL.

Bank of Cyprus (Channel Islands) Ltd, Bocaland Properties SRL, Selilar Properties SRL and Tantora Properties SRL were dissolved during the year ended 31 December 2020. Legamon Properties Ltd, Ligisimo Properties Ltd, Syniga Properties Ltd, Badrul Properties Ltd, Marisaco Properties Ltd and Gozala Properties Ltd were disposed of during the year ended 31 December 2020.

52. Acquisitions and disposals of subsidiaries

52.1 Acquisitions during 2020

There were no acquisitions during 2020.

52.2 Disposals during 2020

There were no material disposals during 2020.

52.3 Acquisitions during 2019

There were no acquisitions during 2019.

52. Acquisitions and disposals of subsidiaries (continued)

52.4 Disposals during 2019

52.4.1 Disposal of Cyreit

In June 2019, the Group completed the sale of its entire holding of 88.2% in Cyreit.

The carrying value of the Company's share of assets and liabilities disposed of as at the date of their disposal are presented below:

Assets	**€000**
Loans and advances to banks	**7,980**
Investment properties	**133,401**
	141,381
Liabilities	
Other liabilities	**(314)**
Net identifiable assets sold	**141,067**

The final purchase consideration amounted to €141,139 thousand. The disposal resulted in a gain of €72 thousand disclosed within 'Net losses from revaluation and disposal of investment properties'.

The net cash flows of Cyreit were as follows:

	2019
	€000
Net cash inflow for the year from operating activities	**1,330**

There were no cash equivalents as at the date of disposal.

52.4.2 Disposal of NMH group

In December 2019, the Group completed the sale of its entire holding of 64% in NMH group. The carrying value of the assets and liabilities disposed of as at the date of their disposal are presented below:

Assets	**€000**
Property and equipment	**91,219**
Other assets	**420**
Placements with banks	**2,161**
	93,800
Liabilities	
Other liabilities	**(6,340)**
Net identifiable assets sold	**87,460**

The accumulated losses allocated to non-controlling interest amount to €847 thousand. The purchase consideration amounted to €92,193 thousand and involved the settlement of existing facilities and provision of new lending giving rise to a gain on disposal of €3,886 thousand disclosed within 'Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates'.

The net cash flows of NMH group were as follows:

	2019
	€000
Operating	**(1,148)**
Investing	**(33)**
Financing	**1,181**
Net cash inflow for the year	**-**

The cash and cash equivalents as at the date of disposal amounted to €1,936 thousand.

53. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	Percentage holdings (%)	2020 €000	2019 €000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	**34.2**	**2,462**	2,393
Aris Capital Management LLC	**30.0**	**-**	-
Rosequeens Properties Limited	**33.3**	**-**	-
Rosequeens Properties SRL	**33.3**	**-**	-
Tsiros (Agios Tychon) Ltd	**50.0**	**-**	-
M.S. (Skyra) Vassas Ltd	**15.0**	**-**	-
Fairways Automotive Holdings Ltd	**45.0**	**-**	-
		2,462	2,393

Share of pre-tax profit from associates

	2020 €000	2019 €000
CNP Cyprus Insurance Holdings Ltd	**n/a**	5,312
Apollo Global Equity Fund of Funds Variable Capital	**69**	201
	69	5,513

The share of profit from associate CNP Cyprus Insurance Holdings Ltd for the year ended 31 December 2019 refers to the period up to the date of classification of CNP Cyprus Insurance Holdings Ltd as held for sale as described below.

Investments in associates

CNP Cyprus Insurance Holdings Ltd - Disposed in 2019
The holding in CNP Cyprus Insurance Holdings Ltd of 49.9% had been acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In May 2019 the Company signed a binding agreement to sell its entire shareholding to CNP Assurances S. A. who owned the remaining 50.1% and was the controlling party. The investment was classified as held for sale as at 30 June 2019 and prior to this classification it was remeasured at fair value less cost to sell; a loss of €25,943 thousand was recognised in the consolidated income statement for the year ended 31 December 2019. The sale was completed in October 2019 and the sale consideration of €97,500 thousand was payable in cash on completion. There was no accounting loss on the sale.

No information is provided regarding the financial highlights for 31 December 2019 since the investment in associate was disposed of in October 2019.

The transactions between CNP Cyprus Insurance Holdings Ltd and the Group during 2019, up to the date of disposal are presented in the table below:

	2019 €000
Interest expense paid by the Group	62
Other expenses paid by the Group	46
Other income received by the Group	3

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
The Group holds effectively 34.2% (2019: 34.1%) of the UCITS of Apollo due to gradual redemption of the other holders of Apollo. The Group considers that it exercises significant influence over Apollo even though no Board representation exists, because due to its UCITS holdings, it possesses the power to potentially appoint members of the Board of Directors.

53. Investments in associates and joint venture (continued)

Rosequeens Properties Limited and Rosequeens Properties SRL
The Group effectively owns 33.3% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Group's share of net assets of the associate at 31 December 2020 and 2019 had €nil accounting value as the net assets of the associate had a negative balance.

Aris Capital Management LLC
The Group's holding in Aris Capital Management LLC of 30.0% was transferred to the Group following the acquisition of certain operations of Laiki Bank in 2013. The investment is considered to be fully impaired and its value is restricted to zero.

M.S. (Skyra) Vassas Ltd
In the context of its loan restructuring activities, the Group acquired 15.0% interest in the share capital of M.S. (Skyra) Vassas Ltd. M.S. (Skyra) Vassas Ltd is the parent company of a group of companies (Skyra Vassas group) with operations in the production, processing and distribution of aggregates (crushed stone and sand) and provision of other construction materials, and services based on core products such as ready-mix concrete, asphalt and packing of aggregates. The Group considers that it exercises significant influence over the Skyra Vassas group as the Group has the power to have representation to the Board of Directors and to vote for matters relating to the relevant activities of the business. The investment is considered to be fully impaired and its value is restricted to zero.

D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd
During December 2019, the Group transferred its entire holding in D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd of 7.5% to the majority holder following settlement of their facilities. The holding had been acquired in the context of its loan restructuring activities. D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd had operations in leisure, tourism, film and entertainment industries in Cyprus. The investments were considered to be fully impaired and their value was restricted to zero. The disposal did not impact the consolidated income statement of the Group.

Fairways Automotive Holdings Ltd
In the context of its loan restructuring activities, the Group acquired 45.0% interest in the share capital of Fairways Automotive Holdings Ltd. Fairways Automotive Holdings Ltd is the parent company of Fairways Ltd operating in the import and trading of motor vehicles and spare parts. The Group considers that it exercises significant influence over the company. The investment is considered to be fully impaired and its value is restricted to zero.

Investment in joint venture

Tsiros (Agios Tychon) Ltd
The Group holds a 50.0% shareholding in Tsiros (Agios Tychon) Ltd. The shareholder agreement with the other shareholder of Tsiros (Agios Tychon) Ltd stipulates a number of matters which require consent by both shareholders, therefore the Group considers that it jointly controls the company. The carrying value of Tsiros (Ayios Tychon) Ltd is restricted to zero.

The percentage holdings are in ordinary shares or membership interests.

54. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for year 2020:

Country	Total operating income/(expense) €000	Average number of employees	Profit/(loss) before tax €000	Accounting tax expense/(income) on profit/(loss) €000	Corporation tax paid/(refunded) €000	Public subsidies received €000
Cyprus	571,462	3,573	(155,765)	5,765	1,185	-
Russia	(29)	5	(1,909)	476	476	-
United Kingdom	19	1	35	-	-	-
Romania	(1,236)	6	(1,181)	4	17	-
Greece	440	8	(7,922)	64	(419)	-
Total	**570,656**	**3,593**	**(166,742)**	**6,309**	**1,259**	**-**

Total operating income/(expenses), profit/(loss) before tax and accounting tax expenses/(income) on profit/(loss) are prepared on the same basis as the figures reported elsewhere in these financial statements.

The activities of Group companies by geographical area are disclosed in Note 51.

Total operating income/(expense): comprises net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions, gains/(losses) from revaluation and disposal of investment properties, gains/(losses) on disposal of stock of property and other income.

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2020.

Profit/(loss) before tax: profit/(loss) before tax represents profits/(losses) after the deduction of inter-segment revenues/(expenses).

Accounting tax expense/(income) on profit/(loss): includes corporation tax and Cyprus special defence contribution. Deferred tax charge for the year is excluded from the above.

Corporation tax paid/(refunded) includes actual payments made during 2020 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution.

55. Events after the reporting period

55.1 TLTRO III

In December 2020 the ECB announced the extension of the period over which more favourable terms will apply to the third series of targeted longer-term refinancing operations (TLTRO III) by twelve months, to June 2022 and also announced that three additional TLTRO III operations will be conducted between June and December 2021.

The Company already participated in 2020 in TLTRO III by borrowing €1,000 million, which may benefit from the favourable terms for a further 12 months following the announcement by the ECB in December 2020, provided it meets the lending threshold set by the ECB. In addition, in March 2021 the Company borrowed additional €1,700 million under the new TLTRO III operation.

55.2 Project Helix 2B

In January 2021, the Group reached an agreement for the sale of a portfolio (the 'Portfolio 2B') of loans and advances to customers (known as 'Project Helix 2B'). The Portfolio 2B will be transferred to a CyCAC by the Company and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B.

As at 31 December 2020, the Portfolio 2B including stock of property and cash, had a net book value of €224,476 thousand (Note 29). The gross consideration for Project Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

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

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Limited

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Bank of Cyprus Public Company Limited (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 40 to 229 and comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

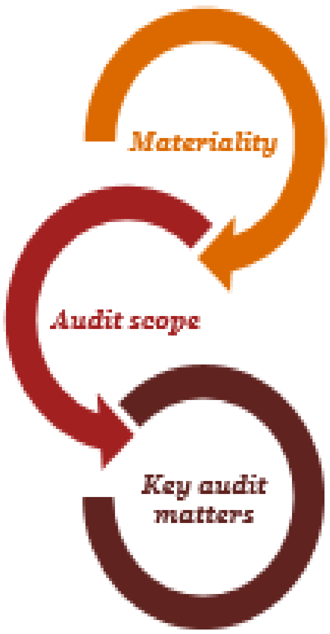
Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

	• Overall group materiality: €16.5 million, which represents approximately 0.9% of the Group's net assets as presented on the consolidated balance sheet by line item 'Equity attributable to the owners of the Company'.
	• We audited the complete financial information of 3 components, all in Cyprus, assessed as significant components. • In addition, for components not assessed as significant, audit work over specific financial statement lines was performed. • Our audit scope addressed approximately 96% of the Group's revenues and approximately 98% of the Group's total assets.
	We have identified the following key audit matters: • Impairment of loans and advances to customers. • Going concern. • Litigation provisions and regulatory and other claims. • Valuation of stock of properties. • Privileged user access.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	€16.5 million.
How we determined it	Based on approximately 0.9% of the Group's net assets as presented on the consolidated balance sheet by line item 'Equity attributable to the owners of the Company'.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark, because in our view, it is reflective of the Group's Common Equity Tier 1 ("CET1") capital position, which is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements. We chose 0.9%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €823 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Bank of Cyprus Public Company Limited is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of Bank of Cyprus Public Company Limited.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured into separate units, with the most significant being the Banking and the Insurance operations, both of which operate primarily in Cyprus. The Banking operations comprise one component, being Bank of Cyprus Public Company Limited. The Insurance operations comprise two components, being EuroLife Limited and General Insurance of Cyprus Limited. Full scope audit procedures were performed in respect of these components.

For other group business reporting units additional substantive audit procedures were carried out in order to achieve the desired appropriate audit evidence. The consolidated financial statements are a consolidation of all the reporting units.

Taken together, our audit scope addressed approximately 96% of the Group's revenues and approximately 98% of the Group's total assets.

Where the work was performed by component auditors, we as group auditors determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. Our involvement in that work included, amongst others, the instructing of the component auditors with respect to matters pertaining to the risk assessment process as well as our review of detailed memorandums prepared by the component auditors delineating the results of audit procedures performed. Further, on the basis of frequent communications with component audit teams in relation to the nature, timing and extent of the work impacting the Group audit opinion we ensured that our audit plan was appropriately executed. The group consolidation and consolidated financial statement disclosures are audited by the group engagement team.

By performing the procedures above at component level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers Refer to Note 2.19, "Impairment of financial assets" within Note 2, "Summary of significant accounting policies", Note 5.2, "Calculation of expected credit losses" within Note 5 "Significant and other judgements, estimates and assumptions, Note 23, "Loans and advances to customers" and Note 45, "Risk management - credit risk". The Group has developed complex models to calculate expected credit losses ("ECL") on its loans and advances to customers. Impairment provisions are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant or which meet specific criteria determined by management. We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including:	We obtained an understanding of controls relevant to the audit, evaluated their design and also tested the operating effectiveness of such key controls across processes relevant to the calculation of ECL. We read and considered the minutes of the Joint Audit & Risk committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk committee. We assessed the appropriateness of the key assumptions used in the methodologies and models developed by the Group and their compliance with the requirements of IFRS 9. We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the criteria used to allocate loans and advances to customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered staging overlays, in particular those applied by management with respect to moratorium customers, where applicable. We tested the completeness and accuracy of data inputs to the ECL model by tracing on a sample basis, relevant data fields to source

• The interpretations and assumptions required to build the models, including the segmentation employed; • The allocation of loans and advances to customers within Stages 1, 2 or 3 including consideration of relevant overlays, where applicable; • The increased complexity of identifying 'Significant Increase in Credit Risk' during a period of repayment moratorium due to the reduced availability of arrears data; and • The inputs, assumptions and probability weights assigned to multiple economic scenarios as used by the Group.	documents (such as loan agreements and collateral valuations) and the performance of data validation tests. We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator "challenger model'', on the basis of which an independent point ECL estimate was developed and compared against the Group's own calculation. We evaluated the Group's individual assessments for a sample of material Stage 3 exposures for compliance with the Group's policies, developments during 2020 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records. We considered the impact on the Group's ECL charge of expected realisation through disposals of certain loan portfolios comprising primarily Stage 3 loans and determined whether the related ECL charge is reasonable. We assessed, with the assistance of PwC credit risk experts, forecast macroeconomic variables used within the macroeconomic model scenarios such as Gross Domestic Product, unemployment, interest rates and House Price Index. We evaluated the appropriateness of the Group's disclosures particularly in relation to significant judgements and estimates. We concluded that the methodologies and judgments used by management in determining the ECL charge were reasonable, that the ECL provisions recognised were reasonable and the disclosures made in

	relation to these matters in the consolidated financial statements were appropriate.
Going concern Refer to Note 3 "Going Concern" to the consolidated financial statements. The Directors are required to prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors have determined that it is appropriate to prepare the consolidated financial statements using the going concern assumption and that no material uncertainties exist relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. In making their assessment, the Directors have considered a period of at least twelve months from the date of approval of the consolidated financial statements. As part of its assessment, the Group has considered a number of macroeconomic scenarios and then assessed the resulting Group capital and liquidity ratios for comparison against regulatory requirements. The development of these scenarios requires considerable management judgement. Particular consideration has been given to assessing the impact of COVID-19 and of measures taken by the Cypriot government to mitigate its spread as well as legislative amendments in Cyprus and changes to Bank capital and liquidity requirements announced during 2020 by the European Central Bank ("ECB"). Where appropriate, the Directors have identified relevant actions to support the Group's capital and liquidity positions. We determined this to be a key audit matter due to the ongoing focus on the capital adequacy for the Group, the uncertainties involved in the delivery of the Group's Financial Plan and the increased risks presented by the continuing COVID-19 pandemic.	We obtained the Directors' going concern assessment and assessed whether events and conditions exist that create material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. We read correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Group, as well as other correspondence such as the findings of the ECB's Supervisory Review and Evaluation Process (SREP) which determines the Group's required Regulatory ratios. We considered the Group's 4-year Financial Plan approved by the Board in November 2020. We compared the Group's CET1 and other capital and liquidity ratios as included in management's going concern assessment versus regulatory reporting submissions of the Group. We evaluated the Group's assessment of the impact of COVID-19 and other factors on its operations, liquidity and capital ratios for the period of assessment. In particular, we: • Considered the Group's models used to develop projected future operating results, cash flows and estimates of assets and liabilities and challenged the assumptions underlying them by reference to past experience and policies implemented by the Cypriot government in response to COVID-19 designed to support the economy. • Assessed the Group's development of alternative (base and adverse) macroeconomic scenarios by reference to internal and external forecasts for the performance of the Cypriot economy over the next two years. • Considered the Group's estimates with respect to projected liquidity,

	in the context of liquidity stress testing. • Assessed the Group's estimation of the expected ECL impact on the customer loan portfolio and the valuation of property assets held as collateral and their consistency with the macroeconomic scenarios under consideration. We noted the capital and liquidity relief measures as announced by the ECB during 2020 and the implied capital release, for a period at least to the end of 2022, made available to the Group as a result of these measures. We discussed a number of matters with relevant regulatory authorities including the nature of the relief measures, their availability to the Group and their likely duration. We also evaluated the disclosures made in the consolidated financial statements and assessed whether they reflected the basis of the conclusions of the Directors' assessment. We concluded that the judgements made by the Directors in preparing the consolidated financial statements on a going concern basis were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Litigation provisions and regulatory and other claims Refer to Note 2.36 "Provisions for pending litigation, claims regulatory and other matters" within Note 2 "Summary of significant accounting policies", Note 5.4 "Provisions for pending litigation, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 39 "Pending litigation, claims, regulatory and other matters", to the consolidated financial statements. The Group is subject to various legal claims, investigations and other proceedings. Management together with the Group's compliance and legal departments and, where	We obtained an understanding of controls relevant to the audit, evaluated their design and tested the operating effectiveness of certain controls relating to elements of recognising and measuring litigation provisions and regulatory and other matters. We obtained and evaluated management's assessment of individual cases. For a sample of cases, we assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary we confirmed case facts and judgements directly with external legal advisors. For cases where economic outflow was assessed as probable and therefore a provision recorded, we recalculated the provision and

necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for each individual case and assess the probability of economic outflow from the Group. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters require a significant level of judgement by management. The judgements relate to the probability of obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	performed sensitivity analysis on key assumptions used by management. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or developments in current cases which might impact their outcome. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of or possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2020. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Valuation of stock of properties Refer to Note 2.31 "Stock of property", within Note 2 "Summary of significant accounting policies", Note 5.3, "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 27 "Stock of properties". The Group has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property at the lower of their cost or net realisable value in accordance with IAS 2. Valuations obtained from reputable external valuers are a key input to determine the appropriate carrying amount.	We obtained an understanding of controls relevant to the audit, evaluated their design and also tested the operating effectiveness of such key controls across processes that are relevant to the valuation of stock of properties. We focused on the key inputs and assumptions underlying the valuation of the properties accounted for in accordance with IAS 2. We evaluated the competence, capability and objectivity of management's external experts (property valuers). For a sample of properties, we obtained the valuation reports used by the Group from external valuers to ensure the accuracy of management's records. For a sample of external valuation reports, we assessed the methodology and assumptions

In light of the large volume of properties held and the uncertainty around market conditions (including those reflecting the COVID-19 pandemic) when estimating the carrying amount, we determined this to be a key audit matter.	used with the assistance of PwC valuation experts. For a sample of newly-onboarded properties, we tested "cost" by reference to signed "debt-for-asset" agreements entered into with Group borrowers, and we tested the "net realisable value" by reference to external valuation reports. We performed look-back procedures by comparing the price achieved for disposals during 2020 to the carrying amounts for those assets at 31 December 2019. We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards. We concluded that the judgements and estimates used by management in determining the carrying amount of stock of properties were reasonable and the disclosures made in relation to these matters in the consolidated financial statements were appropriate.
Privileged user access The Group's financial reporting is heavily reliant on IT systems which have been in place for a number of years and which are inherently complex, thereby creating an elevated risk to financial reporting. The Group relies on privileged user access controls which are critical to ensuring that changes to the applications and underlying data are made in an appropriate manner such that the risk of potential fraud or errors as a result of changes to application functionality and data is mitigated. We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data and we performed extensive procedures due to the nature of the legacy systems in place.	With the assistance of PwC IT audit specialists, we obtained an understanding of the Group's IT environment and evaluated and tested the design and operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting. Where deficiencies in privileged user access controls were identified we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we: • Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to validate the completeness of access rights within the Group's user access tool that supports the management of user

	access, for the provision, deprovision, and recertification of privileged access;. • Extracted the list of privileged users on the Group's data warehouse and considered the appropriateness of access during 2020; • Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and reviewed the appropriateness of developer access; and • Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Group's password policy requirements. After evaluating the results of these additional audit procedures, where necessary our team performed further audit procedures such that, we concluded that any residual audit risk was reduced to an acceptable level.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Definitions and explanations on Alternative Performance Measures Disclosures, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the consolidated financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

29 March 2021

Financial Statements 2020

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Income Statement
for the year ended 31 December 2020

	Notes	2020 €000	2019 €000
Turnover*		**654,468**	780,164
Interest income	6	**390,740**	468,985
Income similar to interest income	6	**71,844**	81,210
Interest expense	7	**(61,362)**	(92,358)
Expense similar to interest expense	7	**(44,720)**	(48,708)
Net interest income		**356,502**	409,129
Fee and commission income	8	**141,247**	161,797
Fee and commission expense	8	**(10,091)**	(12,521)
Net foreign exchange gains	9	**19,631**	38,247
Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates	10	**(29,715)**	(30,743)
Dividend income from subsidiaries and associates	22	**25,567**	22,267
Net gains from revaluation and disposal of investment properties		**(1,043)**	3,234
Net gains on disposal of stock of property	26	**7,888**	11,828
Other income	11	**5,281**	5,055
		515,267	608,293
Staff costs	12	**(180,248)**	(280,414)
Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies	13	**(33,656)**	(43,609)
Other operating expenses	13	**(166,170)**	(213,425)
		135,193	70,845
Net gains on derecognition of financial assets measured at amortised cost		**2,949**	8,901
Credit losses to cover credit risk on loans and advances to customers	14	**(274,163)**	(234,573)
Credit losses of other financial instruments	14	**(8,744)**	(38,683)
Impairment of non-financial assets	14	**(17,588)**	(16,653)
Loss before tax		**(162,353)**	(210,163)
Income tax	15	**(818)**	118,253
Loss after tax for the year		**(163,171)**	(91,910)
Basic and diluted loss per share (€ cent)	16	**(1.7)**	(1.0)

* The Company's turnover as presented on the Income statement is analysed in Note 6 of the Consolidated Financial Statements of the Bank of Cyprus Group.

	Notes	**2020** **€000**	2019 €000
Loss for the year		**(163,171)**	(91,910)
Other comprehensive income (OCI)			
OCI that may be reclassified in the income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net (losses)/gains on investments in debt instruments measured at fair value through OCI (FVOCI)		**(6,891)**	14,923
Transfer to the income statement on disposal		**(3,653)**	-
		(10,544)	14,923
Foreign currency translation reserve			
(Loss)/profit on translation of net investments in foreign branches and subsidiaries		**(564)**	1,771
Total OCI that may be reclassified in the income statement in subsequent periods		**(11,108)**	16,694
OCI not to be reclassified in the income statement in subsequent periods			
Fair value reserve (equity instruments)			
Net gains on investments in equity instruments designated at FVOCI		**73**	449
Property revaluation reserve			
Fair value gain before tax	*24*	**1,054**	-
Deferred tax	*15*	**2,057**	56
		3,111	56
Actuarial losses on the defined benefit plans			
Remeasurement losses on defined benefit plans	*12*	**(2,655)**	(1,542)
Total OCI not to be reclassified in the income statement in subsequent periods		**529**	(1,037)
Other comprehensive (loss)/income for the year net of taxation		**(10,579)**	15,657
Total comprehensive loss for the year		**(173,750)**	(76,253)

Balance Sheet
as at 31 December 2020

	Notes	2020 €000	2019 €000
Assets			
Cash and balances with central banks	17	**5,653,143**	5,059,881
Loans and advances to banks	17	**361,278**	288,756
Derivative financial assets	19	**24,627**	23,060
Investments	18	**1,663,226**	1,506,309
Investments pledged as collateral	18	**37,105**	222,961
Loans and advances to customers	21	**9,882,154**	10,715,402
Balances with Group companies	22	**740,931**	749,490
Prepayments, accrued income and other assets	27	**130,365**	131,188
Stock of property	26	**678,426**	687,823
Deferred tax assets	15	**341,182**	379,091
Investment properties	20	**47,438**	52,106
Property and equipment	24	**220,881**	230,455
Intangible assets	25	**46,254**	48,463
Investments in associates	23	**2,191**	2,191
Investments in subsidiaries	48	**97,609**	108,177
Non-current assets and disposal groups held for sale	28	**618,987**	25,929
Total assets		**20,545,797**	20,231,282
Liabilities			
Deposits by banks		**388,693**	531,190
Funding from central banks	29	**994,694**	-
Repurchase agreements		**-**	168,129
Derivative financial liabilities	19	**45,978**	50,593
Customer deposits	30	**16,533,212**	16,691,531
Balances with Group companies	22	**71,806**	99,967
Accruals, deferred income, other liabilities and other provisions	32	**276,407**	267,400
Pending litigation, claims, regulatory and other matters	37	**116,611**	100,796
Subordinated loan stock	31	**272,152**	272,170
Deferred tax liabilities	15	**20,443**	22,455
Total liabilities		**18,719,996**	18,204,231
Equity			
Share capital	33	**959,794**	959,794
Share premium	33	**-**	618,868
Revaluation and other reserves		**71,032**	81,977
Retained earnings	35	**574,975**	146,412
Other equity instruments	33	**220,000**	220,000
Total equity		**1,825,801**	2,027,051
Total liabilities and equity		**20,545,797**	20,231,282

Mr. E.G. Arapoglou Chairman

Mr. P. Nicolaou Chief Executive Officer

Mr. N. Sofianos Director

Mrs. E. Livadiotou Executive Director Finance

	Attributable to shareholders of the Company							
	Share capital (Note 33)	Share premium (Note 33)	Retained earnings (Note 35)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 33)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2020	959,794	618,868	146,412	56,507	28,171	(2,701)	220,000	**2,027,051**
Loss for the year	-	-	(163,171)	-	-	-	-	**(163,171)**
Other comprehensive (loss)/income after tax for the year	-	-	(2,655)	3,111	(10,471)	(564)	-	**(10,579)**
Total comprehensive (loss)/income after tax for the year	-	-	(165,826)	3,111	(10,471)	(564)	-	**(173,750)**
Transfer of realised profits on disposal of properties	-	-	3,021	(3,021)	-	-	-	**-**
Reduction of share premium (Note 33)	-	(618,868)	618,868	-	-	-	-	**-**
Payment of coupon to AT1 holders (Note 33)	-	-	(27,500)	-	-	-	-	**(27,500)**
31 December 2020	**959,794**	**-**	**574,975**	**56,597**	**17,700**	**(3,265)**	**220,000**	**1,825,801**

Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital (Note 33)	Share premium (Note 33)	Retained earnings (Note 35)	Property revaluation reserve	Financial instruments fair value reserve	Foreign currency translation reserve	Other equity instruments (Note 33)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2019	892,294	551,368	401,833	56,681	12,799	(4,472)	220,000	**2,130,503**
Loss for the year	-	-	(91,910)	-	-	-	-	**(91,910)**
Other comprehensive (loss)/income after tax for the year	-	-	(1,542)	56	15,372	1,771	-	**15,657**
Total comprehensive (loss)/income after tax for the year	-	-	(93,452)	56	15,372	1,771	-	**(76,253)**
Issue of share capital (Note 33)	67,500	67,500	(135,000)	-	-	-	-	**-**
Payment of coupon to AT1 holders (Note 33)	-	-	(27,199)	-	-	-	-	**(27,199)**
Transfer of realised profits on disposal of properties	-	-	230	(230)	-	-	-	**-**
31 December 2019	**959,794**	**618,868**	**146,412**	**56,507**	**28,171**	**(2,701)**	**220,000**	**2,027,051**

	Notes	2020 €000	2019 €000
Net cash flow (used in)/from operating activities	*39*	**(319,651)**	90,090
Cash flows from investing activities			
Purchases of debt securities and equity securities		**(573,648)**	(428,233)
Proceeds on disposal/redemption of investments:			
- debt securities		**557,303**	131,864
Interest received from debt securities		**33,514**	33,992
Dividend income received		**25,790**	27,935
Proceeds on disposal of subsidiaries and associates		**53,354**	241,467
Net proceeds on disposal of the Helix and Velocity portfolios		**13,409**	1,154,982
Proceeds on disposals of assets held for sale		**21,100**	-
Purchases of property and equipment	*24*	**(7,188)**	(6,956)
Purchases of intangible assets	*25*	**(12,722)**	(20,672)
Proceeds on disposals of investment properties		**4,940**	14,059
Proceeds on disposals of property and equipment and intangible assets		**337**	293
Net cash from investing activities		**116,189**	1,148,731
Cash flow from financing activities			
Net proceeds/(repayment) of funding from central banks		**1,000,000**	(830,000)
Interest on subordinated loan stock		**(23,329)**	(23,325)
Interest on funding from central banks		**(18,782)**	(17,448)
Payments of principle element of lease liabilities		**(7,962)**	(8,659)
Payment of AT1 coupon		**(27,500)**	(27,199)
Net cash from/(used in) financing activities		**922,427**	(906,631)
Net increase in cash and cash equivalents		**718,965**	332,190
Cash and cash equivalents			
1 January		**5,099,877**	4,771,570
Foreign exchange adjustments		**29,615**	(3,883)
Net increase in cash and cash equivalents		**718,965**	332,190
31 December	*40*	**5,848,457**	5,099,877

Details on the non-cash transactions are presented in Note 39.

1. Corporate information

Bank of Cyprus Public Company Limited (the Company) is the holding company of the Bank of Cyprus Group (the Group). The principal activities of the Company involve the provision of banking, financial services and management and disposal of property predominately acquired in exchange of debt.

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

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law.

The shares of the parent company Bank of Cyprus Holdings Public Limited Company (BOCH), a company incorporated in Ireland, are listed and trading on the London Stock Exchange (LSE) and the Cyprus Stock Exchange (CSE). The Company remains a public company for the purposes of the Cyprus Income Tax Laws.

The financial statements are available at the Bank of Cyprus Public Company Ltd registered office (51 Stassinos Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus) and on the website www.bankofcyprus.com (Investor Relations).

The Annual Report of Bank of Cyprus Holdings Public Limited Company Group is available on the website www.bankofcyprus.com (Investor Relations).

Financial Statements
The Financial Statements of the Bank of Cyprus Public Company Ltd for the year ended 31 December 2020 (the Financial Statements) were authorised for issue by a resolution of the Board of Directors on 29 March 2021.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The Company presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of financial 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 42.

The Financial Statements include the branch of the Company in Greece.

Statement of compliance
The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

2. Summary of significant accounting policies (continued)

2.2 Accounting policies and changes in accounting policies and disclosures

The accounting policies adopted in preparing the Financial Statements of the Company are consistent with those adopted in preparing the Consolidated Financial Statements of the Group, a summary of which is presented in Note 2 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020.

In addition the following policies are adopted:

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

The Company periodically evaluates the recoverability of the investment in subsidiary companies whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows of the subsidiaries or material adverse changes in the economic or political stability of the country that the subsidiaries operate, which may indicate that the carrying amount of the investment in subsidiary companies is not recoverable. If facts and circumstances indicate that investment in subsidiary companies may be impaired, the recoverable amount of each subsidiary would be compared to the carrying amount of the investment in the subsidiary in the Company's financial statements to determine if impairment of the investment is necessary. An impairment loss is recognised equal to the excess of the carrying amount of the investment in the subsidiary over its recoverable amount.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 2.2.1 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020.

2.3 Comparative information

Comparative information was restated in relation to the presentation of Credit risk concentration of loans and advances to customers as detailed in Notes 43.2 and 43.3.

The changes did not have an impact on the results for the year or the equity of the Company.

3. Going concern

The Directors have made an assessment of the Company's and the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these Financial Statements. The Directors believe that the Group is taking all necessary measures to continue in operation and the development of its business in the current economic environment.

The Group has developed a Financial Plan which was approved by the Board in November 2020 (the 'Plan').The Plan incorporates the impact of the COVID-19 pandemic and considers the disruption it has caused to the Group's customers, suppliers and staff. It remains unclear how the COVID-19 pandemic will evolve through 2021 and beyond, which from a commercial, regulatory and risk perspective could be significantly different to past crises and persist for a prolonged period. The Group's Financial Plan considered factors that may inform the impact of the COVID-19 pandemic, including (amongst other things), changing macroeconomic variables, further waves of the pandemic and successful deployment of vaccines. This included the development of macroeconomic scenarios, base and adverse. The scenarios developed take into consideration the following drivers and implications:

- Impact on relevant economic variables, the most significant of which include residential and commercial property prices, national output and lending volumes.
- Impact on employment levels and relevant unemployment rates.
- Government guidance and policy response to the crisis.
- Capital and liquidity relief measures.

3. Going concern (continued)

- Other considerations such as the prudential charge that the Company will need to take in order to address the findings of the onsite inspection and review on the value of the Group's foreclosed assets completed by the ECB with reference date 30 June 2019.
- Expected formation of NPEs following the exit from the moratorium at the end of December 2020 as well as expected resolution over the period of the Financial Plan.

Due to the dynamic nature of COVID-19, the full impact on the future profitability is difficult to estimate. The government response to curtail the virus and changing customer behaviours may impact the future performance. The Group has sensitised its projection to cater for downside scenarios and has used conservative economic inputs to develop its medium-term strategy. The Plan adverse scenarios have considered the capital forecast for the Group, and its ability to withstand adverse scenarios such as the economic environment in Cyprus deteriorating.

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

Capital
The following items have been considered in relation to the Group's capital adequacy throughout the period of the going concern assessment:
- The Common Equity Tier 1 (CET1) ratio and the Total Capital ratio on a transitional basis at 31 December 2020 are higher than the SREP requirements (Note 4.1).
- The Group's capital position which allows further risk reduction and recalibration of the cost base. The Group remains focused to implement the actions contemplated in the Financial Plan.
- The capital relief measures announced by the ECB, the EBA, the CBC, the Cyprus Government and the Eurogroup in order to allow banks to absorb the impact of the COVID-19 outbreak and support the real economy.
- The agreement for the Helix 2 transaction in August 2020 and January 2021 which, along with the organic and inorganic reduction over the last years led to a significant decrease in NPEs.

Funding and liquidity
The following items have been considered in relation to the Group's liquidity position throughout the period of the going concern assessment:
- The Group is in compliance with the Liquidity Coverage Ratio (LCR) and is significantly above the minimum requirements.
- The Group is monitoring its liquidity position and is considering ways to further reduce the deposits cost.
- The various measures of regulators which aim to mitigate the impact of the COVID-19 outbreak.

Economic environment
- As the Cypriot operations account for 99% of gross loans and 100% of customer deposits, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus. The sovereign risk ratings of the Cyprus Government improved considerably in recent years, reflecting expectations of a sustained decline in public debt as a ratio to GDP, expected further declines in non-performing exposures and a more stable price environment following a protracted period of deflation and low inflation. The risk profile of the country deteriorated in 2020 as a result of the coronavirus pandemic and measures to mitigate its impact on the economy, but the rating outlook remains stable to positive reflecting expectations of a return to growth and stabilising underlying dynamics in public finances. Following the severe recession in 2020 there will be recovery in 2021, which will be partial, and it will take until 2022 for real GDP to return to its pre-crisis levels.

3. Going concern (continued)

- In March 2021, S&P affirmed its rating (BBB-) and its outlook to stable, balancing the risks from the pandemic's protracted adverse impact on growth, fiscal, and banking sector performance against benefits of the EU's Recovery and Resilience Facility (RRF) transfers, as well as further improvement in the government's debt profile. In January 2021, Moody's issued a credit opinion for the Cyprus Government, according to which Moody's expect the economy to return to growth rates from 2021 (GDP growth rate for 2021 expected at 3.5% following a contraction of 5.5% in 2020).
- With respect to the Company's ratings, Moody's affirmed the Company's long-term deposit rating of 'B3' (positive outlook) in November 2020. In July 2020, S&P affirmed their long-term issuer credit rating on the Company of 'B+' and the short-term issuer credit rating of 'B', with a stable outlook, expressing the view that the enhanced capital reserves and the good liquidity position of the Company will allow it to withstand the current shock and absorb the effects of the increasing pressure on revenues and credit losses. In January 2021, Fitch Ratings affirmed their long-term issuer credit rating of the Company of 'B-' and outlook of the Company to negative. Negative outlook reflecting that risks remain skewed to the downside in the medium-term, if recession proves deeper or the recovery weaker than Fitch's forecasts.
- The global and domestic macroeconomic conditions as a result of the COVID-19 crisis are the primary risk factors for the Cyprus economy and the banking sector. Adverse developments regarding growth, fiscal policy, unemployment, tourism and real estate prices, could have a negative impact on the Group's capital adequacy and its liquidity. Management closely monitors the developments and the impact they may have on the Group's operations and financial performance.

4. Operating environment

4.1 Regulatory capital ratios

Following the annual Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2019 the Group's minimum phased in CET1 capital ratio and Total Capital Ratio remained unchanged for 2020 compared to 2019, when ignoring the phasing in of the Other Systemically Important Institution (O-SII) buffer.

The Group is subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). However, the Pillar II add-on capital requirements are a point in time assessment and therefore are subject to change over time.

The Group's minimum phased in CET1 capital ratio for 2020 was set to 11.0% (2019: 10.5%), comprising a 4.5% Pillar I requirement, a 3.0% Pillar II requirement (P2R), the Capital Conservation Buffer (CCB) of 2.5% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.0% (2019: 0.5%). The Group's Total Capital requirement is 14.5% (2019: minimum phased in Total capital ratio of 14.0%), comprising an 8.0% Pillar I requirement (of which up to 1.5% could be in the form of Additional Tier 1 (AT1) capital and up to 2.0% in the form of Tier 2 (T2) capital), a 3.0% P2R, the CCB of 2.5% and the O-SII buffer of 1.0% (2019: 0.5%). The ECB has also provided non-public guidance for an additional Pillar II CET1 buffer.

In April 2020, and following ECB and EBA announcements on 12 March 2020 in response to the COVID-19 outbreak, the Company received an amending SREP decision from the ECB amending the composition of the Pillar II additional own funds requirement, allowing it to use AT1 capital and T2 capital to meet P2R and not only by CET1, compared to the 2019 final SREP decision received in December 2019 which required P2R to be met in full with CET1. This decision became effective from 12 March 2020. This brings forward a measure that was scheduled to come into force in January 2021 with CRD V. As a result of this amending decision, the minimum phased in CET1 requirement of the Group decreased to 9.7%, comprising a 4.5% Pillar I requirement, a 1.7% P2R, the CCB of 2.5% (fully phased in as of 1 January 2019) and the O-SII buffer of 1.0%. There is no change on the Total Capital requirement.

4. Operating environment (continued)

4.1 Regulatory capital ratios (continued)

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

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

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the Countercyclical Capital Buffer (CCyB) level in accordance with the methodology described in this law. The CBC has set the level of the CCyB for Cyprus at 0% for the years 2020 and 2019 and the six months up to June 2021.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are O-SIIs and for the setting of the O-SII buffer requirement for these systemically important banks. The Company has been designated as an O-SII and the CBC set the O-SII buffer for the Company and the Group at 2.0%.

This buffer is being phased in gradually, having started from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%). In April 2020, the CBC decided to delay the phasing in (0.5%) of the O-SII buffer on 1 January 2021 and 1 January 2022 by 12 months. Consequently, the O-SII buffer will be fully phased in on 1 January 2023, instead of 1 January 2022 as originally set.

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

The above minimum ratios apply for both the Company and the Group. The Company is 100% subsidiary of Bank of Cyprus Holdings Public Limited Company.

4.2 Asset quality

The Group addresses the asset quality challenge through the operation of the Restructuring and Recoveries Division which is actively seeking to find innovative solutions to manage distressed exposures. The Group has been successful in engineering restructuring solutions across the spectrum of its loan portfolio.

The Group is currently in the process of updating its NPE Strategy plan which is to be submitted to the ECB by 31 March 2021. The NPE Strategy is expected to be in line with the NPEs evolution as per the Group's Financial Plan.

4.3 Liquidity

Company customer deposits totalled €16,533 million at 31 December 2020, compared to €16,692 million at 31 December 2019. At 31 December 2020 and 31 December 2019 all deposits were in Cyprus. As at 31 December 2020 Company customer deposits accounted for 80% of total assets (31 December 2019: 83%) and 88% of total liabilities (31 December 2019: 92%).

4. Operating environment (continued)

4.3 Liquidity (continued)

As at 31 December 2020 and 31 December 2019, the Group was in compliance with all regulatory liquidity requirements. As at 31 December 2020 and 31 December 2019 the Group's LCR was in compliance with the minimum regulatory requirements of 100%. In addition the Group monitors the NSFR which will become a regulatory indicator when CRR II is enforced with the limit set at 100%.

4.4 Pending litigation, claims, regulatory and other matters

Management has considered the potential impact of pending litigation and claims, investigations, regulatory and other matters against the Company which include the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Company has obtained legal advice in respect of these claims.

Despite the fact that the Company has not dealt with claims of such nature in the past, on the basis of information available at present and on the basis of the law as it currently stands, in relation to such matters but also for other litigation claims, regulatory and matters, management does not expect these to have a material adverse impact on the financial position and capital adequacy of the Company. For additional information on pending litigation, claims, regulatory and other matters as well as the judgement exercised in concluding on the impact of these matters refer to Notes 5.4 and 37.

5. Significant and other judgements, estimates and assumptions

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

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

The most significant judgements, estimates and assumptions relate to the classification of financial instruments and the calculation of expected credit losses (ECL), the estimation of the net realisable value of stock of property and the provisions which are presented in Notes 5.1 to 5.4 below. Other judgements, estimates and assumptions are disclosed further below in Notes 5.5 to 5.10.

5.1 Classification of financial assets

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

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

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

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

5.2 Calculation of expected credit losses

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

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

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

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

For the retail portfolio, the Company uses a PD at origination incorporating behavioural information (score cards) whereas, for the corporate portfolio, the Company uses the internal credit rating information. In determining the relevant PDs, management estimates are required with respect to the life-time of revolving facilities. For revolving facilities, the origination date is the date when a credit review has taken place.

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

The outlook for the global economy has deteriorated markedly in 2020 as a result of the COVID-19 pandemic and the lockdown measures to contain it that led to significant disruptions in economic activity. Worst outcomes were avoided by aggressive and excessively expansive monetary and fiscal policies. As a result, the Company updated its forward-looking scenarios, factoring in updated macroeconomic assumptions and other monetary and fiscal developments at the national and the EU level, for mitigating the consequences of the pandemic. While the outlook for 2021 and the medium term is now positive, the risk profile of the country has deteriorated. This has been the result of a combination of political, policy, cyclical and structural factors, and by the uncertainties in the external environment which remain high. The strength and shape of the economic recovery will depend on the upside and downside risks. The most serious downside risk is how prolonged the pandemic will be and potential complications regarding vaccination programmes.

The Company uses three different economic scenarios in the calculation of default probabilities and provisions.

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

5.2 Calculation of expected credit losses (continued)

The tables below indicate the most significant macroeconomic variables as well as the scenarios used by the Company as at 31 December 2020 and 2019 respectively. The Company has used the 30-50-20 probability structure for the adverse, base and favourable scenarios respectively compared to the 25-50-25 structure derived using the method described in Note 2.19.5 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020. This reflects the management's view of specific characteristics of the Cyprus economy that render it more vulnerable to external and internal shocks. Despite the more positive outlook for 2021, given the added uncertainties and downside risks in the global economy as well as the local economy, related to the COVID-19 pandemic, management decided to maintain an elevated weight on the adverse scenario.

The economy continues to face financial and macroeconomic risks, including high public debt ratio and a relatively high level of NPEs that together maintain elevated vulnerabilities and limit the policy reaction space thus sustaining conditions, which can lead to a deeper recession in response to shocks than under normal times.

In the banking sector, there has been a steady and significant progress since the crisis of 2013-2014. Private indebtedness and non-performing exposures have declined sharply. However, the end of the moratoria on interest and principal payments that were implemented to mitigate the impact of the COVID-19, may lead to pressures that may give rise to an increase in non-performing exposures especially if the travel related sectors (most hit by the coronavirus pandemic) take longer to recover. Also, there is a significant economic structural risk given a very large external sector and high concentration to geographical areas. These factors, render the economy more susceptible to external shocks and weaken its resilience, and may, in management's view not be fully captured in the weights as calculated using the method described in Note 2.19.5 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020. Hence management has decided to increase the weight of the adverse scenario to 30%, and correspondingly reduce the weight of the favourable scenario to 20%.

31 December 2020

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2021	Adverse	30.0	-0.6	9.6	-2.2	-4.0
	Baseline	50.0	4.0	7.4	-0.8	-2.3
	Favourable	20.0	4.8	6.4	-0.1	-0.8
2022	Adverse	30.0	4.3	8.7	-1.1	-2.3
	Baseline	50.0	3.9	6.2	0.8	0.3
	Favourable	20.0	4.4	5.8	1.4	2.4
2023	Adverse	30.0	4.0	7.4	0.3	2.5
	Baseline	50.0	3.4	5.7	1.4	4.1
	Favourable	20.0	3.5	5.6	1.4	5.2
2024	Adverse	30.0	3.5	6.7	0.8	5.3
	Baseline	50.0	3.0	5.7	1.6	5.3
	Favourable	20.0	3.0	5.6	1.6	5.9
2025	Adverse	30.0	2.7	6.6	1.5	5.8
	Baseline	50.0	2.7	5.7	1.9	5.5
	Favourable	20.0	2.7	5.5	2.0	6.1

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

5.2 Calculation of expected credit losses (continued)

31 December 2019

Year	Scenario	Weight %	Real GDP (% change)	Unemployment rate (% of labour force)	Consumer Price Index (average % change)	RICS House Price Index (average % change)
2020	Adverse	30.0	-0.9	8.2	-0.9	1.9
	Baseline	50.0	3.0	5.8	1.1	4.1
	Favourable	20.0	4.4	5.4	1.8	4.7
2021	Adverse	30.0	-3.1	10.3	0.3	-0.7
	Baseline	50.0	2.5	5.4	1.7	3.1
	Favourable	20.0	4.0	4.9	2.5	5.1
2022	Adverse	30.0	0.9	10.7	2.2	2.3
	Baseline	50.0	2.2	5.2	2.0	3.3
	Favourable	20.0	2.8	4.7	2.1	4.3
2023	Adverse	30.0	4.0	9.6	2.5	3.2
	Baseline	50.0	2.2	5.1	2.1	3.2
	Favourable	20.0	2.3	4.6	2.1	3.2
2024	Adverse	30.0	4.2	9.8	2.6	3.1
	Baseline	50.0	2.0	5.1	2.2	3.1
	Favourable	20.0	1.9	4.6	2.2	3.1

The December 2019 scenarios were constructed before the outbreak of the coronavirus pandemic and did not incorporate its impact in the underlying assumptions. The December 2020 scenarios were constructed incorporating the impact of the pandemic on the economy in 2020. The adverse scenario for 2021 in the December 2020 exercise incorporated the steep contraction in 2020 that was not anticipated at the time of the December 2019 forecast exercises and hence growth in the later years is higher in the 2020 scenarios.

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 primarily determined by GDP growth but with a lag. Thus property prices will initially adjust less steeply than GDP, and will start to accelerate after the recovery in GDP has been entrenched. After this point, property prices will accelerate and will match and surpass the pace in the baseline scenario, before finally converging.

The baseline scenario was updated for the December 2020 reporting, considering available information and relevant developments until then and after the second wave of the pandemic had given rise to lockdown measures as from October 2020. Economic activity had dropped sharply in the second quarter and continued to decline in the third and fourth quarters on a year-on-year basis but at a considerably slower pace. The second wave and associated lockdown measures were less economically damaging given their lower severity and an increased competence of the economy to cope with the pandemic-related disruption. Real GDP contracted by 5.1% in the year on average according to the latest estimates of the Cyprus Statistical Service. This is better than initially anticipated and was driven by the strength of fiscal measures at the national level and the coherent policy reaction at the EU level. Economic activity is expected to remain weak in the first quarter of 2021 due to the continued implementation of lockdown measures. Recovery is expected to accelerate from the second quarter onwards. Real GDP is expected to increase by 4% in 2021. Inflation will remain subdue as long as wages remain subdued and energy prices are unlikely to rise significantly. The unemployment rate may edge a little higher as government support is withdrawn and businesses cut costs. Likewise, property prices may drop slightly as demand remains relatively weak.

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

5.2 Calculation of expected credit losses (continued)

The adverse scenario is consistent with assumptions for the COVID-19 related disruptions under the baseline scenario but to a higher degree of severity. The Cypriot economy relies on services, particularly on tourism and travel. This makes the economy more exposed than other countries to travel restrictions and quarantine measures that have been adopted in Cyprus and across the globe. The hit to the Cyprus economy from falling external demand for travel and tourism services and the knock-on effects to related sectors will be significantly more severe than under the baseline scenario. The accommodation and food services sector continues to be the most highly impacted and also manufacturing and construction that are more highly correlated with travel. Real GDP is expected to continue to contract in 2021, under the adverse scenario, but marginally by 0.6% given the steep contraction of the year before. In the labour market the unemployment rate rises more steeply to 9.6% as the government withdraws fiscal support and banks limit their lending to riskier sectors. Property prices will be affected more severely and drop by about 4% as foreign demand drops, and domestic housing demand slows also.

Since 1 January 2018, the Company has reassessed the key economic variables used in the ECL models consistent with the implementation of IFRS9. The Company uses actual values for the input variables. These values are sourced from the Cyprus Statistical Service, the Eurostat and the Central Bank of Cyprus for the residential property price index and the European Central Bank for interest rates. Interest rates are also sourced from Bloomberg. In the case of property prices the Company additionally uses actual values from the Royal Institute of Chartered Surveyors. For the forward reference period, the Company uses the forecast values for the same variables, as prepared by the Bank's Economic Research Department. The results of the internal forecast exercises are consistent with publicly available forecasts from official sources including the European Commission, the International Monetary Fund, the European Central Bank and the Ministry of Finance of the Republic of Cyprus.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted, if considered necessary, by the Risk Management Division and endorsed by the Group Provisions Committee. Qualitative adjustments or overlays were applied to the positive future property value capping it to 0% for all scenarios and to all loans and advances to customers which are secured by property collaterals.

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

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

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

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

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

5.2 Calculation of expected credit losses (continued)

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

At 31 December 2020 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provisions calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (31 December 2019: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (31 December 2019: average of seven years), excluding those classified as held for sale.

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

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

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

Expected lifetime of revolving facilities
A behavioural maturity model for revolving facilities has been developed during 2020 based on the Company's available historical data, where an expected maturity for each revolving facility based on the customer's profile is assigned. The impact from the implementation of the behavioural maturity model had an increase in ECL of €5 million. Prior to the introduction of the model, the lifetime of such facilities was set by reference to their next review date.

Modelling adjustments
Forward looking models have been developed for ECL parameters PD, EAD, LGD for all portfolios and segments sharing similar characteristics. Model validation is performed by the independent validation unit within the Risk Management Division on an annual basis and involves several statistical tests that assess the stability and performance of the models. In certain cases, judgement is exercised in the form of management overlay by applying adjustments on the modelled parameters. Governance of these models lies with the Risk Management Division, where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management Division, endorsed by the Provisions Committee and approved by the joint Risk and Audit Committee.

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

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

5.2 Calculation of expected credit losses (continued)

Overlays in the context of COVID-19
Following the COVID-19 pandemic, the Company considered the complexities of governmental support programmes and regulatory guidance on treatment of customer payment breaks by the ECL models. In this context, management has considered the data and measurement limitations arising from the extraordinary impact of COVID-19 and addressed them through management overlays in relation to the significant credit risk deterioration, behavioural ratings and PD.

SICR adjustment
The initial granting of customer relief does not automatically trigger a migration to Stage 2 or Stage 3 for the customers that have applied for the moratorium. Following an assessment performed for SICR for these customers as at 31 December 2020, a management overlay was applied, in order to capture any bias introduced in the customer's credit ratings by defining collective rules that can assess Stage 1 and Stage 2 misclassified customers, due to unrepresentative outlook of the idiosyncratic risk. The exercise carried out compared the observed with the expected score/rating (excluding days past due and arrears elements that are unavailable for moratorium customers) movement and assessed if any customers exhibit severe deterioration/improvement. A staging overlay was then applied on these customers in order to classify them accordingly to Stage 2 or Stage 1. The isolated impact of this overlay resulted in a transfer of loans of €157 million from Stage 1 to Stage 2 and a transfer of loans of €2 million from Stage 2 to Stage 1. These overlays had an impact on the ECL of €517 thousand.

Additionally, customers that were identified as having experienced a SICR resulting in a migration of €354 million of loans from Stage 1 to Stage 2 during the first, second or third quarter of 2020 were not allowed to migrate back to Stage 1 during 2020. The impact on the ECL (no reversal of ECL) was €2 million.

SICR overlays also include transfers of moratorium loans of €56 million that have incurred missed payments in the first week of January 2021 and €63 million of moratorium loans for which their review was not completed by 31 December 2020 based on quantitative characteristics from Stage 1 to Stage 2. These overlays had an impact on the ECL of €754 thousand.

Probability of default and behavioural ratings adjustment
A PD overlay was applied in order to avoid extreme values in the model predictions whilst ensuring that the moratorium will not cause a timeline misalignment between the model projected and observed 2021 defaults. Specifically, model projected default rates from first quarter of 2020 onwards have been shifted and distributed equally throughout the year. The isolated impact of this overlay resulted in an ECL impact of €11 million.

The second PD overlay relates to behavioural ratings, where a prudent logic was applied in order to prevent any moratorium-biased ratings to reflect an improved asset quality. To this end, an overlay was applied which did not allow any moratorium facilities to have improved ratings when compared to their corresponding February 2020 rating. The isolated impact of this overlay resulted in an ECL increase of €5 million.

The purpose of these overlays is to minimise potential cliff effects with the end of the moratorium, by assessing the customers' long-term recovery ability, utilising short-term behavioural signals.

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. During 2020, in response to the COVID-19 pandemic, the selection criteria were expanded to include significant Stage 1 exposures within highly impacted sectors to assess potential increase in credit risk and significant exposures which transitioned from Stage 1 to Stage 2 to assess potential indications for unlikeliness to pay.

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

5.2 Calculation of expected credit losses (continued)

In addition to individually assessed assets the Company also assesses assets collectively. The collectively assessed portfolio includes all loans which are not individually assessed. The Company categorises the exposures into sufficiently granular portfolio segments with shared risk characteristics. The granularity for the IFRS 9 segments is aligned with the Internal Rating Based (IRB) segmentation.

Further details on impairment allowances and related credit information are set out in Note 43.

5.3 Stock of property - estimation of net realisable value

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

More details on the stock of property are presented in Note 26.

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

The accounting policy for provisions is described in Note 2.36 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. It is expected that the Company will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Company determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the estimated possible loss for such matters. Actual results may prove to be significantly higher or lower than the estimate of possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Company believed the probability of loss was remote.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 37.

5.5 Tax

The Company, other than Cyprus, is subject to tax in the countries that it has run-down operations mainly in Greece and Romania. Estimates are required in determining the provision for taxes at the reporting date. The Company recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets
In the absence of a specific accounting standard dedicated to the accounting of the asset that arose pursuant to amendments in the Income Tax Law effected in March 2019 which provides for the recoverability of tax assets arising from transfer of tax losses following resolution of a credit institution, within the framework of 'The Resolution of Credit and Other Institutions', to be guaranteed (Note 15), the Company had exercised judgement in applying the guidance of IAS 12 in accounting for this asset item as the most relevant available standard. On the basis of this guidance, the Company had determined that this asset should be accounted for on the basis of IAS 12 principles relating to deferred tax assets.

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

5.5 Tax (continued)

For further details on such deferred tax assets refer to Note 15.

5.6 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Company use only observable market data and so the reliability of the fair value measurement is relatively high.

However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Company only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 20.

5.7 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Company's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Company's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 12.

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

5.8 Classification of properties

The Company determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise land and buildings that are not occupied for use by, or in the operations of the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and/or capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Additionally they comprise leased properties which are acquired in exchange of debt and are leased out under operating leases.
- Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps and properties acquired through the acquisition of certain operations of Laiki Bank in 2013 (except from those that are leased out and are classified as investment properties).

5.9 Fair value of properties held for own use and investment properties

The Company's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the fair value is established at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the internationally accepted valuation standards.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparable information, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Further information on inputs used is disclosed in Note 20.

5.10 Leases

Incremental Borrowing Rate (IBR)
The determination of an IBR term structure which is used in the measurement of the present value of the future lease payments as described in Note 2.27 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020, inherently involves significant judgement. The IBR used was based on the Cyprus Government yield curve, with no further adjustment, as a fair proxy for the Company's secured borrowing cost, for a time horizon in accordance to the lease term. The sensitivity analysis on the yield curve performed by the Company showed that the value of the lease liability and corresponding RoU assets is relatively insensitive to changes in the IBR.

Lease term
In determining the lease term, management considers all facts and circumstances that could make a contract enforceable, such as the economics of the contract. The following assumptions were made for the duration of lease term depending on the contract terms:

- For cancellable leases, an assessment was made at the initial application of the standard and subsequently updated where considered appropriate based on the horizon used in the Group's business plan. The current medium term business plan assessment is for a duration of 4 years. The lease term was therefore based on an assessment of either 4 years (being the medium time horizon) or 8 years (being an assessment of a longer time horizon).
- For non-cancellable leases, the lease term has been assessed to be the non-cancellable period.

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

5.10 Leases (continued)

- For leases with an option for renewal, the Company's past practice regarding the period over which it has typically used properties (whether leased or owned), and its economic reasons for doing so, provide information that is helpful in assessing whether the lessee is reasonably certain to exercise, or not to exercise, an option.

Low value assets
The Company has exercised judgement in determining the threshold of low value assets which was set at €5,000.

Further details on the leases are disclosed in Note 41.

6. Interest income and income similar to interest income

Interest income

	2020	2019
	€000	€000
Financial assets at amortised cost:		
- Loans and advances to customers	**356,938**	430,412
- Loans and advances to banks and central banks	**1,467**	5,398
- Debt securities	**10,710**	12,120
Debt securities at FVOCI	**16,319**	21,055
Negative interest on funding from central banks	**5,306**	-
	390,740	468,985

Income similar to interest income

	2020	2019
	€000	€000
Loans and advances to customers at FVPL	**37,530**	43,720
Derivative financial instruments	**34,314**	37,490
	71,844	81,210

7. Interest expense and expense similar to interest expense

Interest expense

	2020	2019
Financial liabilities at amortised cost:	**€000**	€000
- Customer deposits	**13,485**	39,297
- Funding from central banks and deposits by banks	**1,573**	2,542
- Subordinated loan stock	**23,329**	23,325
- Repurchase agreements	**3,784**	9,397
Negative interest on loans and advances to banks and central banks	**18,782**	17,448
Interest expense on lease liabilities	**409**	349
	61,362	92,358

Expense similar to interest expense

	2020	2019
	€000	€000
Derivative financial instruments	**44,720**	48,708

8. Fee and commission income and expense

Fee and commission income

	2020	2019
	€000	€000
Credit-related fees and commissions	**48,481**	59,413
Other banking commissions	**85,700**	86,141
Fees on servicing loans disposed of under Project Helix	**2,170**	11,933
Mutual funds and asset management fees	**2,460**	2,137
Other commissions	**2,436**	2,173
	141,247	161,797

Mutual funds and asset management fees relate to fiduciary and other similar activities.

Credit-related fees and commissions include commissions from credit card arrangements amounting to €27,505 thousand (2019: €33,919 thousand). Other banking commissions include commissions from payment orders amounting to €26,659 thousand (2019: €29,764 thousand) and account maintenance fees of €20,089 thousand (2019: €21,144 thousand).

Fee and commission expense

	2020	2019
	€000	€000
Banking commissions	**9,790**	12,177
Mutual funds and asset management fees	**301**	344
	10,091	12,521

9. Net foreign exchange gains

Net foreign exchange gains comprise of the conversion of monetary assets and liabilities in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

10. Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates

	2020	2019
Trading portfolio:	**€000**	€000
- derivative financial instruments	**(747)**	215
Other investments at FVPL:		
- debt securities	**(1,947)**	6,254
- equity securities	**236**	167
Net gains on disposal of FVOCI debt securities	**2,865**	-
Net losses on balances with Group companies	**(34,292)**	(37,414)
Net gains on loans and advances to customers at FVPL (Note 20)	**3,606**	2,891
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments (Note 19)	**(5,205)**	(4,588)
- hedged items (Note 19)	**5,760**	3,696
Net gains/(losses) on disposal/dissolution of subsidiaries and associates	**9**	(1,964)
	(29,715)	(30,743)

Net losses on balances with Group companies for 2020 of €34,292 thousand relate to fair value losses on receivables from Group property companies in Cyprus of €30,438 thousand and net losses from settlement of balances with Group property companies of €3,854 thousand. Net losses on balances with Group companies for 2019 of €37,414 thousand relate to fair value losses on receivables from Group property companies in Cyprus of €39,881 thousand and net gains from settlement of balances with Group property companies of €2,467 thousand.

The loss on disposal/dissolution of subsidiaries for 2019 primarily relates to loss on disposal of Cyreit Variable Capital Investment Company PLC (Cyreit) (Note 49.4.1), gain on disposal of associate CNP Cyprus Insurance Holdings Ltd (Note 23) and gain on disposal of subsidiaries whose activity is the ownership and management of immovable property.

11. Other income

	2020	2019
	€000	€000
Dividend income	**223**	306
Loss on sale and write-off of property and equipment and intangible assets	**(93)**	(108)
Rental income from investment properties	**2,678**	3,612
Rental income from stock of property	**26**	-
Other income	**2,447**	1,245
	5,281	5,055

Dividend income relates to Cyprus operations.

12. Staff costs

Staff costs

	2020	2019
	€000	€000
Salaries	**139,142**	163,635
Employer's contributions to state social insurance	**24,108**	25,932
Retirement benefit plan costs	**11,173**	14,206
	174,423	203,773
Restructuring costs - voluntary exit plans and other termination benefits	**5,825**	76,641
	180,248	280,414

The number of persons employed by the Company as at 31 December 2020 was 3,141. The number of persons employed by the Company as at 31 December 2019 was 3,235 and included 100 persons relating to Project Helix, whose transfer to the buyer was concluded in January 2020.

In December 2020, the Company proceeded with a targeted voluntary exit plan, with a cost amounting to €5,825 thousand. In total, 27 employees accepted the targeted voluntary exit plan and left the Company early in 2021. In October 2019, the Company proceeded with a voluntary exit plan with a cost amounting to €76,641 thousand. In total, 451 employees accepted the voluntary exit plan and left the Company in late 2019 and early 2020.

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance, the Company operates plans for the provision of additional retirement benefits as described below:

	2020	2019
	€000	€000
Defined benefit plans	**76**	43
Defined contribution plans	**11,097**	14,163
	11,173	14,206

Cyprus
The main retirement plan for the Company's permanent employees in Cyprus (99% of total Company employees) is a defined contribution plan. This plan provides for employer contributions of 8% (2019: 9%) and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

Greece
Following the disposal of the Greek operations in March 2013, a small number of employees of the Company's Greek Branch, who left the Company's employment before March 2013, continued to be members of the defined benefit plans until June 2019, when these employees were paid out.

United Kingdom
The Company has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

12. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans

Amounts recognised in the balance sheet	**2020 €000**	2019
Liabilities (Note 32)	**6,561**	7,052

One of the plans has a funded status surplus of €2,759 thousand (2019: €2,927 thousand) that is not recognised as an asset on the basis that the Company has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the balance sheet and the movement in the net defined benefit obligation for the years ended 31 December 2020 and 2019 are presented below:

12. Staff costs (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2020	74,956	(70,831)	4,125	2,927	**7,052**
Net interest expense/(income)	1,426	(1,350)	76	-	**76**
Total amount recognised in the income statement	1,426	(1,350)	76	-	**76**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(6,182)	(6,182)	-	**(6,182)**
Actuarial loss from changes in financial assumptions	9,121	-	9,121	-	**9,121**
Demographic assumptions	(133)	-	(133)	-	**(133)**
Experience adjustments	17	-	17	-	**17**
Change in asset ceiling	-	-	-	(168)	**(168)**
Total amount recognised in OCI	9,005	(6,182)	2,823	(168)	**2,655**
Exchange differences	(3,965)	3,587	(378)	-	**(378)**
Contributions:					
Employer	-	(2,844)	(2,844)	-	**(2,844)**
Benefits paid from the plans	(3,343)	3,343	-	-	**-**
31 December 2020	**78,079**	**(74,277)**	**3,802**	**2,759**	**6,561**

12. Staff costs (continued)

Retirement benefit plan costs (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2019	63,469	(63,130)	339	7,694	**8,033**
Net interest expense/(income)	1,836	(1,793)	43	-	**43**
Total amount recognised in the income statement	1,836	(1,793)	43	-	**43**
Remeasurements:					
Return on plan assets, excluding amounts included in net interest expense	-	(7,166)	(7,166)	-	**(7,166)**
Actuarial loss from changes in financial assumptions	9,200	-	9,200	-	**9,200**
Demographic assumptions	(915)	-	(915)	-	**(915)**
Experience adjustments	190	-	190	-	**190**
Change in asset ceiling	-	-	-	(4,767)	**(4,767)**
Asset adjustment	-	5,000	5,000	-	**5,000**
Total amount recognised in OCI	8,475	(2,166)	6,309	(4,767)	**1,542**
Exchange differences	3,350	(3,018)	332	-	**332**
Contributions:					
Employer	-	(2,495)	(2,495)	-	**(2,495)**
Benefits paid from the plans	(1,771)	1,771	-	-	**-**
Benefits paid directly by the employer	(403)	-	(403)	-	**(403)**
31 December 2019	**74,956**	**(70,831)**	**4,125**	**2,927**	**7,052**

12. Staff costs (continued)

Retirement benefit plan costs (continued)

The actual return on plan assets for year 2020 was a gain of €7,532 thousand (2019: gain of €8,959 thousand).

The assets of funded plans are generally held in separately administered entities, either as specific assets or as a proportion of a general fund, or as insurance contracts and are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Company is exposed to a number of risks as outlined below:

Interest rate risk	The Company is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Company faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increases with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2020	2019
Equity securities	**53%**	54%
Debt securities	**45%**	44%
Loans and advances to banks	**2%**	2%
	100%	100%

The Company expects to make additional contributions to defined benefit plans of €3,003 thousand during 2021.

At the end of the reporting period, the average duration of the defined benefit obligation was 19.3 years (2019: 19.8 years).

12. Staff costs (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Company during 2020 and 2019 are set out below:

2020	**Cyprus**	**Greece**	**UK**
Discount rate	**0.33%**	**n/a**	**1.45%**
Inflation rate	**1.50%**	**n/a**	**2.85%**
Future salary increases	**2.00%**	**n/a**	**n/a**
Rate of pension increase	**2.00%**	**n/a**	**2.75%**
Life expectancy for pensioners at age 60	**23.5 years M 29.6 years F**	**n/a**	**n/a**
Life expectancy for pensioners at age 65	**n/a**	**n/a**	**22.5 years M 24.9 years F**
2019			
Discount rate	1.11%	1.30%	2.05%
Inflation rate	1.75%	1.75%	2.80%
Future salary increases	2.25%	2.00%	n/a
Rate of pension increase	2.00%	n/a	2.70%
Life expectancy for pensioners at age 60	23.5 years M 29.6 years F	n/a	n/a
Life expectancy for pensioners at age 65	n/a	n/a	22.5 years M 24.9 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Company’s plans in the Eurozone (Cyprus and Greece) which comprise 1% of the defined benefit obligations, the Company adopted a full yield curve approach using AA-rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Company’s plan in the UK which comprises 99% of the defined benefit obligations, the Company adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme’s liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Company, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

12. Staff costs (continued)

Retirement benefit plan costs (continued)

The impact of significant assumptions' fluctuations on the defined benefit obligation as at 31 December 2020 and 2019 is presented below:

Variable	**2020**		2019	
	Change +0.5%	**Change -0.5%**	Change +0.5%	Change -0.5%
Discount rate	**-9.4%**	**10.0%**	-9.6%	10.3%
Inflation growth rate	**6.0%**	**-5.5%**	6.1%	-5.5%
Pension growth rate	**0.1%**	**-0.1%**	0.1%	-0.1%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**3.4%**	**-3.4%**	3.3%	-3.3%

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

13. Other operating expenses

	2020	2019
	€000	€000
Repairs and maintenance of property and equipment	**27,109**	25,279
Other property-related costs	**10,733**	13,613
Consultancy and other professional services fees	**11,112**	12,701
Insurance	**5,326**	5,248
Advertising and marketing	**6,979**	9,276
Depreciation of property and equipment (Note 24)	**15,404**	16,196
Amortisation of intangible assets (Note 25)	**14,832**	13,027
Communication expenses	**5,961**	7,491
Provisions for pending litigations, claims, regulatory and other matters (Note 37.4)	**31,191**	30,801
Printing and stationery	**1,778**	2,614
Cash transfer expenses	**2,526**	3,038
Other operating expenses	**17,730**	27,484
	150,681	166,768
Advisory and other restructuring costs	**15,489**	46,657
	166,170	213,425

Advisory and other restructuring costs comprise mainly fees to external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate and (ii) the disposal of operations and non-core assets.

During the year ended 31 December 2020, the Company recognised €217 thousand relating to rent expense for short term leases, included within 'Other property-related costs' (2019: €358 thousand) and €8,269 thousand relating to the depreciation of right-of-use assets, included within 'Depreciation of property and equipment' (2019: €8,804 thousand) (Note 41).

13. Other operating expenses (continued)

Within the total other operating expenses an amount of €731 thousand (2019: €276 thousand) relates to investment property that generated rental income.

The special tax levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, reduces the payment of the Special Levy up to the level of the total annual Special Levy charge. The Special levy on deposits on credit institutions in Cyprus and contribution to Single Resolution Fund amounted to €24,727 thousand (2019: €24,854 thousand) and is presented on the face of the income statement together with the guarantee fee on annual deferred tax credit amounting to €3,445 thousand (2019: €18,755 thousand) (Note 15) and the contribution to the Deposit Guarantee Fund of €5,484 thousand (2019: nil).

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

Consultancy and other professional services fees and advisory and other restructuring costs include fees (including taxes) to the independent auditors of the Company, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2020	2019
	€000	€000
Audit of the financial statements of the Company	**1,166**	1,031
Other assurance services	**352**	715
Tax compliance and advisory services	**211**	225
Other non-audit services	**385**	338
	2,114	2,309

The following table discloses the fees (including taxes) to the independent auditors of the Company, for the audit and other professional services provided both in Cyprus and overseas for the Group.

	2020	2019
	€000	€000
Audit of the financial statements of the Group and its subsidiaries	**1,602**	1,502
Other assurance services	**368**	732
Tax compliance and advisory services	**211**	225
Other non-audit services	**385**	338
	2,566	2,797

Other assurance services include fees related to the interim review.

14. Credit losses of financial instruments and impairment of non-financial assets

	2020	2019
	€000	€000
Credit losses to cover credit risk on loans and advances to customers		
Impairment loss net of reversals on loans and advances to customers (Note 43.9)	**284,052**	262,236
Recoveries of loans and advances to customers previously written off	**(20,621)**	(25,627)
Changes in expected cash flows	**12,866**	3,537
Financial guarantees and commitments (Notes 43.8.1 and 43.8.2)	**(2,134)**	(5,573)
	274,163	234,573

Credit losses of other financial instruments		
Amortised cost debt securities (Note 18)	**54**	(36)
FVOCI debt securities (Note 18)	**73**	105
Impairment of balances with Group companies (Note 22)	**4,707**	35,380
Loans and advances to banks (Note 17)	**24**	(686)
Other financial assets	**3,886**	3,920
	8,744	38,683

Impairment of non-financial assets		
Stock of property (Note 26)	**6,687**	12,459
Investments in subsidiaries (Note 48)	**10,901**	4,194
	17,588	16,653

The impairment of investment in subsidiaries for 2020 amounts to €10,901 thousand (2019: €4,194 thousand) and represents the difference between the carrying value of the investment in the subsidiary compared to its recoverable amount.

The impairment of balances with Group companies which are measured at amortised cost is computed following the same ECL principles adopted by the Group in preparing the Consolidated Financial Statements of the Group.

Changes in expected cash flows for the year ended 31 December 2020 relate mainly to gross modification loss arising as a result of the modification to loan terms offered pursuant to the moratorium (Note 5.2) as a result of the COVID-19 pandemic.

15. Income tax

	2020	2019
	€000	€000
Current tax:		
- Cyprus	**-**	831
Cyprus special defence contribution	**41**	76
Deferred tax charge/(credit)	**45**	(113,610)
Prior years' tax adjustments	**-**	(5,558)
Other tax charges	**732**	8
	818	(118,253)

15. **Income tax** (continued)

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2020	2019
	€000	€000
Loss before tax	**(162,353)**	(210,163)
Income tax at the normal tax rates in Cyprus	**(20,253)**	(26,194)
Income tax effect of:		
- expenses not deductible for income tax purposes	**15,597**	25,231
- income not subject to income tax	**(11,212)**	(23,551)
- differences between overseas income tax rates and Cyprus income tax rates	**858**	2,006
- deferred tax charge/(reversal of previously recognised deferred tax)	**45**	(113,610)
- losses on which deferred tax was not recognised	**15,051**	23,415
	86	(112,703)
Prior years' tax adjustments	**-**	(5,558)
Other tax charges	**732**	8
	818	(118,253)

Income tax in Cyprus is calculated at the rate of 12.5% on taxable income (2019: 12.5%).

Special defence contribution is payable on rental income at a rate of 3% (2019: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2019: 30%).

The Company's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2020 for: Greece were 24% (2019: 28%) and UK 19% (2019: 19%).

The Company is subject to income taxes in the various jurisdictions it operates and the calculation of the Company's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Company has a number of open income tax returns with various income tax authorities and liabilities relating to these open and 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.

Deferred tax

The net deferred tax assets arise from:

	2020	2019
	€000	€000
Difference between capital allowances and depreciation	**(9,798)**	(9,753)
Property revaluation	**(10,645)**	(12,702)
Unutilised income tax losses carried forward (guaranteed deferred tax asset)	**341,182**	379,091
Net deferred tax assets	**320,739**	356,636

15. Income tax (continued)

The net deferred tax assets comprise of:

	2020	2019
	€000	€000
Deferred tax assets	**341,182**	379,091
Deferred tax liabilities	**(20,443)**	(22,455)
Net deferred tax assets	**320,739**	356,636

The deferred tax assets relate to Cyprus operations.

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

	2020	2019
	€000	€000
1 January	**356,636**	280,879
Deferred tax recognised in the income statement	**(45)**	113,610
Deferred tax recognised in the statement of comprehensive income	**2,057**	56
Transfer to current tax receivables following conversion into tax credit	**(37,909)**	(37,909)
31 December	**320,739**	356,636

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

The analysis of the net deferred tax charge/(credit) recognised in the income statement is set out below:

	2020	2019
	€000	€000
Difference between capital allowances and depreciation	**45**	1,618
Write-back of deferred tax assets	**-**	(115,228)
	45	(113,610)

The analysis of the net deferred tax recognised in other comprehensive income in the statement of comprehensive income is set out below:

	2020	2019
	€000	€000
Timing differences on property revaluation - income	**2,057**	56

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

The main provisions of the legislation are set out below:

- The amendments allow for the conversion of specific tax losses into tax credits.
- The Law applies only to tax losses transferred following resolution of a credit institution within the framework of 'The Resolution of Credit and Other Institutions Law'.
- The losses are capped to the amount of Deferred Tax Assets (DTA) recognised on the balance sheet of the audited financial statements of the acquiring credit institution in the year of acquisition. Tax losses in excess of the capped amount could only be utilised in cases involving transfers of tax losses in relation to tax reorganisations, completed before 1 October 2019. Post 1 October 2019, any excess tax losses expired.

15. Income tax (continued)

- Acquired tax losses are converted into 15 equal annual instalments for credit institutions that will enter into resolution in the future or into 11 equal annual instalments for credit institutions which were in resolution pre 31 December 2017.
- Each annual instalment can be claimed as a deductible expense in the determination of the taxable income for the relevant year. Annual instalments are capped and cannot create additional losses for the credit institution.
- Any amount of annual instalment not utilised is converted into a tax credit (with reference to the applicable tax rate enacted at the time of the conversion) and it can be utilised in the tax year following the tax year to which this tax credit relates to. The tax credit can be used against a tax liability (Corporate Income Tax Law, VAT Law or Bank levy Law) of the credit institution or any other eligible subsidiary for group relief. Any unutilised tax credit in the relevant year is converted into a receivable from the Cyprus Government.
- In financial years where a credit institution has accounting losses the amount of the annual instalment is recalculated. Upon recalculation, the mechanics outlined above remain unchanged.
- In case a credit institution in scope goes into liquidation the total amount of unused annual instalments are converted to tax credits and immediately become a receivable from the Government.
- A guarantee fee of 1.5% on annual tax credit is payable annually by the credit institution to the Government.

The Company has DTA that meets the requirements of the Law relating to income tax losses transferred to the Company as a result of the acquisition of certain operations of Laiki Bank, on 29 March 2013, under 'The Resolution of Credit and Other Institutions Law'. The DTA recognised following the acquisition of certain operations of Laiki in 2013 amounted to €417 million for which the Company paid a consideration as part of the respective acquisition. Under the Law, the Company can convert up to an amount of €3.3 billion tax losses to tax credits (which led to the creation of DTA amounting to €417 million), with the conversion being based on the tax rate applicable at the time of conversion. As a result, a reversal of previously recognised DTA impairment of €115 million was recognised during the year ended 31 December 2019. Following the amendment of the Law, the period of utilisation of the tax losses which may be converted into tax credits remains unchanged (i.e. by end of 2028).

During the year ended 31 December 2020, an amount of €37,909 thousand has been reclassified from the DTA to current tax receivables (2019: €37,909 thousand) being the annual conversion into tax credit.

As a result of the above Law, the Company has deferred tax assets amounting to €341,182 thousand as at 31 December 2020 (2019: €379,091 thousand) that meet the requirements under this Law, the recovery of which is guaranteed.

The DTA subject to the Law is accounted for on the same basis, as described in Note 2.13 of the Consolidated Financial Statements of the Group for the year ended 31 December 2020.

The Company understands that, in response to concerns raised by the European Commission with regard to the provision of state aid arising out of the treatment of such tax losses, the Cyprus Government is considering the adoption of modifications to the Law, including requirements for an additional annual fee over and above the 1.5% annual guarantee fee already acknowledged, to maintain the conversion of such DTAs into tax credits.

15. **Income tax** (continued)

The Company, in anticipation of modifications in the Law, acknowledges that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028. The determination and conditions of such amount will be prescribed in the Law to be amended and the amount determined by the Government on an annual basis. Amendments to the Law will need to be adopted by the Cyprus Parliament and published in the Official Gazette of the Republic for the amendments to be effective. The Company, however, understands that contemplated amendments to the Law may provide that the minimum fee to be charged will be 1.5% of the annual instalment and can range up to a maximum amount of €10,000 thousand per year. The Group estimates that such increased fees could range up to €5,300 thousand per year (for each tax year in scope i.e. since 2018) although the Company understands that such fee may fluctuate annually as to be determined by the Ministry of Finance. To this respect, an amount of €3,445 thousand has been recorded in 2020 (Note 13) to bring the total amount provided for years 2018-2020 to €15,900 thousand, being the maximum expected increased amount for these years (2019: €18,755 thousand of which €12,500 thousand related to the additional expected increased amount).

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**
2020	**€000**	**€000**	**€000**
Expiring within 5 years	**647,712**	**-**	**647,712**
Utilisation in annual instalments up to 2028	**2,729,454**	**2,729,454**	**-**
	3,377,166	**2,729,454**	**647,712**
2019			
Expiring within 5 years	520,603	-	520,603
Utilisation in annual instalments up to 2028	3,032,727	3,032,727	-
	3,553,330	3,032,727	520,603

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

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

16. **Earnings per share**

Basic and diluted loss per share	**2020**	2019
Loss for the year (€ thousand)	**(163,171)**	(91,910)
Weighted average number of shares in issue during the year (thousand)	**9,597,945**	9,438,903
Basic and diluted loss per share (€ cent)	**(1.7)**	(1.0)

17. Cash, balances with central banks and loans and advances to banks

	2020	2019
	€000	€000
Cash	**139,667**	151,547
Balances with central banks	**5,513,476**	4,908,334
	5,653,143	5,059,881

Loans and advances to banks	**361,347**	288,801
Allowance for expected credit losses	**(69)**	(45)
	361,278	288,756

An analysis of the movement of the gross carrying amount of balances with central banks is presented in the table below:

	2020	2019
Gross carrying amount	**€000**	€000
1 January	**4,908,334**	4,456,615
Net increase	**673,567**	451,719
Transfer to disposal groups held for sale	**(68,425)**	-
31 December	**5,513,476**	4,908,334

Balances with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2020 and 2019.

An analysis of the movement of the gross carrying amount and ECL of loans and advances to banks is presented in the table below:

	2020		2019	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
1 January	**288,801**	**(45)**	440,198	(731)
Net increase/(decrease)	**72,546**	**-**	(151,397)	-
Changes to models and inputs used for ECL calculation (Note 14)	**-**	**(24)**	-	686
31 December	**361,347**	**(69)**	288,801	(45)

All loans and advances to banks are classified as Stage 1.

Balances with central banks include obligatory deposits for liquidity purposes as at 31 December 2020 which amount to €158,031 thousand (2019: €160,048 thousand) (Note 40).

The credit rating analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 43.13.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

18. Investments

	2020	2019
Investments	**€000**	€000
Investments mandatorily measured at FVPL	**13,384**	16,318
Investments at FVOCI	**640,008**	684,932
Investments at amortised cost	**1,009,834**	805,059
	1,663,226	1,506,309

During 2020, the Company has proceeded to invest in debt securities, as part of its investing strategy which mainly related to the acquisition of treasury bills and Cyprus Government bonds.

The amounts pledged as collateral are shown below:

	2020	2019
Investments pledged as collateral	**€000**	€000
Investments at FVOCI	**14,069**	199,916
Investments at amortised cost	**23,036**	23,045
	37,105	222,961

The decrease in investments pledged as collateral during 2020 related mainly to the maturity of investments pledged as collateral by the Company as well as to the maturity of repurchase agreements for which investments were pledged as collateral. Encumbered assets are disclosed in Note 45.

As at 31 December 2020 there are no investments pledged as collateral under repurchase agreements, as no repurchase agreements remained outstanding. As at 31 December 2019 all investments pledged as collateral under repurchase agreements could be sold or repledged by the counterparty.

The maximum exposure to credit risk for debt securities is disclosed in Note 43.1 and the debt securities price risk sensitivity analysis is disclosed in Note 44.

There were no reclassifications of investments during the years 2020 and 2019.

The credit rating analysis of investments is disclosed in Note 43.13.

18. Investments (continued)

Investments at fair value through profit or loss

	Investments mandatorily measured at FVPL	
	2020	2019
	€000	€000
Debt securities	**12,292**	15,455
Equity securities	**626**	472
Mutual funds	**466**	391
	13,384	16,318

Debt securities		
Banks and other corporations	**12,292**	15,455
Unlisted	**12,292**	15,455

Equity securities		
Listed on other stock exchanges	**626**	472
	626	472

Mutual funds		
Unlisted	**466**	391
	466	391

The debt securities which are measured at FVPL are mandatorily classified because they failed to meet the SPPI criteria.

The unlisted mutual funds are presented in Level 3 hierarchy in Note 20.

Investments at FVOCI

	2020	2019
	€000	€000
Debt securities	**644,196**	875,040
Equity securities (including preference shares)	**9,881**	9,808
	654,077	884,848

18. Investments (continued)

Debt securities	**2020 €000**	2019 €000
Cyprus government	**376,908**	394,482
Other governments	**41,235**	228,838
Banks and other corporations	**226,053**	251,720
	644,196	875,040
Listed on other stock exchanges	**644,196**	875,040

Geographic dispersion by country of issuer		
Cyprus	**376,908**	394,482
France	**51,784**	232,662
Other European Union countries	**89,226**	104,684
Supranational organisations	**10,364**	10,743
Other countries	**115,914**	132,469
	644,196	875,040

Equity securities		
Listed on the Cyprus Stock Exchange	**1,477**	1,360
Listed on other stock exchanges	**81**	137
Unlisted	**8,323**	8,311
	9,881	9,808

An analysis of the movement of debt instruments before ECL and the changes on the ECL are presented in the table below:

	2020		2019	
	Gross debt securities €000	**ECL €000**	Gross debt securities €000	ECL €000
1 January	875,731	(691)	806,708	(586)
New assets acquired in the year	59,993	-	135,042	-
Assets derecognised and redeemed in the year (Note 14)	(263,335)	7	(86,721)	-
Interest accrued and amortisation	(4,170)	-	(1,841)	-
Foreign exchange adjustments	(17,410)	-	3,250	-
Changes to models and input used for ECL calculations (Note 14)	-	(80)	-	(105)
Change in fair value	(5,849)	-	19,293	-
31 December	**644,960**	**(764)**	**875,731**	**(691)**

All debt securities measured at FVOCI are classified as Stage 1.

The Company irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value amounts to €9,881 thousand at 31 December 2020 and is equal to their fair value (2019: €9,808 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.

18. Investments (continued)

Dividend income amounting to €223 thousand has been received and recognised for 2020 in other income (2019: €306 thousand).

During 2020 and 2019 no equity investments measured at FVOCI have been disposed of. There were no transfers from OCI to retained earnings during the year.

The fair value of the financial assets that have been reclassified out of FVPL to FVOCI on transition to IFRS 9, amounts to €1,458 thousand at 31 December 2020 (2019: €1,328 thousand). The fair value gain that would have been recognised in the income statement in 2020 if these financial assets had not been reclassified as part of the transition to IFRS 9 amounts to €130 thousand (2019: €32 thousand).

Investments at amortised cost

	2020	2019
	€000	€000
Debt securities	**1,032,870**	828,104
Cyprus government	**440,983**	143,644
Other governments	**132,267**	161,090
Banks and other corporations	**292,918**	333,313
European Financial Stability Facility and European Investment Fund	**166,702**	190,057
	1,032,870	828,104
Listed on the Cyprus Stock Exchange	**318,141**	48,654
Listed on other stock exchanges	**714,729**	779,450
	1,032,870	828,104
Geographic dispersion by country of issuer		
Cyprus	**440,983**	143,644
Germany	**49,870**	51,846
UK	**33,671**	38,349
France	**25,646**	30,082
Other European Union countries	**184,804**	271,587
Other countries	**135,302**	107,012
Supranational organisations	**162,594**	185,584
	1,032,870	828,104

An analysis of changes in the gross carrying amount (before ECL) is presented in the table below:

	2020			2019		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**779,770**	**49,130**	**828,900**	482,229	48,982	531,211
New assets acquired in the year	**513,655**	**-**	**513,655**	318,187	-	318,187
Assets derecognised or redeemed in the year	**(294,756)**	**-**	**(294,756)**	(25,143)	-	(25,143)
Fair value due to hedging relationship	**644**	**(123)**	**521**	1,038	182	1,220
Interest accrued and amortisation	**(2,289)**	**(26)**	**(2,315)**	1,062	(33)	1,029
Foreign exchange adjustments	**(12,285)**	**-**	**(12,285)**	2,397	(1)	2,396
31 December	**984,739**	**48,981**	**1,033,720**	779,770	49,130	828,900

18. Investments (continued)

An analysis of changes on the ECL is presented in the table below:

	2020			2019		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€000	**€000**	**€000**	€000	€000	€000
1 January	**(320)**	**(476)**	**(796)**	(142)	(690)	(832)
Assets derecognised or redeemed (Note 14)	**12**	**-**	**12**	-	-	-
Change to models and inputs used for ECL calculation (Note 14)	**(237)**	**171**	**(66)**	(178)	214	36
31 December	**(545)**	**(305)**	**(850)**	(320)	(476)	(796)

19. Derivative financial instruments

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

	2020			2019		
		Fair value			Fair value	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**121,188**	**834**	**2,502**	116,288	1,646	120
Currency swaps	**971,957**	**4,460**	**2,832**	1,173,387	775	5,899
Interest rate swaps	**92,305**	**271**	**597**	263,159	315	551
Currency options	**2,628**	**72**	**302**	1,800	10	296
Interest rate caps/floors	**527,883**	**83**	**25**	1,684,871	772	-
	1,715,961	**5,720**	**6,258**	3,239,505	3,518	6,866
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**877,783**	**18,907**	**39,720**	1,068,926	19,542	43,727
Total	**2,593,744**	**24,627**	**45,978**	4,308,431	23,060	50,593

The use of derivatives is an integral part of the Company's activities. Derivatives are used to manage the Company's own exposure to fluctuations in interest rates and exchange rates. Derivatives are also sold to customers as risk management products.

Credit risk for derivatives arises from the possibility of the counterparty's failure to meet the terms of any contract. In the case of derivatives, credit losses are a significantly smaller amount compared to the derivatives' notional amount. In order to manage credit risk, the Company sets derivative limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

Interest rate risk is explained in Note 44. The interest rate risk is managed through the use of own balance sheet solutions such as plain vanilla interest rate swaps and interest rate options. In fair value hedges of interest rate risk, the Company converts fixed rate assets/liabilities to floating. In cash flow hedging of interest rate risk, the Company converts floating rate assets/liabilities to fixed.

19. Derivative financial instruments (continued)

Currency risk is explained in Note 44. In order to eliminate the risk, the Company hedges its open position by entering into foreign exchange deals such as: foreign exchange spot, foreign exchange forwards, foreign exchange swaps or foreign exchange options. The foreign currency risk mainly arises from customer-driven transactions on deposits and loans and advances.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

Interest rate caps/floors protect the buyer from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Company's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Company's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates and foreign exchange rates, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Company elected, as a policy choice permitted by IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. The Company implements the amended IFRS 7 hedge disclosure requirements.

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

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

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

19. Derivative financial instruments (continued)

Hedges of net investments
The Company's balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas branches. The Company hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas associates and joint ventures and forward exchange rate contracts.

As at 31 December 2020 deposits amounting to €9,988 thousand (2019: €10,667 thousand) have been designated as hedging instruments.

	Gains/(losses) attributable to hedged risk		Hedged in-effectiveness
2020	**Hedged items**	**Hedging instrument**	
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**
Fair value hedges			
-interest rate swaps	**5,760**	**(5,205)**	**(555)**
Total	**5,760**	**(5,205)**	**(555)**
2019			
Derivatives qualifying for hedge accounting			
Fair value hedges			
-interest rate swaps	3,696	(4,588)	892
Total	**3,696**	**(4,588)**	**892**

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	
2020	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives qualifying for hedge accounting	**€000**	**€000**	**€000**	**€000**
Fair value hedges - interest rate swaps				
-debt securities	712,925	-	21,084	-
-subordinated loan stock	-	272,152	-	(1,374)
Total	**712,925**	**272,152**	**21,084**	**(1,374)**
2019				
Derivatives qualifying for hedge accounting				
Fair value hedges - interest rate swaps				
-debt securities	909,868	-	16,331	-
-subordinated loan stock	-	272,170	-	(1,596)
Total	**909,868**	**272,170**	**16,331**	**(1,596)**

For assets hedged using fair value hedges the fixed rate is 2.35% and the floating rate is 1.03% (2019: 2.76% and 1.4% respectively). For liabilities hedged using fair value hedges, the fixed rate is 9.25% and the floating rate is 8.93% (2019: 9.25% and 8.95% respectively).

19. Derivative financial instruments (continued)

The maturity of the Company's contract amount of the derivatives is presented in the table below:

2020	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	82,662	33,249	5,277	-	-	**121,188**
Currency swaps	792,956	178,227	774	-	-	**971,957**
Interest rate swaps	44,069	23,970	14,169	10,097	-	**92,305**
Currency options	2,628	-	-	-	-	**2,628**
Interest rate caps/floors	-	-	-	527,883	-	**527,883**
	922,315	**235,446**	**20,220**	**537,980**	**-**	**1,715,961**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	30,358	653,925	193,500	**877,783**
	-	**-**	**30,358**	**653,925**	**193,500**	**877,783**
Total	**922,315**	**235,446**	**50,578**	**1,191,905**	**193,500**	**2,593,744**

19. Derivative financial instruments (continued)

2019	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total contract amount
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	105,248	10,369	671	-	-	**116,288**
Currency swaps	1,173,144	20	223	-	-	**1,173,387**
Interest rate swaps	-	-	146,228	116,931	-	**263,159**
Currency options	600	1,200	-	-	-	**1,800**
Interest rate caps/floors	-	-	1,650,000	34,871	-	**1,684,871**
	1,278,992	**11,589**	**1,797,122**	**151,802**	**-**	**3,239,505**
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	-	-	188,505	646,921	233,500	**1,068,926**
	-	**-**	**188,505**	**646,921**	**233,500**	**1,068,926**
Total	**1,278,992**	**11,589**	**1,985,627**	**798,723**	**233,500**	**4,308,431**

Interest rate benchmark reform
As at 31 December 2020 and 2019 the interest rate benchmarks to which the Company's hedge relationships are exposed to, are Euro Interbank Offered Rate (Euribor) and US Dollar London Interbank Offered Rate (Libor) for the cash flows of the hedging instruments. The Company has applied judgement in relation to market expectations regarding hedging instruments. The key judgement is that the cash flows for contracts currently indexing Interbank Offered Rate (IBOR) are expected to have broadly equivalent cash flows upon the transition of the contracts to IBOR replacement rates.

The table below indicates the nominal amount of derivatives in hedging relationships that will be subject to the IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Company manages through hedging relationships.

Interest Rate Swaps	2020 €000	2019 €000
Euribor (3 months)	**699,831**	865,431
Libor USD (3 months)	**177,952**	203,495
Total	**877,783**	1,068,926

As at 31 December 2020, the Company's assessment regarding the on-going transition to the new risk-free rates (RFRs) indicates a not significant impact on the hedging relationships and in value terms. Further details in relation to interest rate benchmark reform are disclosed in Note 44.

20. Fair value measurement

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

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**€000**	**€000**	€000	€000
Cash and balances with central banks	**5,653,143**	**5,653,143**	5,059,881	5,059,881
Loans and advances to banks	**361,278**	**361,440**	288,756	287,806
Investments mandatorily measured at FVPL	**13,384**	**13,384**	16,318	16,318
Investments at FVOCI	**654,077**	**654,077**	884,848	884,848
Investments at amortised cost	**1,032,870**	**1,050,271**	828,104	844,795
Derivative financial assets	**24,627**	**24,627**	23,060	23,060
Loans and advances to customers	**9,882,154**	**9,683,771**	10,715,402	10,713,509
Balances with Group companies	**740,931**	**740,931**	749,490	749,490
Financial assets classified as held for sale	**561,462**	**561,462**	25,929	25,929
Other financial assets	**58,023**	**58,023**	106,213	106,213
	18,981,949	**18,801,129**	18,698,001	18,711,849
Financial liabilities				
Funding from central banks and deposits by banks	**1,383,387**	**1,322,354**	531,190	473,935
Repurchase agreements	**-**	**-**	168,129	170,816
Derivative financial liabilities	**45,978**	**45,978**	50,593	50,593
Customer deposits	**16,533,212**	**16,535,842**	16,691,531	16,692,463
Balances with Group companies	**71,806**	**71,806**	99,967	99,967
Subordinated loan stock	**272,152**	**274,414**	272,170	293,623
Other financial liabilities and lease liabilities	**223,845**	**223,845**	211,639	212,869
	18,530,380	**18,474,239**	18,025,219	17,994,266

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

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

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

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

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

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

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 Company's estimate of assumptions that a market participant would make when valuing the instruments.

20. Fair value measurement (continued)

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.

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 the Company's own credit quality respectively.

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

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

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

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

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the risk free rate per currency, funding cost, servicing cost and the cost of capital, considering the risk weight of each loan.

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

Repurchase agreements
Repurchase agreements are collateralised bank takings. Given that the collateral provided by the Company is greater than the amount borrowed, the fair value calculation of these repurchase agreements takes into account the time value of money.

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.

20. Fair value measurement (continued)

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

Subordinated loan stock
The current issue of the Company is traded in an active market with quoted prices.

Investment properties
The fair value of investment properties is determined using valuations performed by external accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited, independent valuers. Further information on the techniques applied is disclosed in the remainder of this note.

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.

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

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

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Assets measured at fair value				
Investment properties				
Residential	-	-	16,735	**16,735**
Offices and other commercial properties	-	-	17,553	**17,553**
Manufacturing and industrial properties	-	-	13,101	**13,101**
Land (fields and plots)	-	-	49	**49**
	-	-	47,438	**47,438**
Freehold property				
Offices and other commercial properties	-	-	162,202	**162,202**
Loans and advances to customers measured at FVPL	-	-	289,861	**289,861**
Trading derivatives				
Forward exchange rate contracts	-	834	-	**834**
Currency swaps	-	4,460	-	**4,460**
Interest rate swaps	-	271	-	**271**
Currency options	-	72	-	**72**
Interest rate caps/floors	-	83	-	**83**
	-	5,720	-	**5,720**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	18,907	-	**18,907**
Investments mandatorily measured at FVPL	626	-	12,758	**13,384**
Investments at FVOCI	646,131	-	7,946	**654,077**
Balances with Group companies	-	-	696,121	**696,121**
	646,757	**24,627**	**1,216,326**	**1,887,710**
Other financial assets not measured at fair value				
Loans and advances to banks	-	361,440	-	**361,440**
Balances with Group companies	-	-	44,810	**44,810**
Investments at amortised cost	695,666	321,612	32,993	**1,050,271**
Loans and advances to customers	-	-	9,393,910	**9,393,910**
	695,666	**683,052**	**9,471,713**	**10,850,431**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,027 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,681 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 18) with a carrying amount of €11,792 thousand as of 31 December 2020, a change in the market value by 10% would result in a change in the value of the debt securities by €1,179 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 44.

20. Fair value measurement (continued)

2020	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	2,502	-	**2,502**
Currency swaps	-	2,832	-	**2,832**
Interest rate swaps	-	597	-	**597**
Currency options	-	302	-	**302**
Interest rate caps/floors	-	25	-	**25**
	-	6,258	-	**6,258**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39,720	-	**39,720**
	-	**45,978**	**-**	**45,978**
Other financial liabilities not measured at fair value				
Funding from central banks	-	992,494	-	**992,494**
Deposits by banks	-	329,860	-	**329,860**
Customer deposits	-	-	16,535,842	**16,535,842**
Balances with Group companies	-	-	71,806	**71,806**
Subordinated loan stock	274,414	-	-	**274,414**
	274,414	**1,322,354**	**16,607,648**	**18,204,416**

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

2019	Level 1 €000	Level 2 €000	Level 3 €000	**Total** **€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	19,210	**19,210**
Offices and other commercial properties	-	-	19,365	**19,365**
Manufacturing and industrial properties	-	-	13,475	**13,475**
Land (fields and plots)	-	-	56	**56**
	-	-	52,106	**52,106**
Freehold property				
Offices and other commercial properties	-	-	184,412	**184,412**
Loans and advances to customers measured at FVPL	-	-	369,293	**369,293**
Trading derivatives				
Forward exchange rate contracts	-	1,646	-	**1,646**
Currency swaps	-	775	-	**775**
Interest rate swaps	-	315	-	**315**
Currency options	-	10	-	**10**
Interest rate caps/floors	-	772	-	**772**
	-	3,518	-	**3,518**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	19,542	-	**19,542**
Investments mandatorily measured at FVPL	472	-	15,846	**16,318**
Investments at FVOCI	876,845	-	8,003	**884,848**
Balances with Group companies	-	-	700,945	**700,945**
	877,317	**23,060**	**1,330,605**	**2,230,982**
Other financial assets not measured at fair value				
Loans and advances to banks	-	287,806	-	**287,806**
Balances with Group companies	-	-	48,545	**48,545**
Investments at amortised cost	751,326	53,523	39,946	**844,795**
Loans and advances to customers	-	-	10,344,216	**10,344,216**
	751,326	**341,329**	**10,432,707**	**11,525,362**

For loans and advances to customers measured at FVPL categorised as Level 3, an increase in the discount factor by 10% would result in a decrease of €5,696 thousand in their fair value and a decrease in the discount factor by 10% would result in an increase of €1,549 thousand in their fair value.

For one investment included in debt securities mandatorily measured at FVPL as a result of the SPPI assessment and categorised as Level 3 (Note 18), with a carrying amount of €14,955 thousand as at 31 December 2019, a change in the conversion factor by 10% would result in a change in the value of the debt securities by €1,496 thousand.

For additional disclosures on sensitivity analysis of equity securities refer to Note 44.

20. Fair value measurement (continued)

2019	Level 1 €000	Level 2 €000	Level 3 €000	**Total €000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	120	-	**120**
Currency swaps	-	5,899	-	**5,899**
Interest rate swaps	-	551	-	**551**
Currency options	-	296	-	**296**
	-	6,866	-	**6,866**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43,727	-	**43,727**
	-	**50,593**	**-**	**50,593**
Other financial liabilities not measured at fair value				
Deposits by banks	-	473,935	-	**473,935**
Repurchase agreements	-	170,816	-	**170,816**
Customer deposits	-	-	16,692,463	**16,692,463**
Balances with Group companies	-	-	99,967	**99,967**
Subordinated loan stock	293,623	-	-	**293,623**
	293,623	**644,751**	**16,792,430**	**17,730,804**

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

During the year ended 31 December 2020 and 2019 there were no significant transfers between Level 1 and Level 2.

20. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

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

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

	2020					2019				
	Investment properties	**Own use properties**	**Loans and advances to customers**	**Financial instruments**	**Balances with Group Companies**	Investment properties	Own use properties	Loans and advances to customers	Financial instruments	Balances with Group Companies
	€000	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000
1 January	**52,106**	**184,412**	**369,293**	**23,849**	**700,945**	58,656	184,571	395,572	10,619	761,529
Additions	**1,315**	**303**	**-**	**-**	**33,904**	2,021	1,684	-	6,529	-
Disposals	**(4,384)**	**(159)**	**-**	**-**	**-**	(11,889)	-	-	-	-
Transfers (to)/from stock of property (Note 26)	**-**	**(21,805)**	**-**	**-**	**-**	2,254	(234)	-	-	-
Net (losses)/gains on balances with Group companies (Note 10)	**-**	**-**	**-**	**-**	**(30,438)**	-	-	-	-	(39,881)
Depreciation charge for the year	**-**	**(1,603)**	**-**	**-**	**-**	-	(1,609)	-	-	-
Fair value (losses)/gains	**(1,599)**	**1,054**	**-**	**(1,929)**	**-**	1,064	-	-	6,701	-
Net gains on loans and advances to customers measured at FVPL (Note 10)	**-**	**-**	**3,606**	**-**	**-**	-	-	2,891	-	-
Derecognition of loans	**-**	**-**	**(96,254)**	**-**	**(32,604)**	-	-	(44,860)	-	(20,703)
Interest on loans	**-**	**-**	**13,216**	**-**	**24,314**	-	-	15,690	-	-
Foreign exchange adjustments	**-**	**-**	**-**	**(1,216)**	**-**	-	-	-	-	-
31 December	**47,438**	**162,202**	**289,861**	**20,704**	**696,121**	52,106	184,412	369,293	23,849	700,945

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Investment properties and own use properties
The valuation technique mainly applied by the Company is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Company also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties and own use properties are presented in the tables below:

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2020	Estimated rental value per m² per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	€000						m²	m²	Years
Cyprus	13,013	€29-€86	€134-€1,370	n/a	€380-€2,206	€110-€900	89-1,203	19-1,356	6-130
Greece	3,722	€3-€86	€136-€2,132	2.14%-9.91%	€45-€1,455	€3-€1,176	4-5,147	44-825	12-63
	16,735								
Offices and other commercial properties									
Cyprus	12,779	€26-€121	n/a	5%-6%	€550-€1,994	€550	150-1,480	25-2,083	10-75
Greece	4,774	€15-€259	€157-€3,483	5.31%-10.07%	€52-€1,842	€19-€259	5-8,582	6-4,692	16-62
	17,553								
Manufacturing and industrial									
Cyprus	3,474	€21-€38	n/a	5%-6%	€547-€1,602	n/a	1,593-6,320	421-1,780	23
Greece	9,627	€1-€37	€80-€603	1.79%-10.57%	€13-€396	€3-€302	56-34,495	349-5,858	11-82
	13,101								
Land (fields and plots)									
Greece	49	€1	n/a	6.43%	€12	€12	3,988	n/a	n/a
	49								
Total	**47,438**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and country	2020	Estimated rental value per m^2 per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**						**m^2**	**m^2**	**Years**
Cyprus	162,202	€23-€277	€750-€1,855	6%	€550-€6,163	€140-€1,400	390-51,947	122-11,233	19-78
Total	**162,202**								

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and country	2019	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**							**m^2**	**m^2**	**Years**
Cyprus	14,375	€32-€104	n/a	€131-€1,370	5.5%	€380-€1,925	€110-€1,110	71-1,203	8-1,356	5-104
Greece	4,835	€3-€84	0.9%-5.9%	€134-€2,186	0-15.6%	€45-€2,186	€3-€2,763	4-5,147	44-825	11-65
	19,210									
Offices and other commercial properties										
Cyprus	14,480	€27-€117	n/a	€250-€900	5%	€120-€2,665	€120-€2,000	140-3,371	25-2,440	6-85
Greece	4,885	€12-€239	0.7%-2.9%	€151-€3,400	0%-9.3%	€71-€3,400	€25-€106	282-8,582	6-4,087	15-61
	19,365									
Manufacturing and industrial										
Cyprus	3,739	€36-€49	n/a	€278-€400	6%	€120-€1,484	€120-€450	2,202-6,513	744-1,608	24
Greece	9,736	€4-€39	0.9%-2.9%	€84-€1,318	0%-11%	€13-€416	€3-€10	57-34,495	349-5,858	10-81
	13,475									
Land (fields and plots)										
Greece	56	€1	0.9%	n/a	5.4%	€14	€14	3,988	n/a	n/a
Total	**52,106**									

20. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and country	2019	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m^2**	**m^2**	**Years**
Cyprus	184,412	€26-€277	n/a	€821-€1,895	5%-6%	€14-€6,557	€140-€3,381	390-598,767	122-11,233	12-77
Total	**184,412**									

Sensitivity analysis
Most of the Company's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach could result in a significantly higher/lower fair value of the properties.

21. Loans and advances to customers

	2020 €000	2019 €000
Gross loans and advances to customers at amortised cost	**10,374,771**	11,977,168
Allowance for ECL for impairment of loans and advances to customers (Note 43.9)	**(782,478)**	(1,631,059)
	9,592,293	10,346,109
Loans and advances to customers measured at FVPL	**289,861**	369,293
	9,882,154	10,715,402

Loans and advances to customers pledged as collateral are disclosed in Note 45.

Gross loans comprise of gross loans and advances to customers measured at amortised cost (reported after the residual fair value adjustment on initial recognition as detailed in Note 43.6).

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 43.

22. Balances and transactions with Group companies

Receivable balances with Group companies

Name of Group company	**2020 €000**	2019 €000
Balances with Group companies at amortised cost		
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**3,233**	2,522
General Insurance of Cyprus Ltd	**4,035**	2,373
EuroLife Ltd	**1,410**	961
Finerose Properties Ltd	**1**	1
Hydrobius Ltd	**8,830**	14,737
BOC Asset Management Romania S.A.	**11,205**	12,561
MC Investment Assets Management LLC	**2,631**	2,631
JCC Payment Systems Ltd	**1,306**	-
S.Z. Eliades Leisure Ltd	**5,826**	5,630
Bank of Cyprus Holding Public Limited Company	**127**	257
Fortuna Astrum Ltd	**2,512**	2,620
Stamoland Properties Ltd	**3,694**	4,252
	44,810	48,545
Balances with Group companies mandatorily measured at FVPL		
Group property companies in Cyprus	**695,015**	699,273
Other Group companies in Cyprus	**1,106**	1,672
	696,121	700,945
Total	**740,931**	749,490

22. Balances and transactions with Group companies (continued)

	2020		2019	
	Gross carrying amount	**ECL**	Gross carrying amount	ECL
	€000	**€000**	€000	€000
Stage 1	**13,805**	**-**	10,365	-
Stage 3	**105,968**	**83,301**	119,224	89,294
POCI	**9,744**	**1,406**	9,001	751
Total balances with Group Companies at amortised cost	**129,517**	**84,707**	138,590	90,045
Balances with Group Companies measured at FVPL	**696,121**	**-**	700,945	-
	825,638	**84,707**	839,535	90,045

The classification of the receivable balances with related companies depends on how these are managed as part of the business model the Company operates under, and their contractual cash flow characteristics (whether the cash flows represent solely payments of principle and interest (SPPI)). Balances with Group companies which are measured at FVPL are mandatorily classified because they failed to meet the SPPI criteria and represent in substance arrangements in which repayment of the balance is either contractually or implicitly dependent on the performance of the underlying asset held by the subsidiary.

The Company holds these underlying assets for sale in its ordinary course of business. The cash flows for repayment of the receivable balances are dependent on the disposal value of the underlying assets; hence the exposure of the Company is to changes in market property prices that will affect the disposal price of those underlying assets.

Interest on balances with Group companies measured at FVPL is recognised following the same policies adopted by the Group in preparing the Consolidated Financial Statements of the Group.

Receivable balances with Group companies measured at amortised cost are denominated in Euro, except from balances of a carrying value of €8,830 thousand as at 31 December 2020 which are denominated in Russian Rouble (2019: €14,737 thousand). During the year ended 31 December 2020 an amount of €4,707 thousand (2019: €35,380 thousand) has been recognised as an impairment loss in relation to these receivable balances, out of which €3,456 thousand (2019: €31,763 thousand) relate to Hydrobius Ltd. The movement for Hydrobius Ltd for the year related to interest, foreign exchange fluctuations and impairment in relation to further reduction in the recoverability of the net assets of the subsidiary.

The balances are uncollateralised. The location of the Group companies' operations is disclosed in Note 48.

The net losses on balance with Group companies are disclosed in Note 10.

During 2019, an amount of €89,707 thousand has been received for the full settlement of existing facilities of Nicosia Mall Holdings (NMH) Limited. The Company disposed of its entire holding in Nicosia Mall Holdings (NMH) Ltd. Further information is disclosed in Note 49.4.2.

22. Balances and transactions with Group companies (continued)

Payable balances with Group companies

Name of Group company	**2020** **€000**	2019 €000
JCC Payment Systems Ltd	**16,851**	26,556
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**4,717**	5,287
General Insurance of Cyprus Ltd	**10,988**	11,428
EuroLife Ltd	**7,344**	21,101
Kermia Properties & Investments Ltd	**5,896**	5,615
Kermia Ltd	**2,326**	2,474
Kyprou Zois (branch of EuroLife Ltd)	**1,261**	1,249
Kyprou Commercial S.A.	**1,645**	1,651
BOC Asset Management Romania S.A.	**1,599**	1,721
MC Investment Assets Management LLC	**3,684**	4,900
S.Z. Eliades Leisure Ltd	**286**	276
Bank of Cyprus Holdings Public Limited Company	**302**	-
Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC	**326**	63
BOC Asset Management Ltd	**1,006**	872
Obafemi Holdings Ltd	**217**	255
Group property companies in Cyprus	**3,296**	2,829
Other Group companies in Cyprus	**10,062**	13,690
Total	**71,806**	99,967

Dividends received from subsidiary companies

Name of Group company	**2020** **€000**	2019 €000
EuroLife Ltd	**11,500**	12,000
General Insurance of Cyprus Ltd	**9,000**	8,000
JCC Payment Systems Ltd	**3,270**	2,250
Kermia Properties & Investments Ltd	**11**	-
Group property companies in Cyprus	**1,494**	-
BOC Asset Management Ltd	**244**	-
Obafemi Holdings Ltd	**36**	-
Auction Yard Ltd	**12**	17
	25,567	22,267

Transactions with Group companies

	2020 **€000**	2019 €000
Interest income and income similar to interest income	**27,079**	43,326
Interest expense	**(100)**	(238)
Fee and commission income	**14,730**	13,201
Fee and commission expense	**(3,986)**	(2,946)
Other income	**168**	221
Other operating expenses	**(4,823)**	(3,474)

23. Investments in associates

Carrying value of the investments in associates and joint venture

	Percentage holdings	**2020**	2019
	(%)	**€000**	€000
Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc	**32.9**	**2,191**	2,191
Aris Capital Management LLC	**30.0**	**-**	-
Rosequeens Properties Limited	**33.3**	**-**	-
Rosequeens Properties SRL	**33.3**	**-**	-
M.S. (Skyra) Vassas Ltd	**15.0**	**-**	-
Fairways Automotive Holdings Ltd	**45.0**	**-**	-
		2,191	2,191

Investments in associates

CNP Cyprus Insurance Holdings Ltd
The holding in CNP Cyprus Insurance Holdings Ltd of 49.9% had been acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In May 2019 the Company signed a binding agreement to sell its entire shareholding to CNP Assurances S. A. who owned the remaining 50.1% and was the controlling party. The sale was completed in October 2019 and the sale consideration of €97,500 thousand was payable in cash on completion. The accounting profit on the disposal amounted to €2,432 thousand.

No information is provided regarding the financial highlights for 31 December 2019 since the investment in the associate was disposed of in October 2019.

The transactions between CNP Cyprus Insurance Holdings Ltd and the Company during 2019, up to the date of disposal are presented in the table below:

	2019
	€000
Interest expense paid by the Company	62
Other expenses paid by the Company	46
Other income received by the Company	3

Apollo Global Equity Fund of Funds Variable Capital Investment Company Plc (Apollo)
The Company holds effectively 32.9% (2019: 32.8%) of the UCITS of Apollo due to gradual redemption of the other holders of Apollo. The Company considers that it exercises significant influence over Apollo even though no Board representation exists, because due to its UCITS holdings, it possesses the power to potentially appoint members of the Board of Directors.

Rosequeens Properties Limited and Rosequeens Properties SRL
The Company effectively owns 33.3% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Company's share of net assets of the associate at 31 December 2020 and 2019 had nil accounting value as the net assets of the associate had a negative balance.

Aris Capital Management LLC
The Company's holding in Aris Capital Management LLC of 30.0% was transferred to the Company following the acquisition of certain operations of Laiki Bank in 2013. The investment is considered to be fully impaired and its value is restricted to zero.

23. Investments in associates (continued)

M.S. (Skyra) Vassas Ltd
In the context of its loan restructuring activities, the Company acquired 15.0% interest in the share capital of M.S. (Skyra) Vassas Ltd. M.S. (Skyra) Vassas Ltd is the parent company of a group of companies (Skyra Vassas group) with operations in the production, processing and distribution of aggregates (crushed stone and sand) and provision of other construction materials, and services based on core products such as ready-mix concrete, asphalt and packing of aggregates. The Company considers that it exercises significant influence over the Skyra Vassas group as the Company has the power to have representation to the Board of Directors and to vote for matters relating to the relevant activities of the business. The investment is considered to be fully impaired and its value is restricted to zero.

D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd
During December 2019, the Company transferred its entire holding in D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd of 7.5% to the majority holder following settlement of their facilities. The holding had been acquired in the context of its loan restructuring activities. D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd had operations in leisure, tourism, film and entertainment industries in Cyprus. The investments were considered to be fully impaired and their value was restricted to zero. The disposal did not impact the income statement of the Company.

Fairways Automotive Holdings Ltd
In the context of its loan restructuring activities, the Company acquired 45.0% interest in the share capital of Fairways Automotive Holdings Ltd. Fairways Automotive Holdings Ltd is the parent company of Fairways Ltd operating in the import and trading of motor vehicles and spare parts. The Company considers that it exercises significant influence over the company. The investment is considered to be fully impaired and its value is restricted to zero.

24. Property and equipment

2020	Property €000	Equipment €000	**Total €000**
Net book value at 1 January	214,604	15,851	**230,455**
Additions	1,896	5,292	**7,188**
Revaluation	1,054	-	**1,054**
Transfers to stock of property (Note 26)	(21,805)	-	**(21,805)**
Re-assessment of RoU Asset (Note 41)	22,061	-	**22,061**
Derecognition of RoU Asset (Note 41)	(2,337)	-	**(2,337)**
Disposals and write-offs	(191)	(140)	**(331)**
Depreciation charge for the year (Note 13)	(10,541)	(4,863)	**(15,404)**
Net book value at 31 December	**204,741**	**16,140**	**220,881**

1 January 2020			
Cost or valuation	262,293	106,972	**369,265**
Accumulated depreciation	(47,689)	(91,121)	**(138,810)**
Net book value	**214,604**	**15,851**	**230,455**

31 December 2020			
Cost or valuation	258,086	102,939	**361,025**
Accumulated depreciation	(53,345)	(86,799)	**(140,144)**
Net book value	**204,741**	**16,140**	**220,881**

24. Property and equipment (continued)

2019			
Net book value at 1 January	186,572	16,305	**202,877**
Recognition of RoU asset upon adoption of IFRS 16	37,989	-	**37,989**
Balance at 1 January following adoption of IFRS 16	224,561	16,305	**240,866**
Additions	2,031	4,925	**6,956**
Transfers to stock of property (Note 26)	(234)	-	**(234)**
Disposals and write-offs	(726)	(211)	**(937)**
Depreciation charge for the year (Note 13)	(11,028)	(5,168)	**(16,196)**
Net book value at 31 December	**214,604**	**15,851**	**230,455**

1 January 2019			
Cost or valuation	223,559	106,122	**329,681**
Accumulated depreciation	(36,987)	(89,817)	**(126,804)**
Net book value	**186,572**	**16,305**	**202,877**

31 December 2019			
Cost or valuation	262,293	106,972	**369,265**
Accumulated depreciation	(47,689)	(91,121)	**(138,810)**
Net book value	**214,604**	**15,851**	**230,455**

The net book value of the Company's property comprises:

	2020	2019
	€000	€000
Freehold property	**162,202**	184,412
Improvements on leasehold property	**2,625**	1,733
Right-of-use asset (Note 41)	**39,914**	28,459
Total	**204,741**	214,604

Freehold property includes land amounting to €67,147 thousand (2019: €76,951 thousand) for which no depreciation is charged.

The Company's policy is to revalue its properties periodically (between 3 to 5 years) but more frequent revaluations may be performed where there are significant and volatile movements in values. The Company performed revaluations as at 31 December 2020. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 20.

As at 31 December 2020 there are no charges against freehold property of the Company (2019: €20,879 thousand). The freehold property against which charges existed as at 31 December 2019 has been transferred to stock of property as at 31 December 2020.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2020 would have amounted to €115,147 thousand (2019: €133,138 thousand).

25. Intangible assets

Computer software

	2020	2019
	€000	€000
Net book value at 1 January	**48,463**	41,006
Additions	**12,722**	20,672
Disposals and write-offs	**(99)**	(188)
Amortisation charge for the year (Note 13)	**(14,832)**	(13,027)
Net book value at 31 December	**46,254**	48,463

1 January		
Cost	**182,027**	161,543
Accumulated amortisation and impairment	**(133,564)**	(120,537)
Net book value	**48,463**	41,006

31 December		
Cost	**194,650**	182,027
Accumulated amortisation and impairment	**(148,396)**	(133,564)
Net book value	**46,254**	48,463

26. Stock of property

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2020 an impairment loss of €6,687 thousand (2019: €12,459 thousand) was recognised in 'Impairment of non-financial assets' in the income statement. At 31 December 2020, stock of €140,950 thousand (2019: €117,994 thousand) is carried at net realisable value. Additionally, at 31 December 2020 stock of property with a carrying amount of €69,143 thousand (2019: €71,895 thousand) is carried at approximately its fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. There is no stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations.

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

	2020	2019
	€000	€000
Net book value at 1 January	**687,823**	684,727
Additions	**90,909**	121,093
Disposals	**(57,899)**	(99,702)
Transfers to investment properties (Note 20)	**-**	(2,254)
Transfers from own use properties (Note 24)	**21,805**	234
Transfers to disposal group (Note 28)	**(57,525)**	(3,816)
Impairment (Note 14)	**(6,687)**	(12,459)
Net book value at 31 December	**678,426**	687,823

There were no costs of construction during the years 2020 and 2019.

As at 31 December 2020 there are charges against stock of property of the Company with carrying value €21,805 thousand (2019: nil).

26. Stock of property (continued)

The table below shows the result on the disposal of stock of property in the year:

	2020	2019
	€000	€000
Net proceeds	**65,787**	111,530
Carrying value of stock of property disposed of	**(57,899)**	(99,702)
Net gains on disposal of stock of property	**7,888**	11,828

Analysis by type and country	**Cyprus**	**Greece**	**Total**
2020	**€000**	**€000**	**€000**
Residential properties	138,487	20,169	**158,656**
Offices and other commercial properties	78,594	21,302	**99,896**
Manufacturing and industrial properties	15,839	19,839	**35,678**
Hotels	2,762	465	**3,227**
Land (fields and plots)	375,382	5,587	**380,969**
Total	**611,064**	**67,362**	**678,426**

2019	**€000**	**€000**	**€000**
Residential properties	153,618	21,255	**174,873**
Offices and other commercial properties	62,926	24,013	**86,939**
Manufacturing and industrial properties	12,686	22,754	**35,440**
Hotels	2,154	494	**2,648**
Land (fields and plots)	380,749	7,174	**387,923**
Total	**612,133**	**75,690**	**687,823**

27. Prepayments, accrued income and other assets

	2020	2019
	€000	€000
Financial assets		
Receivables relating to disposal of operations, loan portfolios and other assets	**-**	53,354
Debtors	**13**	12
Receivable relating to tax	**4,706**	5,102
Other assets	**53,304**	47,745
	58,023	106,213
Non financial assets		
Current tax receivable	**46,634**	8,277
Prepaid expenses	**5**	185
Other assets	**25,703**	16,513
	72,342	24,975
	130,365	131,188

27. Prepayments, accrued income and other assets (continued)

An analysis of changes in the gross carrying amount of the financial assets included in prepayments, accrued income and other assets is presented in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
1 January	74,932	23,779	32,884	**131,595**
Net (decrease)/increase	(24,827)	(23,779)	895	**(47,711)**
31 December	**50,105**	**-**	**33,779**	**83,884**

2019				
1 January	62,946	30,846	31,323	**125,115**
Net increase/(decrease)	11,986	(7,067)	1,561	**6,480**
31 December	**74,932**	**23,779**	**32,884**	**131,595**

An analysis of the changes on the ECL of the above financial assets is presented in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
1 January	-	-	27,624	**27,624**
Changes to models and inputs used for ECL calculations	-	-	496	**496**
31 December	**-**	**-**	**28,120**	**28,120**

2019				
1 January	-	-	19,022	**19,022**
Changes to models and inputs used for ECL calculations	-	-	8,602	**8,602**
31 December	**-**	**-**	**27,624**	**27,624**

Financial assets amounting to €2,242 thousand (2019: €2,242 thousand) are measured at FVPL.

As at 31 December 2019, the remaining receivable relating to the disposal of operations in the UK amounted to €29,575 thousand. Half of the consideration was received upon completion of the transaction, an amount was repaid in November 2019 and the remaining receivable was repaid in November 2020. As at 31 December 2019, the receivable relating to the disposal of the Ukrainian operations in 2014, amounted to €23,779 thousand and the deferred consideration was due to be paid to the Company under a repayment programme which had been extended from June 2019 to December 2022. The receivable was fully secured. The receivable was fully repaid in February 2020.

During 2020, credit losses of €496 thousand were recognised in relation to prepayments, accrued income and other assets. During 2019 credit losses amounted to €3,920 thousand, which included ECL of €8,602 thousand and net reversal of impairments amounting to €4,682 thousand (Note 14).

28. Non-current assets and disposal groups held for sale

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2020 and 2019:

	2020	2019
	€000	€000
Disposal group 1	**387,990**	-
Disposal group 2	**223,228**	-
Disposal group 3	**7,769**	25,929
	618,987	25,929

	2020			2019
	Disposal Group 1	**Disposal Group 2**	**Disposal Group 3**	Disposal Group 3
	€000	**€000**	**€000**	€000
Gross loans and advances to customers	**820,429**	**488,777**	**32,049**	173,881
Allowance for ECL for impairment of loans and advances to customers (Note 43.9)	**(510,310)**	**(313,628)**	**(24,280)**	(147,952)
	310,119	**175,149**	**7,769**	25,929
Stock of property (Note 26)	**32,490**	**25,035**	**-**	-
Cash	**45,381**	**23,044**	**-**	-
31 December	**387,990**	**223,228**	**7,769**	25,929

Disposal group 1-Helix 2A
Disposal group 1 comprises a portfolio of loans and advances to customers (the 'Portfolio 2A') and other assets (comprising stock of property and cash already received since the reference date of Portfolio 2A being 30 September 2019) known as Project Helix 2A ('Project Helix 2A') as described below. The disposal group has been classified as held for sale since 30 June 2020 as management is committed to sell it and has proceeded with an active programme to complete this plan. The sale is expected to be completed within 12 months from the reporting date.

In August 2020, the Group reached an agreement for the sale of the Portfolio 2A. The Portfolio 2A will be transferred to a licensed Cypriot Credit Acquiring Company (the 'CyCAC') by the Company. The shares of the CyCAC will then be acquired by certain funds affiliated with Pacific Investment Management Company LLC ('PIMCO'), the purchaser of the Portfolio 2A.

The gross consideration for Helix 2A amounts to €422 million before transaction and other costs, of which 35% is payable at completion and the remaining 65% is deferred without any conditions attached. The deferred component is payable in three broadly equal instalments over 48 months from completion. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio. An amount of €21,100 thousand was received as a deposit shortly after the signing of the agreement (Note 32).

Disposal group 2-Helix 2B
Disposal group 2 comprises a portfolio of loans and advances to customers (the 'Portfolio 2B') and other assets (comprising stock of property, investment property and cash already received since the reference date of Portfolio 2B being 30 September 2019) known as Project Helix 2B ('Project Helix 2B') as described below. The disposal group has been classified as held for sale since 31 December 2020 as management is committed to sell it and has proceeded with an active programme to complete this plan. The sale is expected to be completed within 12 months from the reporting date.

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

In January 2021, the Group reached an agreement for the sale of the Portfolio 2B. The Portfolio 2B will be transferred to the CyCAC by the Company, along with Portfolio 2A, and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B.

The gross consideration for Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

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

Disposal group 3
Disposal group 3 comprises loans and advances to customers of Project Helix tail (2019: Disposal group 3 comprised loans and advances to customers of Projects Helix tail and Velocity 2) as further analysed below. The disposal groups were first classified as held for sale as at 31 December 2019 as management was committed to sell them and had proceeded with an active programme to complete this plan.

Project Helix tail relates to a portfolio of credit facilities related to Project Helix (a portfolio of loans and advances to customers for which the sale was completed in June 2019) with a carrying value of €7,769 thousand and €11,998 thousand as at 31 December 2020 and 31 December 2019 respectively. The sale is expected to be completed within 2021.

Velocity 2 related to a portfolio of unsecured loans and advances to customers with a net book value of €13,931 thousand as at 31 December 2019 for which an agreement to sell was reached in January 2020 and completed in May 2020. Loans were derecognised giving rise to no gain or loss upon completion of the sale. On completion, the portfolio comprised of gross loans and advances to customers amounting to €125,525 thousand with a net book value of €13,555 thousand.

Further analysis of the loans and advances to customers, included in these disposal groups, is disclosed in Note 43.6.

29. Funding from central banks

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

	2020	2019
	€000	€000
Targeted Longer-Term Refinancing Operations (TLTRO III)	**994,694**	-

As at 31 December 2020, ECB funding amounted to €1 billion and was borrowed from the fourth TLTRO III (2019: € nil).

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

29. Funding from central banks (continued)

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB has announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 will be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations is currently at 0%. For the counterparties whose eligible net lending reaches the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding will be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1% which is currently the expected rate. The deposit facility rate is currently minus 0.5%. In calculating the interest, the Company follows a discrete approach by applying the relevant interest rate applicable for each period.

The maturity of TLTRO III is three years from the settlement of each operation but there is an option available to repay the amounts borrowed under TLTRO III one year from the settlement of each operation starting in September 2021.

Details on encumbered assets related to the above funding facilities are disclosed in Note 45.

30. Customer deposits

	2020	2019
	€000	€000
By type of deposit		
Demand	**8,149,688**	7,595,231
Savings	**1,970,975**	1,567,344
Time or notice	**6,412,549**	7,528,956
	16,533,212	16,691,531
By geographical area		
Cyprus	**16,533,212**	16,691,531

Deposits by geographical area are based on the originator country of the deposit.

	2020	2019
	€000	€000
By currency		
Euro	**14,929,662**	15,009,828
US Dollar	**1,199,069**	1,286,292
British Pound	**288,102**	288,289
Russian Rouble	**28,618**	30,113
Swiss Franc	**9,901**	10,803
Other currencies	**77,860**	66,206
	16,533,212	16,691,531

30. Customer deposits (continued)

By customer sector		
Corporate	**1,037,430**	1,117,222
Global corporate	**607,467**	691,550
SMEs	**832,576**	770,655
Retail	**10,525,819**	10,140,920
Restructuring		
– Corporate	**27,889**	52,421
– SMEs	**16,688**	28,222
– Retail other	**10,561**	10,507
Recoveries		
– Corporate	**3,251**	6,140
International banking services	**3,180,061**	3,543,315
Wealth management	**291,470**	330,579
	16,533,212	16,691,531

31. Subordinated loan stock

		2020	2019
	Contractual interest rate	**€000**	€000
Subordinated Tier 2 Capital Note with nominal value of €250 million	9.25% up to 19 January 2022	**272,152**	272,170

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4,000 million.

In January 2017, the Company issued a €250 million unsecured and subordinated Tier 2 Capital Note (the Note) under the Company's EMTN Programme. The Note was priced at par with a coupon of 9.25% per annum payable annually up to 19 January 2022 and then a rate at the then prevailing 5-year swap rate plus a margin of 9.176% per annum up to 19 January 2027, payable annually. The Note matures on 19 January 2027. The Company has the option to redeem the Note early on 19 January 2022, subject to applicable regulatory consents. The Note is listed on the Luxembourg Stock Exchange's Euro Multilateral Trading Facility (MTF) market. The fair value as at 31 December 2020 is disclosed in Note 20.

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

	2020	2019
	€000	€000
Income tax payable and related provisions	**7,770**	4,123
Special defence contribution payable	**971**	2,065
Retirement benefit plans liabilities (Note 12)	**6,561**	7,052
Provisions for financial guarantees and commitments (Notes 43.8.1 and 43.8.2)	**19,658**	22,112
Accrued expenses and other provisions	**52,951**	79,013
Deferred income	**15,807**	18,414
Items in the course of settlement	**66,217**	49,975
Lease liabilities (Note 41)	**39,894**	27,723
Advances received for disposal group held for sale (Note 28)	**21,100**	-
Other liabilities	**45,478**	56,923
	276,407	267,400

32. Accruals, deferred income, other liabilities and other provisions (continued)

The ECL allowance for financial guarantees and commitments is analysed by stage in the table below:

	2020 €000	2019 €000
Stage 1	**168**	51
Stage 2	**1,120**	157
Stage 3	**18,370**	21,904
	19,658	22,112

33. Share capital

	2020		2019	
	Number of shares (thousand)	**€000**	Number of shares (thousand)	€000
Authorised				
Ordinary shares of €0.10 each	**47,677,593**	**4,767,759**	47,677,593	4,767,759
Issued				
1 January	**9,597,945**	**959,794**	8,922,945	892,294
Issue of share capital (Note 34)	**-**	**-**	675,000	67,500
31 December	**9,597,945**	**959,794**	9,597,945	959,794

Authorised and issued share capital

There were no changes to the authorised share capital during the year ended 31 December 2020 and during the year ended 31 December 2019.

2020

There were no changes to the issued share capital in the year ended 31 December 2020.

2019

During 2019, the Company issued 675,000 thousand ordinary shares of a nominal value of €0.10 each in the form of a scrip dividend.

All issued ordinary shares carry the same rights.

33. Share capital (continued)

Share premium reserve

The share premium reserve is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113 and is not available for distribution to equity holders in the form of a dividend.

2020
The Company, having obtained approval by its shareholders, the ECB and the Court of Cyprus, implemented a capital reduction process in October 2020, which resulted in a reclassification of €619 million of the Company's share premium balance as distributable reserves (retained earnings). Such reduction of capital did not have any impact on regulatory capital or the total equity position of the Company.

2019
The share premium increased by €67,500 thousand through the issuance of 675,000 thousand ordinary shares of a nominal value of €0.10 each at a premium of €0.10 per share (Note 34).

The share premium was created in 2014 and 2015 by the issuance of 4,167,234 thousand shares of a nominal value of €0.10 each of a subscription price of €0.24 each, and was reduced by the relevant transaction costs of €32,044 thousand.

Share-based payments - share options

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

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

Other equity instruments

	2020	2019
	€000	€000
Reset Perpetual Additional Tier 1 Loan Capital Security	**220,000**	220,000

In December 2018 BOCH issued €220 million Subordinated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the BOCH AT1). On the same date, the Company and BOCH entered into an agreement pursuant to which BOCH on-lent to the Company the entire €220 million proceeds of the issue of the BOCH AT1 (the AT1 Loan) on terms substantially identical to the terms and conditions of the BOCH AT1. The AT1 Loan constitutes an unsecured and subordinated obligation of the Company. The coupon is at 12.50% and is payable semi-annually. During the year ended 31 December 2020, two coupon payments to AT1 holders were made of a total amount of €27,500 thousand and have been recognised in retained earnings (2019: €27,199 thousand). The Company may elect to cancel any interest payment for an unlimited period, and on a non-cumulative basis, whereas it mandatorily cancels interest payment under certain circumstances. The AT1 Loan is perpetual and has no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on the fifth anniversary of the issue date and each subsequent fifth anniversary; subject to the prior approval of the regulator.

34. Dividends

Based on the 2019 SREP decision which remains in effect during 2021 following relevant communications by the ECB, the Company and BOCH are under a regulatory prohibition for equity dividend distribution, similar to prior years. This prohibition 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. No dividends were declared or paid during years 2020 and 2019, except as described below.

No prohibition applies to the payment of coupons on any AT1 capital instruments issued by the Company and BOCH.

On 14 December 2018, the Board of Directors of the Company approved the declaration of a conditional interim dividend, amounting to €135,000 thousand, in the form of scrip, through the issue of 675,000 thousand of ordinary shares of a nominal value of €0.10 per share to be issued at a premium of €0.10 per share to BOCH, out of the Company's profits for the financial year of 2016. The scrip dividend was paid on 27 March 2019 through the issue of 675,000 thousand of ordinary shares of a total issue price of €0.20 per share to BOCH (Note 33).

35. Retained earnings

For the purpose of dividend distribution, retained earnings determined at the Company level are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company, at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1.70% contribution to the National Health System, increased to 2.65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1.70% rate was applicable.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the company on account of the shareholders.

During 2020 no special defence contribution on deemed dividend distribution was paid by the Company. During 2019, dividend distribution was made by the Company via the issuance of new ordinary shares.

36. Fiduciary transactions

The Company offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Company is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the balance sheet of the Company unless they are placed with the Company. Total assets under management and custody at 31 December 2020 amounted to €1,056,782 thousand (2019: €1,092,171 thousand).

37. Pending litigation, claims, regulatory and other matters

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

Apart from what is described below, the Company considers that none of these matters are material, either individually or in aggregate. The Company has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so, because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Company is able to estimate probable losses (Note 5.4). Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 December 2020 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Company.

37.1 Pending litigation and claims

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

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

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

So far the first two capital securities cases to reach the Areios Pagos (Supreme Court of Greece) have been adjudged in favour of the Company, ruling in effect that the Company can rely on the defence of frustration (i.e. intervening event out of the control of the Company, in this case the Company’s resolution and recapitalisation through the bail in of deposits) to show that the risks associated with the sale of the capital securities because of the consequences of the bail in were unforeseeable. The cases will be retried by the Court of Appeal as per the direction of the Supreme Court, however the ruling of the Supreme Court on this point is final and binding on lower courts and the Company’s position is that the Company will, most probably, win the cases.

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

37.1 Pending litigation and claims (continued)

In Cyprus six judgments have been issued so far with regards to the Company capital securities. Five of the said judgments have been issued in favour of the Company (dismissing the plaintiffs' claims) and one of them against the Company. The Company has filed an appeal with regards to the case where the judgment was issued against it. In two of the five cases that the Company won, the plaintiffs have filed an appeal. It remains to be seen whether the plaintiffs will file appeals in the two most recent cases that the Company won as the time for filing an appeal has not elapsed.

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

Bail-in related litigation

Depositors

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

The Bank has won a case with regards to Bail-in related litigation for the first time in June 2020. The specifics of the case concerned alleged failure to follow instructions prior to the Bail-in. The plaintiffs have filed an appeal with respect to this judgment.

Shareholders

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

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

Legal position of the Company

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

Provident fund case

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

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

37.1 Pending litigation and claims (continued)

Employment litigation
Former senior officers of the Company have instituted one claim for unfair dismissal and one claim for Provident Fund entitlements against the Company and the Trustees of the Provident Fund. The action with respect to the Provident Fund entitlements has been dismissed by the court in November 2020 and the plaintiff has not appealed. The Company does not consider that the case which is still pending will have a material impact on its financial position.

Additionally, a number of former employees have filed claims against the Company contesting entitlements received relating to the various voluntary exit plans. As at the reporting date no judgement has been issued in any of the said claims. The Company does not expect that these actions will have a material impact on its financial position.

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

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

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

In addition the Company has received claims in relation to alleged breaches of various provisions for warranties and indemnities relating to the disposal process of certain operations of the Company. Management views this matter to be at an early stage and cannot determine the outcome, however it is assessing the relevant risks and taking appropriate actions and where necessary has set up appropriate provisions.

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

In January 2017 the Attorney General had filed a criminal case against a number of current and former officers of the Company relating to the reclassification of Greek Government Bonds in April 2010. No charges were instituted against the Company in this case. On 19 March 2020, the Assize Court of Nicosia discontinued the criminal case and discharged all accused, including the current officers of the Company, who had been charged with various criminal offences relating to events occurring before the financial crisis of 2013 and the bail in of the Company. The Court ruled that there had been clear and serious abuse of the process of the Court and that in fact the specific prosecution should never have been instituted.

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

37.2 Regulatory matters

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

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

During 2020, HCMC imposed two fines on the Company, an approximately €5 thousand fine regarding the sale of Greek Government Bonds on behalf of the Greek Government and an approximately €4 thousand fine regarding the failure of the Company to comply with certain articles of the HCMC.

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

The Cyprus Securities and Exchange Commission (CySEC) Investigations
As at 31 December 2020 and 31 December 2019 there were no pending CySEC investigations against the Company.

Central Bank of Cyprus (CBC)
In June 2020 the Company has won the recourse that it had filed before the Administrative Court with regards to the decision and fine that was imposed in September 2013 upon the Company by CBC concerning the selling practices that the Company used during the 2009 capital securities issuance.

The CBC has carried out certain investigations to assess compliance of the Company under the anti-money laundering (AML) legislation which was in place during years 2008-2015 and 2016-2018.

Following the investigations and the on-site audit findings, the CBC concluded on 27 January 2021 that in the case of AML legislation 2008-2015 the Company was in breach of certain articles of the said legislation and for the investigation relating to the years 2016-2018 the Company prima facie, failed to act in accordance with certain provisions of the AML/counter terrorism financing (CTF) Law and the CBC AML/CTF Directive.

With respect to the above investigations a fine may be imposed upon the Company. According to the CBC AML Directive, the maximum fine that may be imposed amounts to €5 million or 10% of the annual turnover of the Company for each investigation. The fine is expected to be in the region of €30 thousand for each investigation, as per the assessment of the Company. The Company will file representations towards mitigation of the fine. If a fine is imposed upon the Company, the Company can file a recourse before the Administrative Court.

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

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

37.2 Regulatory matters (continued)

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

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

CPC has ruled in March 2020 that there is breach of competition law in relation to the Company's participation in the shareholding of Fairways Ltd. A €5 thousand fine has been imposed upon the Company following submission of the Company’s written address on mitigation. The said fine has been paid.

Consumer Protection Service
In July 2017, the Consumer Protection Service (CPS) has imposed a fine of €170 thousand upon the Company after concluding an ex officio investigation regarding some terms in both the Company's and Marfin Popular Bank's loan documentation, that were found to constitute unfair commercial practices. Decisions of the CPS (according to rulings of the Administrative Court) are not binding but merely an expression of opinion. Against this decision, the Company has filed an application before the Administrative Court which has not yet issued its judgement. The case is set for Directions in April 2021.

In March 2020 the Company has been served with an application by the director of CPS through the Attorney General seeking for an order of the court, with immediate effect, the result of which will be for the Company to cease the use of a number of terms in the contracts of the Company which are deemed to be unfair under the said order. The said terms relate to contracts that had been signed during 2006-2007. Furthermore, the said application seeks for an order ordering the Company to undertake measures to remedy the situation. The case is set for Directions in April 2021. The Company will take all necessary steps for the protection of its interests.

In March 2021, the Company was served with an application (79/2021) filed by the Cyprus Consumers’ Association for the issuance of a court order prohibiting the use of a number of contractual terms included in the Company’s consumer contracts and the amendment of any such contracts (present and future) so as to remove such terms deemed as unfair. The said contractual terms were determined as unfair pursuant to the decisions issued by the Consumer Protection Service of the Ministry of Energy, Commerce, Industry and Tourism against the Company in 2016 and 2017. The Company will take all necessary steps for the protection of its interests.

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

Data Protection Commissioner (DPC)
A customer of the Company complained to the Office of the Commissioner for Personal Data Protection that the Company violated certain provisions of the General Data Protection Regulation (GDPR). The Commissioner’s Office, imposed a fine on the Company of €15 thousand. The said fine has been paid.

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

37.2 Regulatory matters (continued)

UK regulatory matters
The provision outstanding as at 31 December 2020 is €548 thousand (2019: €1,645 thousand). As part of the agreement for the sale of Bank of Cyprus UK Ltd, a liability with regards to UK regulatory matters remains an obligation for settlement by the Company. The level of the provision represents the best estimate of all probable outflows arising from customer redress based on information available to management.

37.3 Other matters

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

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

	Pending litigation and claims (Note 37.1)	Regulatory matters (Note 37.2)	Other matters (Note 37.3)	**Total**
2020	€000	€000	€000	**€000**
1 January	64,761	11,892	24,143	**100,796**
Increase of provisions including unwinding of discount (Note 13)	24,910	271	21,417	**46,598**
Utilisation of provisions	(12,706)	(1,555)	(1,013)	**(15,274)**
Release of provisions (Note 13)	(14,710)	-	(697)	**(15,407)**
Foreign exchange adjustments	-	(102)	-	**(102)**
31 December	**62,255**	**10,506**	**43,850**	**116,611**
Provisions expected to be settled within 12 months post reporting date	**15,795**	**548**	**-**	**16,343**
2019				
1 January	69,115	26,290	9,901	**105,306**
Increase of provisions including unwinding of discount (Note 13)	16,268	413	19,101	**35,782**
Utilisation of provisions	(15,641)	(14,856)	-	**(30,497)**
Release of provisions (Note 13)	(4,981)	-	-	**(4,981)**
Transfer to income tax payable	-	-	(4,859)	**(4,859)**
Foreign exchange adjustments	-	45	-	**45**
31 December	**64,761**	**11,892**	**24,143**	**100,796**
Provisions expected to be settled within 12 months post reporting date	**16,333**	**1,600**	**-**	**17,933**

Some information required by the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation or the outcome of the negotiation in relation to provisions for warranties and indemnities related to the disposal process of certain operations of the Company.

The net increase in provisions for pending litigation and claims for the year 2020 was primarily driven by the progressed status of the pending investigations and litigations relating to securities issued by the Company in Greece. With regards to other matters, additional provisions were taken for matters in relation to the disposal process of certain of the Company's operations as elements of those processes are ongoing.

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

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

An increase by 5% in the probability of loss rate for pending litigation and claims (2019: 5%) with all other variables held constant, would lead to an increase in the actual provision by €6,956 thousand at 31 December 2020 (2019: increase by €5,848 thousand).

38. Contingent liabilities and commitments

As part of the services provided to its customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Company (Note 43.8).

38.1 Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2020 amount to €18,912 thousand (2019: €26,215 thousand).

38.2 Other contingent liabilities

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

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

39. Net cash flow from operating activities

	2020	2019
	€000	€000
Loss before tax	**(162,353)**	(210,163)
Adjustments for:		
Credit losses to cover credit risk on loans and advances to customers and net gains on derecognition of financial assets measured at amortised cost	**271,214**	225,672
Depreciation of property and equipment	**15,404**	16,196
Amortisation of intangible assets	**14,832**	13,027
Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies	**-**	13,077
Credit losses of other financial instruments	**4,037**	3,303
Impairment of balances with Group companies	**4,707**	35,380
Amortisation of discounts/premiums, catch-up adjustment on debt securities and interest on debt securities	**(27,028)**	(33,175)
Loss on sale and write-offs of property and equipment and intangible assets	**93**	108
Net gains on disposal of investment properties	**(556)**	(2,170)
Net losses/(gains) from revaluation of investment properties	**1,599**	(1,064)
Dividend income	**(25,790)**	(22,573)
Negative interest on funding from central banks	**(5,306)**	-
Net gains on disposal of investments in debt securities	**(2,865)**	-
Profit from revaluation of debt securities designated as fair value hedges	**(5,239)**	(5,590)
Net (gains)/losses on disposal/dissolution of subsidiaries and associates	**(9)**	1,964
Impairment of investment in subsidiaries	**10,901**	4,194
Net losses/(gains) on balances with Group companies	**30,438**	39,881
Net gains on disposal of stock of property	**(7,888)**	(11,828)
Impairment of stock of property	**6,687**	12,459
Negative interest on loans and advances to banks and central banks	**18,782**	17,448
Interest on subordinated loan stock	**23,329**	23,325
Interest expense on lease liability	**409**	349
	165,398	119,820
Loans and advances to banks	**12,330**	27,478
Deposits by banks	**(142,497)**	102,374
Obligatory balances with central banks	**2,017**	2,627
Customer deposits	**(158,319)**	(152,027)
Debit balances with Group companies	**(26,586)**	92,105
Credit balances with Group companies	**(28,161)**	(5,181)
Loans and advances to customers measured at amortised cost	**(92,005)**	(204,055)
Loans and advances to customers measured at FVPL	**79,432**	26,279
Other assets	**(15,246)**	632
Accrued income and prepaid expenses	**180**	11
Other liabilities and pending litigation, claims, regulatory and other matters	**17,601**	25,003
Accrued expenses and deferred income	**(28,669)**	17,600
Derivative financial instruments	**(6,182)**	13,304
Investments measured at FVPL	**2,934**	(6,518)
Repurchase agreements	**(168,129)**	(80,816)
Proceeds on disposals of stock of property	**65,787**	111,530
	(320,115)	90,166
Tax received/ (paid)	**464**	(76)
Net cash flow (used in)/from operating activities	**(319,651)**	90,090

39. Net cash flow from operating activities (continued)

Non-cash transactions

2020

Repossession of collaterals
During 2020, the Company acquired properties by taking possession of collaterals held as security for loans and advances to customers of €92,224 thousand (2019: €123,114 thousand) (Note 43.10).

Recognition of RoU and lease liabilities
During 2020 the Company recognised RoU assets and corresponding lease liabilities of €19,724 thousand (2019: €37,263 thousand).

2019

Disposal of Project Helix
Upon the disposal of Project Helix, the Company participated in a senior debt in relation to the financing of the Project Helix amounting to €45 million (Note 28).

Acquisition of equity investments
During 2019 the Company acquired equity investments amounting to €6,529 thousand as a result of its loan restructuring activities. The Company elected to classify this equity participation at FVOCI. The carrying value as at 31 December 2019 is €6,789 thousand.

Disposal of NMH group
During 2019 the Company disposed of its 64% holding in NMH group. The transaction involved settlement of existing facilities and provision of new lending. Further information is disclosed in Note 49.4.2.

Net cash flow from operating activities - interest and dividends

	2020	2019
	€000	€000
Interest paid	**(116,649)**	(162,234)
Interest received	**469,253**	775,360
Dividends received	**25,790**	22,573
	378,394	635,699

39. Net cash flow from operating activities (continued)

Changes in liabilities arising from financing activities

	Funding from central banks (Note 29)	Subordinated loan stock (Note 31)	**Total**
2020	€000	€000	**€000**
1 January	-	272,170	**272,170**
Cash flows	1,000,000	(23,329)	**976,671**
Other non-cash movements	(5,306)	23,311	**18,005**
31 December	**994,694**	**272,152**	**1,266,846**
2019			
1 January 2019	830,000	270,930	**1,100,930**
Cash flows	(830,000)	(23,325)	**(853,325)**
Other non-cash movements	-	24,565	**24,565**
31 December 2019	**-**	**272,170**	**272,170**

Further information relating to the change in lease liabilities is disclosed in (Note 41).

40. Cash and cash equivalents

Cash and cash equivalents comprise:

	2020	2019
	€000	€000
Cash and non-obligatory balances with central bank	**5,495,112**	4,899,833
Cash and non-obligatory balances with central banks classified as held for sale (Note 28)	**68,425**	-
Loans and advances to banks with original maturity less than three months	**284,920**	200,044
	5,848,457	5,099,877

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

	2020	2019
	€000	€000
Cash and non-obligatory balances with central bank	**5,495,112**	4,899,833
Obligatory balances with central banks (Note 17)	**158,031**	160,048
Total cash and balances with central banks (Note 17)	**5,653,143**	5,059,881
Loans and advances to banks with original maturity less than three months	**284,920**	200,044
Restricted loans and advances to banks	**76,358**	88,712
Total loans and advances to banks (Note 17)	**361,278**	288,756

Restricted loans and advances to banks include collaterals under derivative transactions of €34,032 thousand (2019: €41,104 thousand) which are not immediately available for use by the Company, but are released once the transactions are terminated.

41. Leases

The Company is a lessee for commercial properties such as office and branch buildings. The basic terms for lease contracts relating to the branch network are uniform, irrespective of lessors, with the non-cancellable rental period being two years. The Company has the option to extend the tenancy for four further periods of two years each. The Company has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rents of the area and considering the relevant legislation.

Office buildings are leased by the Company for the operation of administrative functions. The basic terms for new lease contracts and the current practise are substantially the same with those for lease contracts of branches.

During the year ended 31 December 2020, the lease liability was remeasured due to changes in future lease payments and re-assessment of the lease term of existing contracts using the assumptions as detailed in Note 5.10.

The carrying amounts of the Company's RoU assets and lease liabilities and the movement during the year ended 31 December 2020 and the year ended 31 December 2019 is presented in the table below:

2020	**RoU asset (Note 24)**	**Lease liabilities (Note 32)**
	€000	**€000**
1 January	**28,459**	**(27,723)**
Assets derecognised (Note 24)	**(2,337)**	**2,337**
Remeasurement of lease liability	**22,061**	**(22,061)**
Depreciation charge for the year (Note 13)	**(8,269)**	**-**
Interest expense (Note 7)	**-**	**(409)**
Cash outflows-payments	**-**	**7,962**
31 December	**39,914**	**(39,894)**

2019	**RoU (Note 24)**	**Lease liabilities (Note 32)**
	€000	**€000**
1 January - Impact on adoption of IFRS 16	**37,989**	**(37,989)**
Assets derecognised	**(726)**	**726**
Restoration liability - disclosed within other liabilities	**-**	**1,230**
Depreciation charge for the year (Note 13)	**(8,804)**	**-**
Interest expense (Note 7)	**-**	**(349)**
Cash outflows-payments	**-**	**8,659**
31 December	**28,459**	**(27,723)**

RoU assets comprised of leases of buildings and are presented within Property, disclosed in Note 24.

Cash outflows relate to lease payments made during the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 45.

42. Analysis of assets and liabilities by expected maturity

	2020			2019		
	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	**5,495,112**	**158,031**	**5,653,143**	4,899,833	160,048	5,059,881
Loans and advances to banks	**284,920**	**76,358**	**361,278**	200,044	88,712	288,756
Derivative financial assets	**5,556**	**19,071**	**24,627**	3,217	19,843	23,060
Investments including investments pledged as collateral	**343,379**	**1,356,952**	**1,700,331**	430,191	1,299,079	1,729,270
Loans and advances to customers	**1,365,942**	**8,516,212**	**9,882,154**	1,515,521	9,199,881	10,715,402
Balances with Group companies	**575,323**	**165,608**	**740,931**	86,426	663,064	749,490
Prepayments, accrued income and other assets	**57,362**	**73,003**	**130,365**	112,068	19,120	131,188
Stock of property	**149,709**	**528,717**	**678,426**	261,000	426,823	687,823
Deferred tax assets	**37,909**	**303,273**	**341,182**	37,909	341,182	379,091
Property, equipment and intangible assets	**-**	**267,135**	**267,135**	7	278,911	278,918
Investment properties	**11,691**	**35,747**	**47,438**	-	52,106	52,106
Investment in associates	**-**	**2,191**	**2,191**	-	2,191	2,191
Investments in Group companies	**-**	**97,609**	**97,609**	-	108,177	108,177
Non-current assets and disposal groups held for sale	**618,987**	**-**	**618,987**	25,929	-	25,929
	8,945,890	**11,599,907**	**20,545,797**	7,572,145	12,659,137	20,231,282
Liabilities						
Deposits by banks	**80,770**	**307,923**	**388,693**	201,549	329,641	531,190
Funding from central banks	**-**	**994,694**	**994,694**	-	-	-
Repurchase agreements	**-**	**-**	**-**	168,129	-	168,129
Derivative financial liabilities	**6,805**	**39,173**	**45,978**	11,839	38,754	50,593
Customer deposits	**5,242,058**	**11,291,154**	**16,533,212**	5,327,735	11,363,796	16,691,531
Balances with Group companies	**71,806**	**-**	**71,806**	99,967	-	99,967
Accruals, deferred income and other liabilities and pending litigation, claims, regulatory and other matters	**205,599**	**187,419**	**393,018**	245,370	122,826	368,196
Subordinated loan stock	**172,152**	**100,000**	**272,152**	-	272,170	272,170
Deferred tax liabilities	**-**	**20,443**	**20,443**	-	22,455	22,455
	5,779,190	**12,940,806**	**18,719,996**	6,054,589	12,149,642	18,204,231

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

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. The latter would be the case where there is secured borrowing, requiring the pledging of bonds and these bonds mature before the maturity of the secured borrowing. The maturity of bonds is then extended to cover the period of the secured borrowing.

42. 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.

43. Risk management - Credit risk

In the ordinary course of its business the Company is exposed to credit risk which is monitored through various control mechanisms 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 obligations towards the Company.

The Credit Risk Management department sets the Company's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and the quality of the Company's loans and advances portfolio through the timely credit risk assessment of customers. The credit exposures from related accounts are aggregated and monitored on a consolidated basis.

The Credit Risk Management department, safeguards the effective management of credit risk at all stages of the credit cycle, monitors the quality of decisions and processes and ensures that credit sanctioning function is being properly managed.

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

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate.

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

The Company's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 5 'Significant and other judgements, estimates and assumptions' of these Consolidated Financial Statements.

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

43. Risk management - Credit risk (continued)

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

The Company's maximum exposure to credit risk is analysed by geographic area as follows:

	2020	2019
On-balance sheet	**€000**	€000
Cyprus	**18,807,786**	18,507,104
Other countries	**23,523**	28,679
	18,831,309	18,535,783
Off-balance sheet		
Cyprus	**2,656,781**	2,612,824
Other countries	**52,145**	58,290
	2,708,926	2,671,114
Total on and off-balance sheet		
Cyprus	**21,464,567**	21,119,928
Other countries	**75,668**	86,969
	21,540,235	21,206,897

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

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

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

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

The Company's management 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.

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

The Company has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

43. Risk management - Credit risk (continued)

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

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

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

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

43. Risk management - Credit risk (continued)

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

		Fair value of collateral and credit enhancements held by the Company							
	Maximum exposure to credit risk	Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	**Net exposure to credit risk**
2020	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**5,513,476**	-	-	-	-	-	-	-	**5,513,476**
Loans and advances to banks (Note 17)	**361,278**	1,190	-	-	-	-	-	-	**361,278**
FVPL debt securities (Note 18)	**12,292**	-	-	-	-	-	-	-	**12,292**
Debt securities classified at amortised cost and FVOCI (Note 18)	**1,677,066**	-	-	-	-	-	-	-	**1,677,066**
Derivative financial instruments (Note 19)	**24,627**	-	-	-	-	-	-	-	**24,627**
Loans and advances to customers (Note 21)	**9,882,154**	440,034	582,867	158,765	14,001,366	1,517,072	(7,764,852)	8,935,252	**946,902**
Loans and advances to customers classified as held for sale (Note 28)	**493,037**	806	271	6,121	1,229,782	50,263	(807,942)	479,301	**13,736**
Cash and non-obligatory balances with central banks classified as held for sale (Note 28)	**68,425**	-	-	-	-	-	-	-	**68,425**
Debtors (Note 27)	**13**	-	-	-	-	-	-	-	**13**
Balances with group companies	**740,931**	-	-	-	-	-	-	-	**740,931**
Other assets (Note 27)	**58,010**	-	-	-	-	-	-	-	**58,010**
On-balance sheet total	**18,831,309**	**442,030**	**583,138**	**164,886**	**15,231,148**	**1,567,335**	**(8,572,794)**	**9,414,553**	**9,416,756**
Contingent liabilities									
Acceptances and endorsements	**4,655**	277	2	-	3,869	507	-	4,655	**-**
Guarantees	**625,965**	110,304	2,305	1,332	123,283	43,154	-	280,378	**345,587**
Commitments									
Documentary credits	**14,866**	1,854	169	-	4,992	815	-	7,830	**7,036**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2,063,440**	26,194	643	1,479	372,670	54,996	-	455,982	**1,607,458**
Off-balance sheet total	**2,708,926**	**138,629**	**3,119**	**2,811**	**504,814**	**99,472**	**-**	**748,845**	**1,960,081**
	21,540,235	**580,659**	**586,257**	**167,697**	**15,735,962**	**1,666,807**	**(8,572,794)**	**10,163,398**	**11,376,837**

43. Risk management - Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2019	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 17)	**4,908,334**	-	-	-	-	-	-	-	**4,908,334**
Loans and advances to banks (Note 17)	**288,756**	470	-	-	-	-	-	470	**288,286**
FVPL debt securities (Note 18)	**15,455**	-	-	-	-	-	-	-	**15,455**
Debt securities classified at amortised cost and FVOCI (Note 18)	**1,703,144**	-	-	-	-	-	-	-	**1,703,144**
Derivative financial instruments (Note 19)	**23,060**	-	-	-	-	-	-	-	**23,060**
Loans and advances to customers (Note 21)	**10,715,402**	434,870	637,792	170,711	15,499,199	1,387,683	(8,523,712)	9,606,543	**1,108,859**
Loans and advances to customers classified as held for sale (Note 28)	**25,929**	25	689	253	29,276	15,704	(31,293)	14,654	**11,275**
Receivable relating to disposal of operations (Note 27)	**53,354**	-	-	23,816	48,900	44,270	(93,207)	23,779	**29,575**
Debtors (Note 27)	**12**	-	-	-	-	-	-	-	**12**
Balances with group companies	**749,490**	-	-	-	-	-	-	-	**749,490**
Other assets (Note 27)	**52,847**	-	-	-	-	-	-	-	**52,847**
On-balance sheet total	**18,535,783**	**435,365**	**638,481**	**194,780**	**15,577,375**	**1,447,657**	**(8,648,212)**	**9,645,446**	**8,890,337**
Contingent liabilities									
Acceptances and endorsements	**5,816**	447	-	-	4,471	175	-	5,093	**723**
Guarantees	**689,394**	127,078	2,045	3,132	137,509	34,527	-	304,291	**385,103**
Commitments									
Documentary credits	**11,767**	1,993	-	-	5,429	618	-	8,040	**3,727**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,964,137**	28,653	6,087	1,590	345,199	51,128	-	432,657	**1,531,480**
Off-balance sheet total	**2,671,114**	**158,171**	**8,132**	**4,722**	**492,608**	**86,448**	**-**	**750,081**	**1,921,033**
	21,206,897	**593,536**	**646,613**	**199,502**	**16,069,983**	**1,534,105**	**(8,648,212)**	**10,395,527**	**10,811,370**

The contingent liabilities and commitments include exposures relating to loans and advances to customers classified as held for sale amounting to €2,188 thousand (2019: €1,579 thousand), which largely relate to the Cyprus geographical area.

43. Risk management - Credit risk (continued)

43.2 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. According to these restrictions, banks are prohibited from lending more than 25% of their capital base to a single customer group. The Company's risk appetite statement imposes stricter concentration limits and the Company is taking actions to run down those exposures which are in excess of these internal limits over time.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented below. The geographical concentration, for credit risk concentration purposes, is based on the Company's Country Risk Policy which is followed for monitoring the Company's exposures. Market Risk is responsible for analysing the country risk of exposures. ALCO reviews the country risk of exposures on a quarterly basis and the Board, through its Risk Committee, reviews the country risk of exposures and any breaches of country risk limits on a regular basis and at least annually. In accordance with the Company's policy, exposures are analysed by country of risk based on the country of residency for individuals and the country of registration for companies.

The below geographical concentration presents separately countries with high concentration of risk and all other countries with low concentration of risk, are presented within 'Other countries' as per Company policy.

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	1,014,445	717	252	3,767	2	112	**1,019,295**
Manufacturing	350,403	389	177	692	-	31,717	**383,378**
Hotels and catering	875,572	35,989	34,736	504	-	40,185	**986,986**
Construction	613,895	8,689	123	600	2	234	**623,543**
Real estate	867,601	127,342	1,899	33,483	-	41,223	**1,071,548**
Private individuals	4,670,357	7,813	163,613	1,139	48,361	84,830	**4,976,113**
Professional and other services	652,928	407	5,711	3,773	9,337	39,933	**712,089**
Other sectors	432,569	13	219	838	5	168,175	**601,819**
	9,477,770	**181,359**	**206,730**	**44,796**	**57,707**	**406,409**	**10,374,771**

2020	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,922,810	8,949	94	604	110	2,760	**1,935,327**
Global corporate	1,344,983	163,153	41,334	35,546	9,308	302,734	**1,897,058**
SMEs	1,081,773	708	2,881	-	-	2,337	**1,087,699**
Retail							
- housing	2,862,802	3,052	57,627	623	6,051	25,622	**2,955,777**
- consumer, credit cards and other	884,151	1,075	1,507	133	256	2,061	**889,183**
Restructuring							
- corporate	175,386	-	524	-	-	5,324	**181,234**
- SMEs	86,644	189	1,633	-	263	133	**88,862**
- retail housing	130,661	182	2,849	130	219	1,703	**135,744**
- retail other	94,560	13	127	-	-	12	**94,712**
Recoveries							
- corporate	20,388	-	-	7,592	-	23	**28,003**
- SMEs	87,276	9	275	-	1,465	1,728	**90,753**
- retail housing	364,775	326	73,460	160	18,511	30,042	**487,274**
- retail other	327,637	34	6,157	4	355	2,076	**336,263**
International banking services	68,923	2,905	18,262	4	21,169	24,075	**135,338**
Wealth management	25,001	764	-	-	-	5,779	**31,544**
	9,477,770	**181,359**	**206,730**	**44,796**	**57,707**	**406,409**	**10,374,771**

43. Risk management - Credit risk (continued)

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

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	1,315,261	1,019	905	3,843	12	416	**1,321,456**
Manufacturing	416,263	677	69	1,297	-	34,461	**452,767**
Hotels and catering	806,009	34,169	36,914	731	-	38,016	**915,839**
Construction	817,816	8,433	160	740	40	397	**827,586**
Real estate	943,141	128,955	3,319	38,214	672	25,799	**1,140,100**
Private individuals	5,374,482	8,378	221,924	1,295	64,390	112,661	**5,783,130**
Professional and other services	728,704	1,016	6,901	4,956	20,860	36,183	**798,620**
Other sectors	532,594	54	241	986	31	203,764	**737,670**
	10,934,270	**182,701**	**270,433**	**52,062**	**86,005**	**451,697**	**11,977,168**

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	1,937,940	7,924	2,932	715	-	2,968	**1,952,479**
Global corporate	1,334,054	163,332	42,776	40,654	19,588	299,345	**1,899,749**
SMEs	1,095,447	785	3,657	-	-	2,059	**1,101,948**
Retail							
- housing	2,687,248	2,615	65,241	710	6,958	29,915	**2,792,687**
- consumer, credit cards and other	890,112	557	1,904	135	382	2,468	**895,558**
Restructuring							
- corporate	303,960	298	648	-	-	16,219	**321,125**
- SMEs	313,550	218	1,797	-	565	1,147	**317,277**
- retail housing	337,344	150	7,710	-	977	4,353	**350,534**
- retail other	177,841	25	919	-	17	243	**179,045**
Recoveries							
- corporate	73,656	-	-	9,444	-	7,507	**90,607**
- SMEs	423,326	155	3,798	-	1,481	4,818	**433,578**
- retail housing	656,974	2,312	109,237	357	29,588	46,189	**844,657**
- retail other	614,137	362	11,053	38	2,375	5,566	**633,531**
International banking services	62,938	3,941	18,759	9	24,074	23,931	**133,652**
Wealth management	25,743	27	2	-	-	4,969	**30,741**
	10,934,270	**182,701**	**270,433**	**52,062**	**86,005**	**451,697**	**11,977,168**

In 2019 Financial Statements the concentration analysis by industry and business line concentration was presented by geographical analysis which allocated industry and business lines exposures to the country where the loans and advances to customers are being managed. For the purposes of this note the geographical analysis has been replaced with geographical concentration based on the country of residency for individuals and the country of registration for companies.

As a result, for 2019, an amount of loans and advances to customers of €988,236 thousand relates to loans managed in 'Cyprus' and presented within 'Cyprus' in the respective note in 2019 Financial Statements, which relates to customers resident/registered in the following countries by country of risk: €182,701 thousand in Greece, €269,742 thousand in UK, €17,679 thousand in Romania, €66,417 thousand in Russia and €451,697 thousand in 'Other countries' and have been allocated accordingly to the aforesaid countries in the 2019 tables as restated above.

43. Risk management - Credit risk (continued)

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

Similarly an amount of loans and advances to customers €85,640 thousand managed in 'Other Countries' as at 31 December 2019 relate to customers resident in/registered in the following countries by country of risk: €211 thousand in Greece, €691 thousand in UK, €37,033 thousand in Romania and €47,705 thousand in Russia and have been allocated accordingly to the aforesaid countries in the 2019 tables as restated above.

The loans and advances to customers include lending exposures in Cyprus with collaterals in Greece with a carrying value as at 31 December 2020 of €85,424 thousand (2019: €80,324 thousand).

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

Industry, geographical and business lines concentrations of Company loans and advances to customers at amortised cost classified as held for sale are presented in the table below.

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By economic activity	€000	€000	€000	€000	€000	**€000**
Trade	137,088	-	-	-	-	**137,088**
Manufacturing	49,724	84	305	-	560	**50,673**
Hotels and restaurants	30,266	-	496	-	29	**30,791**
Construction	151,907	-	8	26	76	**152,017**
Real estate	68,685	-	-	-	314	**68,999**
Private individuals	712,742	1,423	16,225	10,004	14,969	**755,363**
Professional and other services	85,933	199	62	1,093	192	**87,479**
Other sectors	58,845	-	-	-	-	**58,845**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

2020	Cyprus	Greece	United Kingdom	Russia	Other countries	**Gross loans at amortised cost**
By business line	€000	€000	€000	€000	€000	**€000**
SMEs	3	-	-	-	-	**3**
Retail						
- housing	40	-	-	-	-	**40**
- consumer, credit cards and other	23	-	-	-	-	**23**
Restructuring						
- corporate	65,947	-	-	-	-	**65,947**
- SMEs	117,541	1	1,734	163	368	**119,807**
- retail housing	21,584	-	402	-	76	**22,062**
- retail other	39,998	-	137	-	160	**40,295**
Recoveries						
- corporate	132,494	-	1,164	3,552	2,918	**140,128**
- SMEs	365,829	149	2,993	842	1,842	**371,655**
- retail housing	298,136	1,305	9,019	5,705	7,492	**321,657**
- retail other	253,595	251	1,647	861	3,284	**259,638**
	1,295,190	**1,706**	**17,096**	**11,123**	**16,140**	**1,341,255**

43. Risk management - Credit risk (continued)

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

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By economic activity	€000	€000	€000	€000	€000	€000	**€000**
Trade	18,037	-	-	-	2	-	**18,039**
Manufacturing	6,327	-	-	-	-	-	**6,327**
Hotels and catering	5,135	-	14	-	-	15	**5,164**
Construction	10,588	4	-	-	-	-	**10,592**
Real estate	1,263	-	-	-	-	-	**1,263**
Private individuals	108,043	1,779	441	35	56	309	**110,663**
Professional and other services	15,930	80	11	-	1	556	**16,578**
Other sectors	5,252	3	-	-	-	-	**5,255**
	170,575	1,866	466	35	59	880	**173,881**

2019 (restated)	Cyprus	Greece	United Kingdom	Romania	Russia	Other countries	Gross loans at amortised cost
By business line	€000	€000	€000	€000	€000	€000	**€000**
Corporate	710	-	-	-	-	-	**710**
SMEs	5	-	-	-	-	-	**5**
Retail							
- consumer, credit cards and other	330	-	-	-	-	-	**330**
Restructuring							
- corporate	7,618	-	-	-	-	-	**7,618**
- SMEs	1,155	-	-	-	-	-	**1,155**
- retail housing	923	204	-	-	-	-	**1,127**
- retail other	39,832	45	179	-	11	45	**40,112**
Recoveries							
- corporate	17,640	-	-	-	-	-	**17,640**
- SMEs	20,662	-	-	-	-	29	**20,691**
- retail housing	3,244	1,317	191	-	-	-	**4,752**
- retail other	78,391	300	96	35	48	804	**79,674**
International banking services	65	-	-	-	-	2	**67**
	170,575	1,866	466	35	59	880	**173,881**

As explained in Note 43.2, the 2019 Financial Statements presented the above analysis by geographical analysis. All loans and advances to customers classified as held for sale were presented within 'Cyprus' in the geographical analysis as all loans were managed in Cyprus.

43.4 Currency concentration of loans and advances to customers

Gross loans at amortised cost	**2020**	2019
	€000	€000
Euro	**9,830,509**	11,279,330
US Dollar	**336,237**	398,559
British Pound	**91,213**	85,925
Russian Rouble	**1**	1
Romanian Lei	**344**	669
Swiss Franc	**108,198**	198,260
Other currencies	**8,269**	14,424
	10,374,771	11,977,168

43. Risk management - Credit risk (continued)

43.5 Currency concentration of loans and advances to customers classified as held for sale

The following tables present the currency concentration of the Company's loans and advances at amortised cost classified as held for sale.

Gross loans at amortised cost	**2020** **€000**	2019 €000
Euro	**1,285,894**	170,050
US Dollar	**7,023**	55
British Pound	**709**	2
Swiss Franc	**42,964**	2,422
Other currencies	**4,665**	1,352
	1,341,255	173,881

43.6 Analysis of loans and advances to customers by staging

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,681,176	2,148,946	1,355,400	335,851	**10,521,373**
Residual fair value adjustment on initial recognition	(72,591)	(25,815)	(9,376)	(38,820)	**(146,602)**
Gross loans at amortised cost	**6,608,585**	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	7,019,936	1,523,823	3,008,196	627,212	**12,179,167**
Residual fair value adjustment on initial recognition	(75,508)	(20,455)	(16,516)	(89,520)	**(201,999)**
Gross loans at amortised cost	**6,944,428**	**1,503,368**	**2,991,680**	**537,692**	**11,977,168**

Loans and advances to customers classified as held for sale

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	6,177	21,801	1,138,587	221,365	**1,387,930**
Residual fair value adjustment on initial recognition	(41)	397	(7,650)	(39,381)	**(46,675)**
Gross loans at amortised cost	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

43. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Gross loans at amortised cost before residual fair value adjustment on initial recognition	176	807	153,608	30,373	**184,964**
Residual fair value adjustment on initial recognition	-	13	(3,402)	(7,694)	**(11,083)**
Gross loans at amortised cost	**176**	**820**	**150,206**	**22,679**	**173,881**

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

The following tables present the Company's gross loans and advances to customers at amortised cost by staging, by business line concentration and geographical analysis. In this note and the remaining notes of Note 43 Risk management - Credit risk, geographical analysis refers to the country where loans are being managed.

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,519,663	362,199	18,831	34,634	**1,935,327**
Global corporate	1,393,026	367,147	102,881	34,004	**1,897,058**
SMEs	739,999	325,412	11,283	11,005	**1,087,699**
Retail					
- housing	2,223,621	651,980	68,643	11,533	**2,955,777**
- consumer, credit cards and other	588,338	251,022	32,822	17,001	**889,183**
Restructuring					
- corporate	29,545	65,166	70,190	16,333	**181,234**
- SMEs	12,418	28,321	39,398	8,725	**88,862**
- retail housing	2,237	8,144	120,558	4,805	**135,744**
- retail other	1,588	5,888	84,045	3,191	**94,712**
Recoveries					
- corporate	-	-	19,185	8,818	**28,003**
- SMEs	-	-	82,317	8,436	**90,753**
- retail housing	-	-	405,052	82,222	**487,274**
- retail other	223	13	280,873	55,154	**336,263**
International banking services	76,159	49,222	9,768	189	**135,338**
Wealth management	21,768	8,617	178	981	**31,544**
	6,608,585	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**
Cyprus	6,608,308	2,123,131	1,306,993	297,031	**10,335,463**
Other countries	277	-	39,031	-	**39,308**
	6,608,585	**2,123,131**	**1,346,024**	**297,031**	**10,374,771**

43. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	1,624,819	247,501	39,648	40,511	**1,952,479**
Global corporate	1,456,080	258,425	149,464	35,780	**1,899,749**
SMEs	837,450	221,977	32,238	10,283	**1,101,948**
Retail					
- housing	2,202,044	430,200	149,020	11,423	**2,792,687**
- consumer, credit cards and other	646,649	169,063	60,603	19,243	**895,558**
Restructuring					
- corporate	32,879	60,545	197,319	30,382	**321,125**
- SMEs	49,193	55,345	193,415	19,324	**317,277**
- retail housing	2,604	3,866	334,892	9,172	**350,534**
- retail other	430	607	172,079	5,929	**179,045**
Recoveries					
- corporate	-	-	74,637	15,970	**90,607**
- SMEs	-	-	372,046	61,532	**433,578**
- retail housing	-	-	702,392	142,265	**844,657**
- retail other	216	-	499,018	134,297	**633,531**
International banking services	75,965	44,317	12,788	582	**133,652**
Wealth management	16,099	11,522	2,121	999	**30,741**
	6,944,428	**1,503,368**	**2,991,680**	**537,692**	**11,977,168**
Cyprus	6,944,083	1,503,368	2,937,364	537,692	**11,922,507**
Other countries	345	-	54,316	-	**54,661**
	6,944,428	**1,503,368**	**2,991,680**	**537,692**	**11,977,168**

Loans and advances to customers classified as held for sale

The following tables present the Company's gross loans and advances to customers at amortised cost classified as held for sale by staging, business line concentration and geographical analysis.

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
SMEs	-	-	-	3	**3**
Retail					
- housing	-	40	-	-	**40**
- consumer, credit cards and other	-	2	21	-	**23**
Restructuring					
- corporate	-	948	63,465	1,534	**65,947**
- SMEs	4,126	15,085	96,757	3,839	**119,807**
- retail housing	652	3,279	17,083	1,048	**22,062**
- retail other	1,358	2,844	33,298	2,795	**40,295**
Recoveries					
- corporate	-	-	115,320	24,808	**140,128**
- SMEs	-	-	322,729	48,926	**371,655**
- retail housing	-	-	277,084	44,573	**321,657**
- retail other	-	-	205,180	54,458	**259,638**
	6,136	**22,198**	**1,130,937**	**181,984**	**1,341,255**
Cyprus	**6,136**	**22,198**	**1,130,937**	**181,984**	**1,341,255**

43. Risk management - Credit risk (continued)

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

2019 By business line	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
Corporate	-	360	350	-	**710**
SMEs	-	-	2	3	**5**
Retail					
- consumer, credit cards and other	139	47	144	-	**330**
Restructuring					
- corporate	20	410	6,162	1,026	**7,618**
- SMEs	7	1	952	195	**1,155**
- retail housing	4	-	1,119	4	**1,127**
- retail other	6	2	36,549	3,555	**40,112**
Recoveries					
- corporate	-	-	14,543	3,097	**17,640**
- SMEs	-	-	15,392	5,299	**20,691**
- retail housing	-	-	3,954	798	**4,752**
- retail other	-	-	71,020	8,654	**79,674**
International banking services	-	-	19	48	**67**
	176	**820**	**150,206**	**22,679**	**173,881**
Cyprus	**176**	**820**	**150,206**	**22,679**	**173,881**

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

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	Total €000
1 January	6,944,604	1,504,188	3,141,886	560,371	**12,151,049**
Transfers to stage 1	551,657	(528,094)	(23,563)	-	**-**
Transfers to stage 2	(1,180,335)	1,319,619	(139,284)	-	**-**
Transfers to stage 3	(20,831)	(28,251)	49,082	-	**-**
Foreign exchange and other adjustments	(17)	(2)	(18)	3	**(34)**
Write offs	(1,496)	(805)	(359,206)	(36,872)	**(398,379)**
Interest accrued and other adjustments	132,740	65,383	202,795	39,674	**440,592**
New loans originated or purchased and drawdowns of existing facilities	1,157,886	42,276	41,778	183	**1,242,123**
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(971,211)	(224,760)	(321,109)	(72,354)	**(1,589,434)**
Changes to contractual cash flows due to modifications	1,724	(4,225)	(2,998)	1,133	**(4,366)**
Disposal of Velocity 2 portfolio	-	-	(112,402)	(13,123)	**(125,525)**
31 December	**6,614,721**	**2,145,329**	**2,476,961**	**479,015**	**11,716,026**

For overlays performed in the content of COVID-19 resulting in transfers of loans and advances to customers in Stage 2 refer to Note 5.2.

43. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
1 January	5,964,083	1,991,921	6,001,519	1,111,891	**15,069,414**
Transfers to stage 1	1,099,371	(935,543)	(163,828)	-	**-**
Transfers to stage 2	(616,576)	776,129	(159,553)	-	**-**
Transfers to stage 3	(98,708)	(117,022)	215,730	-	**-**
Foreign exchange and other adjustments	27	-	(106)	-	**(79)**
Write offs	(3,351)	(5,096)	(332,574)	(63,674)	**(404,695)**
Interest accrued and other adjustments	47,600	216,036	258,631	67,757	**590,024**
New loans originated or purchased and drawdowns of existing facilities	1,801,886	49,540	67,220	798	**1,919,444**
Loans other than Helix and Velocity 1 portfolios derecognised or repaid (excluding write offs)	(1,239,302)	(426,773)	(546,617)	(148,439)	**(2,361,131)**
Changes to contractual cash flows due to modifications	487	72	(298)	(717)	**(456)**
Disposal of Helix and Velocity 1 portfolios	(10,913)	(45,076)	(2,198,238)	(407,245)	**(2,661,472)**
31 December	**6,944,604**	**1,504,188**	**3,141,886**	**560,371**	**12,151,049**

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 as 'Loans derecognised or repaid'.

The movement of gross loans and advances to customers at amortised cost, in the Corporate, Global corporate and Retail business line in Cyprus (excluding loans under Restructuring Recoveries, International banking services and Wealth management), including loans and advances to customers classified as held for sale, are presented in the tables below:

2020	**Corporate** **€000**	**Global corporate** **€000**	**Retail** **€000**
1 January	1,953,170	1,845,777	3,688,137
Transfers (out)/in of business line	(3,162)	22,046	(11,783)
Interest accrued, foreign exchange and other adjustments	52,673	24,402	90,158
Write offs	(1,165)	(19,191)	(4,026)
New loans originated or purchased	319,385	261,281	508,773
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(380,501)	(271,581)	(428,755)
Changes to contractual cash flows due to modifications not resulting to derecognition	(5,094)	(4,397)	2,058
31 December	**1,935,306**	**1,858,337**	**3,844,562**

43. Risk management - Credit risk (continued)

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

	Corporate	Global corporate	Retail
2019	€000	€000	€000
1 January	3,323,801	-	3,769,872
Transfers (out)/in of business line	(8,718)	8,867	(167,414)
Transfer (to)/in Global corporate business line	(1,367,371)	1,487,391	(3)
Interest accrued, foreign exchange and other adjustments	69,113	62,841	108,655
Write offs	(12,740)	(545)	(7,637)
New loans originated or purchased	489,068	644,947	524,813
Loans other than Velocity 2 portfolio derecognised or repaid (excluding write offs)	(528,094)	(356,620)	(540,004)
Changes to contractual cash flows due to modifications not resulting to derecognition	2,776	(1,104)	(18)
Disposal of Helix and Velocity portfolios	(14,665)	-	(127)
31 December	**1,953,170**	**1,845,777**	**3,688,137**

43.7 Credit quality of loans and advances to customers based on the internal credit rating

Credit scoring is the primary risk rating system for assessing obligor and transaction risk for the key portfolios of the Company. These portfolios are Corporate, Retail and SMEs. Corporate and SME clients include legal entities. Retail includes individuals.

Scoring models use internal and external data to assess and 'score' borrowers and their credit quality in order to provide further input on managing limits for existing loans and collection activities. The data is specific to the borrower but additional data which could affect the borrower's behaviour is also used.

Credit score is one of the factors employed on new clients and management of existing clients. The credit score of the borrower is used to assess the credit quality for each independent acquisition or account management action, leading to an automated decision or guidance for an adjudicator. Credit scoring enhances the credit decision quality and facilitates risk-based pricing where feasible.

Borrower score defines the rating of the borrower from a range of 1-8 where 8 is defined as defaulted. The 12 months default rates (PDs) are calculated per rating. These default rates are assumed to be the 12 month probability of default for the scored borrowers. The following table maps PD bands to various risk levels for corporate, retail and SME exposures.

Unrated loans for corporate are assessed using the Company's in house behavioural scorecard model for corporate legal entities. Unrated loans for retail include qualifying revolving facilities without scoring (i.e. prepaid cards) and other revolving facilities (i.e. financial guarantees) which are assigned a more generic curve. Similarly unrated SME exposures are assigned a more generic segment curve.

New customers for corporate and SME legal entities and new lending for retail individuals are separately disclosed since a time span of seven months is necessary in order to provide an accurate rating.

The IFRS 9 PD models were calibrated during the fourth quarter of 2020 in order to include additional recent historical observations (before the COVID-19 pandemic) and incorporate the latest scorecard models.

Overall there is an evident increase both across ratings and portfolios PDs due to the integration of COVID-19 driven forward looking economic outlook in the IFRS 9 PDs.

43. Risk management - Credit risk (continued)

43.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

2020	12-month PD		
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	3.77	2.24	0.82
2	5.93	2.37	1.66
3	6.30	4.15	4.32
4	9.22	7.48	11.75
5	13.65	13.14	21.80
6	15.08	22.44	29.92
7	29.50	53.47	63.00

2019	12-month PD		
Rating	Corporate legal entities %	Retail individuals %	SME legal entities %
1	0.89	1.15	0.34
2	1.55	1.75	0.81
3	1.59	3.08	2.30
4	2.53	7.29	7.46
5	3.51	12.72	13.11
6	4.16	19.21	18.16
7	8.63	43.82	41.82

Low rating exposures demonstrate a good capacity to meet financial commitments, with low probability of default. Medium range rating exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. High rating exposures require varying degrees of special attention and default risk is of greater concern.

The tables below show the gross loans and advances to customers at amortised cost in Cyprus, using the corporate legal entities, SMEs legal entities and retail individuals definition as per the internal rating of the Company. Loans and advances to customers classified based on the internal credit rating grades include €38,721 thousand (2019: €53,972 thousand) managed in Cyprus but originated in other countries.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	713,090	65,056	**778,146**	455,089	28,855	**483,944**
Rating 2	269,133	53,533	**322,666**	307,934	43,602	**351,536**
Rating 3	610,596	119,729	**730,325**	663,727	41,449	**705,176**
Rating 4	471,544	178,093	**649,637**	503,200	44,019	**547,219**
Rating 5	708,462	219,873	**928,335**	559,043	78,257	**637,300**
Rating 6	130,600	98,869	**229,469**	170,365	58,189	**228,554**
Rating 7	9,767	19,187	**28,954**	59,916	42,488	**102,404**
Unrated	34,075	140,432	**174,507**	88,175	240,389	**328,564**
New customers	221,325	2,588	**223,913**	581,894	65,999	**647,893**
	3,168,592	**897,360**	**4,065,952**	**3,389,343**	**643,247**	**4,032,590**
Total Stage 3 and POCI			**398,726**			**839,728**
			4,464,678			**4,872,318**

43. Risk management - Credit risk (continued)

43.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	693,768	96,548	**790,316**	372,733	32,921	**405,654**
Rating 2	743,838	136,888	**880,726**	878,683	93,604	**972,287**
Rating 3	615,175	163,727	**778,902**	968,991	146,123	**1,115,114**
Rating 4	432,447	211,631	**644,078**	340,375	110,972	**451,347**
Rating 5	141,377	133,226	**274,603**	201,829	139,552	**341,381**
Rating 6	83,489	143,947	**227,436**	72,163	97,418	**169,581**
Rating 7	46,760	114,183	**160,943**	22,411	52,736	**75,147**
Unrated	-	2,715	**2,715**	-	3,284	**3,284**
New customers	269,584	15,502	**285,086**	249,288	24,024	**273,312**
	3,026,438	**1,018,367**	**4,044,805**	**3,106,473**	**700,634**	**3,807,107**
Total Stage 3 and POCI			**1,075,211**			**2,220,743**
			5,120,016			**6,027,850**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	133,876	29,345	**163,221**	121,507	17,969	**139,476**
Rating 2	150,155	58,282	**208,437**	144,339	35,365	**179,704**
Rating 3	50,690	33,370	**84,060**	59,538	14,584	**74,122**
Rating 4	15,347	28,751	**44,098**	31,598	14,430	**46,028**
Rating 5	8,195	18,347	**26,542**	19,863	14,639	**34,502**
Rating 6	4,456	15,392	**19,848**	14,724	18,698	**33,422**
Rating 7	2,301	12,125	**14,426**	9,176	23,431	**32,607**
Unrated	-	9,241	**9,241**	-	14,658	**14,658**
New customers	48,259	2,551	**50,810**	47,522	5,713	**53,235**
	413,279	**207,404**	**620,683**	**448,267**	**159,487**	**607,754**
Total Stage 3 and POCI			**168,808**			**468,411**
			789,491			**1,076,165**

Loans and advances to customers classified as held for sale

An analysis of gross loans and advances to customers classified as held for sale, as per the internal rating system of the Company is disclosed in the tables below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 3	31	193	**224**	-	-	**-**
Rating 5	-	363	**363**	-	-	**-**
Rating 6	-	106	**106**	20	-	**20**
Unrated	-	485	**485**	-	769	**769**
	31	**1,147**	**1,178**	**20**	**769**	**789**
Total Stage 3 and POCI			**267,609**			**12,910**
			268,787			**13,699**

43. Risk management - Credit risk (continued)

43.7 Credit quality of loans and advances to customers based on the internal credit rating (continued)

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	23	70	**93**	-	-	**-**
Rating 2	105	70	**175**	-	-	**-**
Rating 3	108	43	**151**	15	-	**15**
Rating 4	568	583	**1,151**	45	10	**55**
Rating 5	942	1,985	**2,927**	53	3	**56**
Rating 6	126	3,749	**3,875**	2	10	**12**
Rating 7	2,585	11,460	**14,045**	3	-	**3**
New customers	-	58	**58**	**-**	**-**	**-**
	4,457	**18,018**	**22,475**	**118**	**23**	**141**
Total Stage 3 and POCI			**801,289**			**125,377**
			823,764			**125,518**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SMEs legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 2	161	-	**161**	-	10	**10**
Rating 3	19	8	**27**	-	-	**-**
Rating 4	65	226	**291**	38	-	**38**
Rating 5	50	146	**196**	-	14	**14**
Rating 6	760	156	**916**	-	4	**4**
Rating 7	593	2,497	**3,090**	-	-	**-**
	1,648	**3,033**	**4,681**	**38**	**28**	**66**
Total Stage 3 and POCI			**244,023**			**34,598**
			248,704			**34,664**

43.8 Contingent liabilities and commitments

The Company enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

43.8.1 Contingent liabilities

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

	Stage 1	Stage 2	Stage 3	**Total**
2020	€000	€000	€000	**€000**
Exposures				
1 January	436,603	159,924	98,683	**695,210**
Transfers to stage 1	6,146	(5,376)	(770)	**-**
Transfers to stage 2	(187,975)	217,131	(29,156)	**-**
Transfers to stage 3	(4)	(4,011)	4,015	**-**
Net decrease	(39,925)	(4,649)	(20,016)	**(64,590)**
31 December	**214,845**	**363,019**	**52,756**	**630,620**

43. Risk management - Credit risk (continued)

43.8 Contingent liabilities and commitments (continued)

43.8.1 Contingent liabilities (continued)

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposures				
1 January	406,109	194,076	160,617	**760,802**
Transfers to stage 1	39,122	(28,885)	(10,237)	**-**
Transfers to stage 2	(29,376)	44,313	(14,937)	**-**
Transfers to stage 3	(2,776)	(3,495)	6,271	**-**
Net increase/(decrease)	23,524	(46,085)	(43,031)	**(65,592)**
31 December	**436,603**	**159,924**	**98,683**	**695,210**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	21	70	21,904	**21,995**
Transfers to stage 1	10	(8)	(2)	**-**
Transfers to stage 2	(200)	305	(105)	**-**
Transfers to stage 3	-	(3,500)	3,500	**-**
Charge/(credit) for the year*	211	3,828	(6,927)	**(2,888)**
31 December	**42**	**695**	**18,370**	**19,107**
Individually assessed	12	287	18,366	**18,665**
Collectively assessed	30	408	4	**442**
	42	**695**	**18,370**	**19,107**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	302	811	23,778	**24,891**
Transfers to stage 1	9	(1)	(8)	**-**
Transfers to stage 2	(10)	21	(11)	**-**
Charge for the year*	(280)	(761)	(1,855)	**(2,896)**
31 December	**21**	**70**	**21,904**	**21,995**
Individually assessed	11	12	21,904	**21,927**
Collectively assessed	10	58	-	**68**
	21	**70**	**21,904**	**21,995**

* The charge for the year mainly relates to changes to inputs and net exposure.

The outstanding contingent liabilities by geography are disclosed in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	214,845	329,940	33,690	**578,475**
Other countries	-	33,079	19,066	**52,145**
Total	**214,845**	**363,019**	**52,756**	**630,620**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	436,603	127,493	73,167	**637,263**
Other countries	-	32,431	25,516	**57,947**
Total	**436,603**	**159,924**	**98,683**	**695,210**

43. Risk management - Credit risk (continued)

43.8 Contingent liabilities and commitments (continued)

43.8.1 Contingent liabilities (continued)

The credit quality of contingent liabilities as per the internal rating system of the Company is disclosed in the table below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	18,551	52,371	**70,922**	99,978	10,831	**110,809**
Rating 2	24	8,050	**8,074**	8,548	93	**8,641**
Rating 3	12,172	59,503	**71,675**	68,485	3,263	**71,748**
Rating 4	2,532	37,000	**39,532**	16,230	331	**16,561**
Rating 5	3,184	70,690	**73,874**	68,600	5,417	**74,017**
Rating 6	2,228	18,556	**20,784**	5,257	974	**6,231**
Rating 7	-	164	**164**	15,561	-	**15,561**
Unrated	37,113	79,731	**116,844**	36,025	91,811	**127,836**
New customers	85,153	2,830	**87,983**	63,757	-	**63,757**
	160,957	**328,895**	**489,852**	**382,441**	**112,720**	**495,161**
Total Stage 3			**44,625**			**79,600**
			534,477			**574,761**

2020	**2020**			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	22,858	3,407	**26,265**	24,343	3,989	**28,332**
Rating 2	5,667	2,790	**8,457**	4,881	2,919	**7,800**
Rating 3	1,540	590	**2,130**	3,197	400	**3,597**
Rating 4	430	254	**684**	464	43	**507**
Rating 5	53	178	**231**	330	276	**606**
Rating 6	18	122	**140**	85	26	**111**
Rating 7	163	1,871	**2,034**	451	1,770	**2,221**
Unrated	-	10,390	**10,390**	-	14,165	**14,165**
New customers	23,159	170	**23,329**	20,411	51	**20,462**
	53,888	**19,772**	**73,660**	**54,162**	**23,639**	**77,801**
Total Stage 3			**7,692**			**18,450**
			81,352			**96,251**

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
	-	-	**-**	-	-	**-**
Unrated	-	14,352	**14,352**	-	23,565	**23,565**
	-	**14,352**	**14,352**	**-**	**23,565**	**23,565**
Total Stage 3			**439**			**633**
			14,791			**24,198**

43. Risk management - Credit risk (continued)

43.8 Contingent liabilities and commitments (continued)

43.8.2 Commitments

An analysis of changes in the outstanding exposures and the corresponding ECLs are disclosed in the tables below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,334,151	508,899	132,854	**1,975,904**
Transfers to stage 1	133,657	(132,525)	(1,132)	**-**
Transfers to stage 2	(399,593)	413,026	(13,433)	**-**
Transfers to stage 3	(1,280)	(2,753)	4,033	**-**
Net increase/(decrease)	157,148	(11,455)	(43,291)	**102,402**
31 December	**1,224,083**	**775,192**	**79,031**	**2,078,306**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Exposure				
1 January	1,353,216	615,502	165,538	**2,134,256**
Transfers to stage 1	204,396	(200,726)	(3,670)	**-**
Transfers to stage 2	(127,827)	144,188	(16,361)	**-**
Transfers to stage 3	(2,006)	(5,217)	7,223	**-**
Net decrease	(93,628)	(44,848)	(19,876)	**(158,352)**
31 December	**1,334,151**	**508,899**	**132,854**	**1,975,904**

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	30	87	-	**117**
Transfers to stage 1	34	(34)	-	**-**
Transfers to stage 2	(128)	168	(40)	**-**
Charge for the year*	190	204	40	**434**
31 December	**126**	**425**	**-**	**551**
Individually assessed	36	111	-	**147**
Collectively assessed	90	314	-	**404**
	126	**425**	**-**	**551**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
ECL				
1 January	1,012	1,782	-	**2,794**
Transfers to stage 1	3	(3)	-	**-**
Transfers to stage 2	(11)	20	(9)	**-**
(Credit)/charge for the year*	(974)	(1,712)	9	**(2,677)**
31 December	**30**	**87**	**-**	**117**
Individually assessed	6	8	-	**14**
Collectively assessed	24	79	-	**103**
	30	**87**	**-**	**117**

*The charge in the year mainly relates to changes to inputs.

43. Risk management - Credit risk (continued)

43.8 Contingent liabilities and commitments (continued)

43.8.2 Commitments (continued)

Commitments by geography are presented in the table below:

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	1,224,083	775,192	79,031	**2,078,306**
Total	**1,224,083**	**775,192**	**79,031**	**2,078,306**

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	**Total €000**
Cyprus	1,334,151	508,899	132,511	**1,975,561**
Other countries	-	-	343	**343**
Total	**1,334,151**	**508,899**	**132,854**	**1,975,904**

The credit quality of commitments, as per the internal rating system of the Company is disclosed in the table below.

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Corporate legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	318,920	28,308	**347,228**	342,438	22,526	**364,964**
Rating 2	19,069	57,360	**76,429**	32,741	4,960	**37,701**
Rating 3	64,983	74,480	**139,463**	89,930	24,666	**114,596**
Rating 4	30,570	57,489	**88,059**	32,658	1,835	**34,493**
Rating 5	27,382	50,681	**78,063**	55,968	14,695	**70,663**
Rating 6	3,093	16,443	**19,536**	1,237	3,863	**5,100**
Rating 7	28	61	**89**	906	183	**1,089**
Unrated	19,947	118,959	**138,906**	13,133	139,064	**152,197**
New customers	92,936	398	**93,334**	42,973	134	**43,107**
	576,928	**404,179**	**981,107**	**611,984**	**211,926**	**823,910**
Total Stage 3			**50,700**			**98,942**
			1,031,807			**922,852**

	2020			**2019**		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
SME legal entities	€000	€000	**€000**	€000	€000	**€000**
Rating 1	204,597	43,683	**248,280**	174,415	54,779	**229,194**
Rating 2	44,967	21,932	**66,899**	52,230	12,724	**64,954**
Rating 3	12,287	10,000	**22,287**	15,215	6,448	**21,663**
Rating 4	3,585	5,402	**8,987**	4,952	4,691	**9,643**
Rating 5	1,168	2,635	**3,803**	1,970	3,418	**5,388**
Rating 6	385	756	**1,141**	521	940	**1,461**
Rating 7	125	807	**932**	138	1,777	**1,915**
Unrated	-	12,301	**12,301**	-	12,942	**12,942**
New customers	8,710	618	**9,328**	14,784	176	**14,960**
	275,824	**98,134**	**373,958**	**264,225**	**97,895**	**362,120**
Total Stage 3			**20,607**			**22,597**
			394,565			**384,717**

43. Risk management - Credit risk (continued)

43.8 Contingent liabilities and commitments (continued)

43.8.2 Commitments (continued)

	2020			2019		
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**
Retail individuals	€000	€000	**€000**	€000	€000	**€000**
Rating 1	179,709	99,239	**278,948**	106,440	36,537	**142,977**
Rating 2	58,949	58,456	**117,405**	121,923	65,694	**187,617**
Rating 3	25,306	46,873	**72,179**	89,794	32,207	**122,001**
Rating 4	14,508	28,034	**42,542**	49,897	15,709	**65,606**
Rating 5	4,893	16,434	**21,327**	13,786	9,285	**23,071**
Rating 6	2,422	9,759	**12,181**	5,894	6,258	**12,152**
Rating 7	199	4,036	**4,235**	721	4,755	**5,476**
Unrated	-	7,567	**7,567**	-	23,998	**23,998**
New lending	85,345	2,481	**87,826**	69,487	4,635	**74,122**
	371,331	**272,879**	**644,210**	**457,942**	**199,078**	**657,020**
Total Stage 3			**7,724**			**11,315**
			651,934			**668,335**

43. Risk management - Credit risk (continued)

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

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

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
Cyprus	€000	€000	€000	€000	**€000**
1 January	16,665	25,380	1,493,892	206,166	**1,742,103**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	6,097	(191)	**6,766**
Foreign exchange and other adjustments	-	(2)	(669)	(81)	**(752)**
Write offs	(1,496)	(805)	(336,983)	(36,872)	**(376,156)**
Interest (provided) not recognised in the income statement	-	-	73,647	9,939	**83,586**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,597)	(4,206)	**(34,377)**
Write offs*	1,032	812	19,848	6,509	**28,201**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	221,473	34,648	**259,715**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,330,433**	**204,477**	**1,606,656**
Individually assessed	5,801	10,715	45,811	6,966	**69,293**
Collectively assessed	16,818	38,412	1,284,622	197,511	**1,537,363**
	22,619	**49,127**	**1,330,433**	**204,477**	**1,606,656**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

The main driver for the increase in the impairment loss for the year is due to the component 'Changes to models and inputs used for ECL calculations'. The key driver is the LGD input which has impacted mainly Stage 3 and POCI loans due to additional credit losses recorded in the year ended 31 December 2020, in relation to NPE reduction envisaged sale transactions, of approximately €120 million. In addition, the impact of the updated macroeconomic scenarios and overlays performed in the context of COVID-19 and PD calibration (as disclosed in Note 5.2) is also reflected within line item 'models and inputs used for ECL calculations' and has impacted the ECL charge for all Stages. Further for Stage 3 loans, in addition to the impairment loss recognised as a result of the NPE reduction initiatives, another key driver for the impairment loss is the assumptions on the LGD component (disclosed in Note 5.2).

43. Risk management - Credit risk (continued)

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

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
Other countries	€000	€000	€000	€000	**€000**
1 January	-	-	36,908	-	**36,908**
Impact on transfer between stages during the year*	-	-	3	-	**3**
Foreign exchange and other adjustments	-	-	(36)	-	**(36)**
Write offs	-	-	(22,183)	-	**(22,183)**
Interest (provided) not recognised in the income statement	-	-	(4,728)	-	**(4,728)**
Loans derecognised or repaid (excluding write offs)*	-	-	37	-	**37**
Write offs*	-	-	10,802	-	**10,802**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	-	-	3,237	-	**3,237**
31 December	**-**	**-**	**24,040**	**-**	**24,040**
Individually assessed	-	-	21,903	-	**21,903**
Collectively assessed	-	-	2,137	-	**2,137**
	-	**-**	**24,040**	**-**	**24,040**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

43. Risk management - Credit risk (continued)

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

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
Total	€000	€000	€000	€000	**€000**
1 January	16,665	25,380	1,530,800	206,166	**1,779,011**
Transfers to stage 1	11,956	(6,058)	(5,898)	-	**-**
Transfers to stage 2	(3,751)	23,562	(19,811)	-	**-**
Transfers to stage 3	(1,347)	(1,393)	2,740	-	**-**
Impact on transfer between stages during the year*	(4,008)	4,868	6,100	(191)	**6,769**
Foreign exchange and other adjustments	-	(2)	(705)	(81)	**(788)**
Write offs	(1,496)	(805)	(359,166)	(36,872)	**(398,339)**
Interest (provided) not recognised in the income statement	-	-	68,919	9,939	**78,858**
New loans originated or purchased*	5,431	-	-	-	**5,431**
Loans derecognised or repaid (excluding write offs)*	(672)	(902)	(28,560)	(4,206)	**(34,340)**
Write offs*	1,032	812	30,650	6,509	**39,003**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	2,176	1,418	224,710	34,648	**262,952**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(3,367)	2,247	5,458	(101)	**4,237**
Disposal of Velocity 2 portfolio	-	-	(100,764)	(11,334)	**(112,098)**
31 December	**22,619**	**49,127**	**1,354,473**	**204,477**	**1,630,696**
Individually assessed	5,801	10,715	67,714	6,966	**91,196**
Collectively assessed	16,818	38,412	1,286,759	197,511	**1,539,500**
	22,619	**49,127**	**1,354,473**	**204,477**	**1,630,696**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 14).

43. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
Cyprus	€000	€000	€000	€000	**€000**
1 January	26,233	73,870	2,783,232	431,924	**3,315,259**
Transfers to stage 1	28,434	(13,836)	(14,598)	-	**-**
Transfers to stage 2	(3,645)	16,739	(13,094)	-	**-**
Transfers to stage 3	(1,297)	(18,404)	19,701	-	**-**
Impact on transfer between stages during the year*	(18,450)	(569)	51,033	(128)	**31,886**
Foreign exchange and other adjustments	-	-	4,667	675	**5,342**
Write offs	(3,991)	(3,888)	(331,239)	(63,216)	**(402,334)**
Interest (provided) not recognised in the income statement	-	-	96,042	13,299	**109,341**
New loans originated or purchased*	3,581	-	-	-	**3,581**
Loans derecognised or repaid (excluding write offs)*	228	(3,154)	(54,470)	5,430	**(51,966)**
Write offs*	1,933	2,011	46,020	5,595	**55,559**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(8,446)	(5,401)	214,203	17,988	**218,344**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(137)	260	5,917	(889)	**5,151**
Disposal of Helix and Velocity 1 portfolios	(7,778)	(22,248)	(1,313,522)	(204,512)	**(1,548,060)**
31 December	**16,665**	**25,380**	**1,493,892**	**206,166**	**1,742,103**
Individually assessed	3,862	7,572	136,369	8,983	**156,786**
Collectively assessed	12,803	17,808	1,357,523	197,183	**1,585,317**
	16,665	**25,380**	**1,493,892**	**206,166**	**1,742,103**

*Individual components of the 'Impairment loss net of reversals on loans and advances to customers'

43. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
Other countries	€000	€000	€000	€000	**€000**
1 January	135	-	88,908	-	**89,043**
Impact on transfer between stages during the year*	(3)	-	(35)	-	**(38)**
Foreign exchange and other adjustments	-	-	(67)	-	**(67)**
Write offs	-	-	(2,360)	-	**(2,360)**
Interest (provided) not recognised in the income statement	-	-	5,376	-	**5,376**
Loans derecognised or repaid (excluding write offs)*	(132)	-	278	-	**146**
Write offs*	-	-	17	-	**17**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	-	-	(444)	-	**(444)**
Disposal of Helix and Velocity 1 portfolios	-	-	(54,765)	-	**(54,765)**
31 December	**-**	**-**	**36,908**	**-**	**36,908**
Individually assessed	-	-	31,105	-	**31,105**
Collectively assessed	-	-	5,803	-	**5,803**
	-	**-**	**36,908**	**-**	**36,908**

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

43. Risk management - Credit risk (continued)

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

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
Total	€000	€000	€000	€000	**€000**
1 January	26,368	73,870	2,872,140	431,924	**3,404,302**
Transfers to stage 1	28,434	(13,836)	(14,598)	-	**-**
Transfers to stage 2	(3,645)	16,739	(13,094)	-	**-**
Transfers to stage 3	(1,297)	(18,404)	19,701	-	**-**
Impact on transfer between stages during the year*	(18,453)	(569)	50,998	(128)	**31,848**
Foreign exchange and other adjustments	-	-	4,600	675	**5,275**
Write offs	(3,991)	(3,888)	(333,599)	(63,216)	**(404,694)**
Interest (provided) not recognised in the income statement	-	-	101,418	13,299	**114,717**
New loans originated or purchased*	3,581	-	-	-	**3,581**
Loans derecognised or repaid (excluding write offs)*	96	(3,154)	(54,192)	5,430	**(51,820)**
Write offs*	1,933	2,011	46,037	5,595	**55,576**
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(8,446)	(5,401)	213,759	17,988	**217,900**
Changes to contractual cash flows due to modifications not resulting in derecognition*	(137)	260	5,917	(889)	**5,151**
Disposal of Helix and Velocity 1 portfolios	(7,778)	(22,248)	(1,368,287)	(204,512)	**(1,602,825)**
31 December	**16,665**	**25,380**	**1,530,800**	**206,166**	**1,779,011**
Individually assessed	3,862	7,572	167,474	8,983	**187,891**
Collectively assessed	12,803	17,808	1,363,326	197,183	**1,591,120**
	16,665	**25,380**	**1,530,800**	**206,166**	**1,779,011**

* Individual components of the 'Impairment loss net of reversals on loans and advances to customers' (Note 14).

The above tables do not include the residual fair value adjustments on initial recognition of loans acquired from Laiki Bank as this forms part of the gross carrying amount and ECL on financial guarantees which are part of other liabilities on the balance sheet.

The movement of credit losses of loans and advances to customers for 2020 and 2019 includes credit losses relating to loans and advances to customers classified as held for sale. Their balance by staging and geographical area is presented in the table below:

	Stage 1	Stage 2	Stage 3	POCI	**Total**
2020	€000	€000	€000	€000	**€000**
Cyprus	3,260	12,254	721,470	111,234	**848,218**
Total	**3,260**	**12,254**	**721,470**	**111,234**	**848,218**
Collectively assessed	3,260	12,254	721,470	111,234	**848,218**

43. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Cyprus	7	42	130,551	17,352	**147,952**
Total	**7**	**42**	**130,551**	**17,352**	**147,952**
Individually assessed	-	-	115	64	**179**
Collectively assessed	7	42	130,436	17,288	**147,773**
	7	**42**	**130,551**	**17,352**	**147,952**

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

2020	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total €000**
Corporate	3,652	6,003	6,321	624	**16,600**
Global corporate	4,375	5,600	38,758	1,076	**49,809**
SMEs	2,352	4,263	1,008	363	**7,986**
Retail					
- housing	4,616	6,947	12,259	437	**24,259**
- consumer, credit cards and other	3,551	7,731	9,466	925	**21,673**
Restructuring					
- corporate	286	3,993	58,438	3,294	**66,011**
- SMEs	2,383	9,979	62,891	3,802	**79,055**
- retail housing	401	1,742	51,358	2,034	**55,535**
- retail other	923	2,200	57,810	2,688	**63,621**
Recoveries					
- corporate	-	-	96,183	22,286	**118,469**
- SMEs	-	-	254,462	31,585	**286,047**
- retail housing	-	-	360,331	66,721	**427,052**
- retail other	3	-	343,302	68,158	**411,463**
International banking services	67	658	1,707	5	**2,437**
Wealth management	10	11	179	479	**679**
	22,619	**49,127**	**1,354,473**	**204,477**	**1,630,696**

43. Risk management - Credit risk (continued)

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

2019	Stage 1 €000	Stage 2 €000	Stage 3 €000	POCI €000	**Total** **€000**
Corporate	2,134	846	11,720	676	**15,376**
Global corporate	3,447	5,016	60,175	1,908	**70,546**
SMEs	1,525	1,940	5,087	334	**8,886**
Retail					
- housing	2,871	4,720	19,499	413	**27,503**
- consumer, credit cards and other	2,247	3,077	15,549	1,104	**21,977**
Restructuring					
- corporate	232	2,834	80,347	3,195	**86,608**
- SMEs	2,904	4,695	72,663	5,224	**85,486**
- retail housing	1,052	1,445	143,988	3,985	**150,470**
- retail other	173	251	125,335	7,190	**132,949**
Recoveries					
- corporate	-	-	55,912	13,719	**69,631**
- SMEs	-	-	213,544	29,726	**243,270**
- retail housing	-	-	337,807	62,576	**400,383**
- retail other	2	-	386,193	75,507	**461,702**
International banking services	73	546	2,223	157	**2,999**
Wealth management	5	10	758	452	**1,225**
	16,665	**25,380**	**1,530,800**	**206,166**	**1,779,011**

The movement of the ECL allowance for the loans and advances to customers in the Corporate, Global corporate and Retail business line in Cyprus (excluding loans under Restructuring, Recoveries, International banking services and Wealth management), including ECL allowance for loans and advances to customers held for sale is presented in the table below:

2020	**Corporate** **€000**	**Global corporate** **€000**	**Retail** **€000**
1 January	15,354	33,982	49,257
Transfer out of the business line	(1,170)	(1,909)	(7,706)
Loans derecognised or repaid (excluding write offs)	(298)	(132)	(300)
Write offs	(1,165)	(19,191)	(4,026)
Interest (provided) not recognised in the income statement	197	1,052	620
New loans originated or purchased*	620	2,568	1,456
Loans derecognised or repaid (excluding write offs)*	(609)	2,108	(632)
Write offs*	16	769	2,178
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	911	7,196	2,530
Changes to contractual cash flows due to modifications not resulting in derecognition*	327	(1,340)	1,313
Impact on transfer between stages during the year*	2,512	977	1,040
Disposal of Velocity 2	(113)	-	-
31 December	**16,582**	**26,080**	**45,730**

43. Risk management - Credit risk (continued)

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

2019	Corporate €000	Global corporate €000	Retail €000
1 January	107,869	-	70,476
Transfer (out of Corporate)/in Global corporate business line	(56,374)	56,576	-
Transfer out of the business line	(8,110)	(1,351)	(19,793)
Loans derecognised or repaid (excluding write offs)	(410)	-	(1,260)
Write offs	(12,740)	(545)	(8,437)
Interest (provided) not recognised in the income statement	268	2,381	931
New loans originated or purchased*	528	1,400	979
Loans derecognised or repaid (excluding write offs)*	(2,541)	(4,977)	(1,900)
Write offs*	572	1	4,586
Changes to models and inputs (changes in PDs, LGDs and EADs) used for ECL calculations*	(1,777)	(11,679)	3,169
Changes to contractual cash flows due to modifications not resulting in derecognition*	25	-	2,436
Impact on transfer between stages during the year*	(2,092)	(7,824)	(1,806)
Disposal of Helix and Velocity portfolios	(9,864)	-	(125)
31 December	**15,354**	**33,982**	**49,256**

*Individual components of the 'Impairment loss net of reversal on loans and advances to customers'

During the year ended 31 December 2020 the total non-contractual write-offs recorded by the Company amounted to €294,932 thousand (2019: €235,181 thousand). The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is €1,062,224 thousand (2019: €626,171 thousand).

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

At 31 December 2020 the weighted average haircut (including liquidity haircut and selling expenses) used in the collectively assessed provision calculation for loans and advances to customers excluding those classified as held for sale is approximately 32% under the baseline scenario (2019: approximately 32%).

The timing of recovery from real estate collaterals used in the collectively assessed provision calculation for loans and advances to customers has been estimated to be on average seven years under the baseline scenario (2019: average of seven years), excluding those classified as held for sale.

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

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

43. Risk management - Credit risk (continued)

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

For Stage 3 customers, the base scenario focuses on the following variables, which are based on the specific facts and circumstances of each customer: the operational cash flows, the timing of recovery of collaterals and the haircuts from the realisation of collateral. The base scenario is used to derive additional scenarios for either better or worse cases. Under the adverse scenario operational cash flows are decreased by 50%, applied haircuts on real estate collateral are increased by 50% and the timing of recovery of collaterals is increased by 1 year with reference to the baseline scenario. Under the favourable scenario, applied haircuts are decreased by 5%, with no change in the recovery period with reference to the baseline scenario. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions and are generally consistent with those used in the Stage 3 collectively assessed exposures. In the case of loans held for sale the Company has taken into consideration the timing of expected sale and the estimated sale proceeds in determining the ECL. Amounts previously written off which are expected to be recovered through sale are included in 'Recoveries of loans and advances to customers previously written off' in Note 14.

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

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

Sensitivity analysis
The Company has performed sensitivity analysis relating to the loan portfolio in Cyprus, which represents 99% of the total loan portfolio of the Company (excluding the loans and advances to customers classified as held for sale) with reference date 31 December 2020.

The Company has altered for the purpose of sensitivity analysis the weights of the economic scenarios and changed the collateral realisation periods and the impact on the ECL, for both individually and collectively assessed ECL calculations, as presented in the table below:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost	
	2020	**2019**
	€000	**€000**
Increase the adverse weight by 5% and decrease the favourable weight by 5%	**3,599**	2,702
Decrease the adverse weight by 5% and increase the favourable weight by 5%	**(3,658)**	(2,682)
Increase the expected recovery period by 1 year	**21,904**	42,064
Decrease the expected recovery period by 1 year	**(18,746)**	(42,200)
Increase the collateral realisation haircut by 5%	**42,769**	81,569
Decrease the collateral realisation haircut by 5%	**(36,934)**	(75,148)
Increase in the PDs of stages 1 and 2 by 20%	**8,718**	5,486
Decrease in the PDs of stages 1 and 2 by 20%	**(7,824)**	(5,632)

A number of sensitivity runs were carried out as at 31 December 2019 in order to stress the expected lifetime on revolving facilities. The expected lifetime for all Stage 1 and Stage 2 facilities was extended to three, five, seven and nine years and the impact on the carrying value upon increase in the imposed lifetime is shown in the table below:

43. Risk management - Credit risk (continued)

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

Increase in the expected lifetime of revolving facilities	**Increase on the ECL carrying value of Stage 1 facilities**	**Increase on the ECL carrying value of Stage 2 facilities**
	2019	2019
	€000	€000
3 years	4,160	2,400
5 years	7,030	3,960
7 years	9,390	5,080
9 years	11,370	5,950

No sensitivity analysis is performed for the year ended 31 December 2020, as the Company has developed a behavioural maturity model applying an expected lifetime for revolving facilities during the year, as explained in Note 5.2.

43.10 Collateral and other credit enhancements obtained

The carrying value of assets obtained during 2020 and 2019 by taking possession of collateral held as security, was as follows:

	2020	2019
	€000	€000
Residential property	**33,055**	51,072
Commercial and other property	**59,169**	72,042
	92,224	123,114

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Company as at 31 December 2020 amounted to €756,548 thousand (2019: €734,167 thousand).

The disposals of repossessed assets during 2020 amounted to €62,090 thousand (2019: €111,591 thousand).

43.11 Forbearance

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

The practice of extending forbearance 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 Company.

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

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

43. Risk management - Credit risk (continued)

43.11 Forbearance (continued)

Rescheduled loans and advances are those facilities for which the Company has modified the repayment programme (provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

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

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

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

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

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

Short-term restructuring solutions can include the following:
- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower’s new cash flow position.
- Arrears and/or interest capitalisation: the capitalisation of arrears and/or of accrued interest arrears; that is forbearance of the arrears and capitalisation of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.

Long-term restructuring solutions can include the following:
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- 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.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.

43. Risk management - Credit risk (continued)

43.11 Forbearance (continued)

- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Company in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Company, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Company from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Company and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Company and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.
- Debt write-off: cancellation of part or the whole of the amount of debt outstanding by the borrower. The Company applies the debt forgiveness solution only as a last resort and in remote cases having taken into consideration the ability of the borrower to repay the remaining debt in the agreed timeframe and the moral hazard.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. 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.

Stage 2 and Stage 3 loans that were forborne during the year amounted to €44,823 thousand (2019: €206,007 thousand). Their related modification loss amounted to €10,133 thousand (2019: €2,141 thousand) (the modification mainly relates to credit-related reasons).

Previously classified Stage 2 and Stage 3 customers that have facilities modified during the year and are classified as Stage 1 at 31 December 2020 amount to €347,966 thousand (2019: €13,221 thousand) and their corresponding ECL amount to €2,732 thousand (2019: €37 thousand). The modification for the majority of these facilities reflects the modification due to moratorium.

Facilities that reverted to Stage 2 and Stage 3 having once cured during the year amount to €109,663 thousand (2019: €66,215 thousand) and their corresponding ECL amounts to €2,591 thousand (2019: €1,431 thousand) as at 31 December 2020.

43.12 Rescheduled loans and advances to customers

The below table presents the movement of the Company's rescheduled loans and advances to customers measured at amortised cost including those classified as held for sale (by geographical analysis). The rescheduled loans related to loans and advances classified as held for sale as at 31 December 2020 amounts to €754,795 thousand (2019: €42,803 thousand).

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
1 January	2,469,566	12,936	**2,482,502**
New loans and advances rescheduled in the year	64,520	11,019	**75,539**
Loans no longer classified as rescheduled and repayments	(484,169)	(873)	**(485,042)**
Applied in writing off rescheduled loans and advances	(126,412)	(3,909)	**(130,321)**
Interest accrued on rescheduled loans and advances	52,150	1,484	**53,634**
Foreign exchange adjustments	(444)	44	**(400)**
Disposal of Velocity 2 portfolio	(30,824)	-	**(30,824)**
31 December	**1,944,387**	**20,701**	**1,965,088**

43. Risk management - Credit risk (continued)

43.12 Rescheduled loans and advances to customers (continued)

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
1 January	4,566,470	13,354	**4,579,824**
New loans and advances rescheduled in the year	146,422	-	**146,422**
Loans no longer classified as rescheduled and repayments	(830,137)	(683)	**(830,820)**
Applied in writing off rescheduled loans and advances	(136,135)	(30)	**(136,165)**
Interest accrued on rescheduled loans and advances	91,281	290	**91,571**
Foreign exchange adjustments	2,490	5	**2,495**
Disposal of Helix and Velocity 1 portfolios	(1,370,825)	-	**(1,370,825)**
Total	**2,469,566**	**12,936**	**2,482,502**

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

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

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
Stage 1	199,090	103	**199,193**
Stage 2	242,493	-	**242,493**
Stage 3	649,609	20,598	**670,207**
POCI	98,400	-	**98,400**
	1,189,592	**20,701**	**1,210,293**

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
Stage 1	357,658	114	**357,772**
Stage 2	299,448	-	**299,448**
Stage 3	1,567,155	12,822	**1,579,977**
POCI	202,502	-	**202,502**
	2,426,763	**12,936**	**2,439,699**

43. Risk management - Credit risk (continued)

43.12 Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
Stage 1	161,346	103	**161,449**
Stage 2	225,402	-	**225,402**
Stage 3	531,741	15,198	**546,939**
POCI	88,925	-	**88,925**
	1,007,414	**15,301**	**1,022,715**

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
Stage 1	334,938	114	**335,052**
Stage 2	254,238	-	**254,238**
Stage 3	1,276,055	10,875	**1,286,930**
POCI	187,363	-	**187,363**
	2,052,594	**10,989**	**2,063,583**

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

Credit risk concentration

2020	Cyprus	Other countries	**Total**
By economic activity	€000	€000	**€000**
Trade	81,973	-	**81,973**
Manufacturing	30,185	-	**30,185**
Hotels and catering	46,145	-	**46,145**
Construction	68,785	-	**68,785**
Real estate	80,918	20,571	**101,489**
Private individuals	763,593	130	**763,723**
Professional and other services	85,061	-	**85,061**
Other sectors	32,932	-	**32,932**
	1,189,592	**20,701**	**1,210,293**

43. Risk management - Credit risk (continued)

43.12 Rescheduled loans and advances to customers (continued)

2020	Cyprus	Other countries	**Total**
By business line	€000	€000	**€000**
Corporate	54,245	-	**54,245**
Global corporate	94,251	20,571	**114,822**
SMEs	56,172	12	**56,184**
Retail			
- housing	222,078	-	**222,078**
- consumer, credit cards and other	70,805	118	**70,923**
Restructuring			
- corporate	83,804	-	**83,804**
- SMEs	58,374	-	**58,374**
- retail housing	102,312	-	**102,312**
- retail other	56,788	-	**56,788**
Recoveries			
- corporate	15,678	-	**15,678**
- SMEs	47,654	-	**47,654**
- retail housing	208,916	-	**208,916**
- retail other	103,395	-	**103,395**
International banking services	14,015	-	**14,015**
Wealth management	1,105	-	**1,105**
	1,189,592	**20,701**	**1,210,293**

2020	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	19,359	26,319	6,450	2,117	**54,245**
Global corporate	69,789	18,908	26,125	-	**114,822**
SMEs	23,041	22,750	8,935	1,458	**56,184**
Retail					
- housing	55,086	108,175	54,892	3,925	**222,078**
- consumer, credit cards and other	17,391	27,694	22,962	2,876	**70,923**
Restructuring					
- corporate	6,162	13,406	49,380	14,856	**83,804**
- SMEs	5,993	14,556	31,049	6,776	**58,374**
- retail housing	1,388	4,350	93,962	2,612	**102,312**
- retail other	234	2,565	52,588	1,401	**56,788**
Recoveries					
- corporate	-	-	8,238	7,440	**15,678**
- SMEs	-	-	42,885	4,769	**47,654**
- retail housing	-	-	176,025	32,891	**208,916**
- retail other	-	-	87,162	16,233	**103,395**
International banking services	750	3,770	9,376	119	**14,015**
Wealth management	-	-	178	927	**1,105**
	199,193	**242,493**	**670,207**	**98,400**	**1,210,293**

43. Risk management - Credit risk (continued)

43.12 Rescheduled loans and advances to customers (continued)

2019	Cyprus	Other countries	**Total**
By economic activity	€000	€000	**€000**
Trade	187,008	-	**187,008**
Manufacturing	67,568	-	**67,568**
Hotels and catering	80,704	-	**80,704**
Construction	281,820	-	**281,820**
Real estate	161,629	12,793	**174,422**
Private individuals	1,427,904	142	**1,428,046**
Professional and other services	145,220	-	**145,220**
Other sectors	74,910	1	**74,911**
	2,426,763	**12,936**	**2,439,699**

2019	Cyprus	Other countries	**Total**
By business line	€000	€000	**€000**
Corporate	106,889	-	**106,889**
Global corporate	172,924	12,794	**185,718**
SMEs	104,271	19	**104,290**
Retail			
- housing	322,880	-	**322,880**
- consumer, credit cards and other	98,973	123	**99,096**
Restructuring			
- corporate	181,986	-	**181,986**
- SMEs	226,447	-	**226,447**
- retail housing	269,648	-	**269,648**
- retail other	111,534	-	**111,534**
Recoveries			
- corporate	46,299	-	**46,299**
- SMEs	191,847	-	**191,847**
- retail housing	376,391	-	**376,391**
- retail other	196,431	-	**196,431**
International banking services	17,017	-	**17,017**
Wealth management	3,226	-	**3,226**
	2,426,763	**12,936**	**2,439,699**

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

43.12 **Rescheduled loans and advances to customers** (continued)

2019	Stage 1	Stage 2	Stage 3	POCI	**Total**
By business line	€000	€000	€000	€000	**€000**
Corporate	32,875	49,897	21,369	2,748	**106,889**
Global corporate	104,634	68,291	12,793	-	**185,718**
SMEs	40,025	33,453	28,202	2,610	**104,290**
Retail					
- housing	118,262	71,835	128,167	4,616	**322,880**
- consumer, credit cards and other	27,597	20,901	48,059	2,539	**99,096**
Restructuring					
- corporate	3,901	17,843	141,185	19,057	**181,986**
- SMEs	26,658	28,055	157,682	14,052	**226,447**
- retail housing	1,811	3,077	260,227	4,533	**269,648**
- retail other	239	443	108,838	2,014	**111,534**
Recoveries					
- corporate	-	-	36,395	9,904	**46,299**
- SMEs	-	-	154,134	37,713	**191,847**
- retail housing	-	-	316,500	59,891	**376,391**
- retail other	-	-	154,670	41,761	**196,431**
International banking services	1,770	5,166	9,959	122	**17,017**
Wealth management	-	487	1,797	942	**3,226**
	357,772	**299,448**	**1,579,977**	**202,502**	**2,439,699**

ECL allowances

	Cyprus	Other countries	**Total**
2020	€000	€000	**€000**
Stage 1	4,317	-	**4,317**
Stage 2	9,729	-	**9,729**
Stage 3	261,784	12,087	**273,871**
POCI	37,888	-	**37,888**
	313,718	**12,087**	**325,805**

	Cyprus	Other countries	**Total**
2019	€000	€000	**€000**
Stage 1	4,391	-	**4,391**
Stage 2	9,595	-	**9,595**
Stage 3	638,308	7,676	**645,984**
POCI	78,088	-	**78,088**
	730,382	**7,676**	**738,058**

43. Risk management - Credit risk (continued)

43.13 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's Investors Service rating as follows:

	2020	2019
	€000	€000
Aaa - Aa3	**165,488**	62,399
A1 - A3	**89,692**	76,916
Baa1 - Baa3	**39,877**	94,566
Ba1 - Ba3	**5,513,501**	4,909,533
B1 - B3	**1,195**	-
Caa - C	**3,054**	2,818
Unrated	**28,200**	387
Other receivables from banks	**33,747**	50,471
	5,874,754	5,197,090

All balances with central banks and loans and advances to banks are classified as Stage 1 (Note 17).

Debt securities
Investments in debt securities are analysed as follows:

	2020	2019
Moody's rating	**€000**	€000
Aaa - Aa3	**716,585**	1,032,067
A1 - A3	**96,448**	73,204
Baa1 - Baa3	**25,047**	34,890
Ba1 - Ba3	**817,890**	538,125
Unrated	**33,388**	40,313
	1,689,358	1,718,599
Issued by:		
- Cyprus government	**817,891**	538,126
- Other governments	**173,502**	389,928
- Banks and other corporations	**697,965**	790,545
	1,689,358	1,718,599
Classified as:		
Investments mandatorily measured at FVPL	**12,292**	15,455
Investments at FVOCI	**644,196**	875,040
Investments at amortised cost	**1,032,870**	828,104
	1,689,358	1,718,599

	FVOCI	**Amortised cost**		
	Stage 1	Stage 1	Stage 2	**Total**
2020	€000	€000	€000	**€000**
Aaa - Aa3	240,890	463,904	-	**463,904**
A1 - A3	26,398	70,050	-	**70,050**
Baa1 - Baa3	-	25,047	-	**25,047**
Ba1 - Ba3	376,908	392,306	48,676	**440,982**
Unrated	-	32,887	-	**32,887**
	644,196	**984,194**	**48,676**	**1,032,870**

43. Risk management - Credit risk (continued)

43.13 Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

	FVOCI	Amortised cost		
	Stage 1	Stage 1	Stage 2	**Total**
2019	€000	€000	€000	**€000**
Aaa - Aa3	444,416	572,696	-	572,696
A1 - A3	26,302	46,902	-	46,902
Baa1 - Baa3	9,840	25,050	-	25,050
Ba1 - Ba3	394,482	94,989	48,654	143,643
Unrated	-	39,813	-	39,813
	875,040	**779,450**	**48,654**	**828,104**

44. Risk management - Market risk

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

Interest rate risk

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

Interest rate risk is measured mainly using the impact on net interest income and impact on economic value. In addition to the above measures, interest rate risk is also measured using interest rate risk gap analysis where the assets, liabilities and off balance sheet items, are classified according to their remaining repricing period. Items that are not sensitive to rate changes are recognised as non-rate sensitive (NRS) items. The present value of 1 basis point (PV01) is also calculated.

Interest rate risk is managed through a 1 Year Interest Rate Effect (IRE) limit on the maximum reduction of net interest income under the various interest rate shock scenarios. Limits are set as a percentage of the Group capital and as a percentage of the net interest income (when positive). There are different limits for the Euro and the US Dollar.

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

44. Risk management - Market risk (continued)

		Impact on Net Interest Income in €000	
Currency	**Interest Rate Scenario**	**2020 (50 bps for Euro and 60 bps for US Dollar)**	**2019 (50 bps for Euro and 60 bps for US Dollar)**
All	Parallel up	27,592	28,446
All	Parallel down	(23,627)	(33,117)
All	Steepening	(15,184)	(24,875)
All	Flattening	22,494	21,023
All	Short up	26,310	27,010
All	Short down	(22,790)	(32,076)
Euro	Parallel up	26,093	27,577
Euro	Parallel down	(21,042)	(30,735)
Euro	Steepening	(12,898)	(23,857)
Euro	Flattening	21,424	21,225
Euro	Short up	24,886	26,401
Euro	Short down	(20,267)	(29,958)
US Dollar	Parallel up	1,499	869
US Dollar	Parallel down	(2,585)	(2,382)
US Dollar	Steepening	(2,286)	(1,018)
US Dollar	Flattening	1,070	(202)
US Dollar	Short up	1,424	609
US Dollar	Short down	(2,523)	(2,118)

44. Risk management - Market risk (continued)

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

		Impact on Equity in €000	
Currency	**Interest Rate Scenario**	**2020 (50 bps for Euro and 60 bps for US Dollar)**	**2019 (50 bps for Euro and 60 bps US Dollar)**
All	Parallel up	174	(55,270)
All	Parallel down	42,736	42,858
All	Steepening	50,082	(22,598)
All	Flattening	51,093	7,278
All	Short up	6,044	(28,788)
All	Short down	47,392	23,067
Euro	Parallel up	(1,760)	(56,259)
Euro	Parallel down	90,207	91,255
Euro	Steepening	101,292	(21,581)
Euro	Flattening	101,893	14,034
Euro	Short up	8,897	(29,632)
Euro	Short down	99,812	51,308
US Dollar	Parallel up	3,867	1,977
US Dollar	Parallel down	(2,367)	(2,769)
US Dollar	Steepening	(564)	(1,017)
US Dollar	Flattening	293	523
US Dollar	Short up	3,191	1,687
US Dollar	Short down	(2,514)	(2,588)

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

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

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

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

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on loss before tax**	**Impact on equity**
2020	**€000**	**€000**
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	**686**	**(328)**
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	**1,496**	**328**

44. Risk management - Market risk (continued)

Parallel change in interest rates ((increase)/decrease in net interest income)	**Impact on profit before tax** €000	**Impact on equity** €000
2019		
+0.6% for US Dollar +0.5% for Euro +1.0% for British Pound	(239)	(794)
-0.6% for US Dollar -0.5% for Euro -1.0% for British Pound	3,120	794

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

EURIBOR reform has been completed and EURIBOR now complies with the EU Benchmark Regulation following a new hybrid methodology calculation. The Group expects EURIBOR to continue as a benchmark interest rate for the foreseeable future and, therefore, does not consider that Group's exposure to EURIBOR is affected by the BMR reform as at 31 December 2020.

Regarding LIBOR reform, industry working groups are working to identify alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:
- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings

The Company is in process of adopting phase 2 of IBOR reform. In July and October 2020, the Company performed settlements with derivatives clearing organisations so as to switch from Euro Overnight Index Average (EONIA) to Euro short-term rate (ESTR) (Euro denominated financial instruments) and from Fed Fund rate (USD denominated financial instruments) to Secure Overnight Financing Rate (SOFR) risk-free rates (RFR) respectively.

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

The Steering Committee has been working towards minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. It has identified that areas most significantly impacted and risks arising from IBORS' transition to alternative interest rate benchmarks are: updating systems and processes affected from the transition, reviewing and amending legal IBORS' referencing contracts, market risk profile changes due to IBOR transition, and financial and accounting matters including among other hedge accounting issues and mismatches in timing of derivatives and loans transitioning from IBORS.

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

The Company has in place an action plan in order to facilitate the transition to alternative rates, including a plan to engage into amending credit facilities contracts. The Company continues to work on technology and business process changes to ensure operational readiness in preparation for LIBOR cessation and transition to alternative RFRs in line with official sector expectations and milestones.

44. Risk management - Market risk (continued)

The Company is actively preparing for the transition, including the assessment of appropriate fall-back provisions for LIBOR-linked contracts and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to be published. The Group will continue to assess, monitor and dynamically manage risks, and implement specific mitigating controls when required, progressing towards an orderly transition to alternative benchmarks.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2020:

	EURIBOR	GBP LIBOR	USD LIBOR	CHF LIBOR	Other	Total
Non-derivative financial assets	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances to customers	4,463,730	89,523	331,684	36,967	4,102	**4,926,006**
Investments	32,993	-	-	-	-	**32,993**
Loans and advances to banks	69,405	1,858	69,326	4,968	9,420	**154,977**
Total	**4,566,128**	**91,381**	**401,010**	**41,935**	**13,522**	**5,113,976**
Non-derivative financial liabilities						
Deposits by banks	154,435	1,110	1,074	-	4,668	**161,287**
Total	**154,435**	**1,110**	**1,074**	**-**	**4,668**	**161,287**

For derivatives in hedging relationships subject to IBOR reform refer to Note 19.

Currency risk

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

In order to manage currency risk, the ALCO has approved open position limits for the total foreign exchange positions. The foreign exchange position limits are lower than those prescribed by the CBC. These limits are managed by Treasury and monitored daily by Market Risk.

The Company does not maintain a currency trading book.

The table below sets out the Company's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro, based mainly on historical price fluctuations. The impact on profit/loss after tax includes the change in net interest income that arises from the change of currency rate.

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the Euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

44. Risk management - Market risk (continued)

2020	Change in foreign exchange rate %	Impact on loss after tax €000	Impact on equity €000
US Dollar	**+15**	**4,032**	**-**
Russian Rouble	**+25**	**2,594**	**27,556**
Romanian Lei	**+10**	**-**	**133**
Swiss Franc	**+10**	**1,923**	**-**
British Pound	**+10**	**389**	**(1,110)**
Japanese Yen	**+10**	**118**	**-**
Other currencies	**+10**	**13**	**-**
US Dollar	**-15**	**(2,980)**	**-**
Russian Rouble	**-25**	**(1,556)**	**(16,534)**
Romanian Lei	**-10**	**-**	**(109)**
Swiss Franc	**-10**	**(1,422)**	**-**
British Pound	**-10**	**(318)**	**909**
Japanese Yen	**-10**	**(96)**	**-**
Other currencies	**-10**	**(11)**	**-**
2019			
US Dollar	+10	2,717	-
Russian Rouble	+10	995	10,483
Romanian Lei	+10	-	(275)
Swiss Franc	+10	460	-
British Pound	+10	420	(1,185)
Japanese Yen	+10	44	-
Other currencies	+10	(14)	-
US Dollar	-10	(2,223)	-
Russian Rouble	-10	(814)	(8,577)
Romanian Lei	-10	-	225
Swiss Franc	-10	(376)	-
British Pound	-10	(344)	969
Japanese Yen	-10	(36)	-
Other currencies	-10	11	-

Price risk

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

Investments in equities are outside the Company's risk appetite but may be acquired in the context of delinquent loan workouts. The Company monitors the current portfolio mostly acquired by the Company as part of the acquisition of certain operations of Laiki Bank, or through delinquent loan workouts with the objective to gradually liquidate all positions for which there is a market. Equity securities are disposed of by the Company as soon as practicable.

Changes in the prices of equity securities that are classified as investments at FVPL, affect the results of the Company, whereas changes in the value of equity securities classified as FVOCI affect directly the equity of the Company.

The table below shows the impact on the profit/loss before tax and on equity of the Company from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

44. Risk management - Market risk (continued)

	Change in index	Impact on loss before tax	Impact on equity
2020	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+20**	**-**	**293**
Other stock exchanges and unlisted	**+20**	**5**	**1,681**
Cyprus Stock Exchange	**-20**	**-**	**(293)**
Other stock exchanges and unlisted	**-20**	**(5)**	**(1,681)**

	Change in index	Impact on profit before tax	Impact on equity
2019			
Cyprus Stock Exchange	+15	-	200
Other stock exchanges and unlisted	+15	59	1,228
Cyprus Stock Exchange	-15	-	(200)
Other stock exchanges and unlisted	-15	(59)	(1,228)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Company. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Company invests a significant part of its liquid assets in highly rated securities. The average Moody's Investors Service rating of the debt securities portfolio of the Company as at 31 December 2020 was Baa1 (2019: A2). The average rating excluding the Cyprus Government bonds and non-rated transactions as at 31 December 2020 was Aa1 (2019: Aa2). Further information on ratings of debt securities is disclosed in Note 43.13.

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

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

	Impact on loss before tax	Impact on equity
2020	**€000**	**€000**
+3.0% for Aa3 and above rated bonds	**-**	**7,171**
+3.5% for A3 and above rated bonds	**-**	**914**
+4.3% for Cyprus Government bonds	**-**	**16,073**
-3.0% for Aa3 and above rated bonds	**-**	**(7,171)**
-3.5% for A3 and above rated bonds	**-**	**(914)**
-4.3% for Cyprus Government bonds	**-**	**(16,073)**

44. Risk management - Market risk (continued)

	Impact on profit before tax	Impact on equity
2019	**€000**	**€000**
+1.1% for Aa3 and above rated bonds	-	4,848
+3.2% for A3 and above rated bonds	-	833
+4.7% for Baa3 and above rated bonds	-	463
+7.6% for Cyprus Government bonds	-	29,716
-1.1% for Aa3 and above rated bonds	-	(4,848)
-3.2% for A3 and above rated bonds	-	(833)
-4.7% for Baa3 and above rated bonds	-	(463)
-7.6% for Cyprus Government bonds	-	(29,716)

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

	Change in index	Impact on profit/(loss) before tax	Impact on equity
2020	**%**	**€000**	**€000**
Other (non-equity instruments)	**+25**	**2,899**	**-**
Other (non-equity instruments)	**-25**	**(2,899)**	**-**
2019			
Other (non-equity instruments)	+15	2,243	-
Other (non-equity instruments)	-15	(2,243)	-

45. Risk management - Liquidity risk and funding

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

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

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

Management and structure

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

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

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

The Treasury Division is responsible for liquidity management at Company level to ensure compliance with internal policies and regulatory liquidity requirements and provide direction as to the actions to be taken regarding liquidity needs. Treasury assesses on a continuous basis, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

45. Risk management - Liquidity risk and funding (continued)

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

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework, limits and stress test assumptions.

(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags when the ratios deteriorate.

(iv) Early warning indicators: monitoring of a range of indicators for early signs of liquidity risk in the market or specific to the Company. These are designed to immediately identify the emergence of increased liquidity risk 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 managed. The LCP provides a communication plan and includes management actions to respond to liquidity stresses.

(vi) Recovery Plan: the Company has developed a Recovery Plan (RP) of the key objectives of the RP are to set key Recovery and Early Warning Indicators so as to monitor these and to set in advance a range of recovery options to enable the Company to be adequately prepared to respond to stressed conditions and restore the Company's position.

Monitoring process

Daily

The daily monitoring of customer flows and the stock of highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Company's activities. Market risk prepares a daily report analysing the internal liquidity buffer and comparing it to the previous day's buffer. The historical summary results of this report are made available to ALCO and to members of the Risk Division, Treasury and Financial Control department. In addition, Treasury monitors daily and intraday the customer inflows and outflows in the main currencies used by the Company.

Market Risk also prepares daily stress testing for bank specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a twelve-month stress period, including capacity to raise funding under all scenarios.

Moreover, an intraday liquidity stress test takes place to ensure that the Company maintains sufficient liquidity buffer in immediately accessible form, to enable it to meet the stressed intraday payments.

The 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. These bonds are High Quality Liquid Assets (HQLA) as per the LCR definitions and/or ECB Eligible bonds.

The designing of the stress tests followed guidance and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA. In addition it takes into account SREP recommendations as well as the Annual Risk Identification Process of the Company. The stress tests assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested from ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities, own issue covered bond, additional credit claims, interbank takings and cash collateral for derivatives and repos.

45. Risk management - Liquidity risk and funding (continued)

Weekly
Market Risk prepares a report indicating the level of Liquid Assets including Credit Institutions Money Market Placements as per LCR definitions.

Bi-Weekly report
Market Risk prepares a liquidity report twice a month which is submitted to the ECB. The report includes information on the following: deposits breakdown, cash flow information, survival period, LCR ratio, rollover of funding, funding gap (through the Maturity ladder analysis) and concentration of funding and collateral details. It concludes on the overall liquidity position of the Company and describes the measures implemented and to be implemented in the short-term to improve liquidity position.

Monthly
Market Risk prepares reports monitoring compliance with internal and regulatory liquidity ratios requirements and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer in order to calculate the survival days. The fixed deposit renewal rates, the percentage of IBU deposits over total deposits and the percentage of instant access deposits are also presented to the ALCO. The liquidity mismatch in the form of the Maturity Ladder report (for both contractual and behavioural flows) is also presented to ALCO and resulting mismatch between assets and liabilities is compared to previous month's mismatch. A monthly customer deposit analysis by Business Line, Tenor and currency is also presented to ALCO.

Market Risk reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly as part of the quarterly Internal Liquidity Adequacy Assessment Process (ILAAP) review. Market Risk reports the Net Stable Funding Ratio (NSFR) to the CBC/ECB quarterly.

Annually
The Company prepares on an annual basis its report on ILAAP. The ILAAP report provides a holistic view of the Group's liquidity adequacy under normal and stress conditions. Within ILAAP, the Company evaluates its liquidity risk within the context of established policies, the processes for the identification, measurement, management and monitoring of liquidity implemented by the institution.

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

Liquidity ratios

The Company 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%.

Main sources of funding

As at 31 December 2020 the Company's main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations.

In June 2020, ECB funding of €1,000 million was raised under the TLTRO III given the favourable borrowing rate, in combination with the relaxation of collateral terms (lower haircuts and widening of eligibility of credit claims), all being part of the ECB's COVID-19 aid package. In September 2019, ECB funding of €830 million in the form of 4-Year TLTRO II was repaid early thus no ECB funding was outstanding as at December 2019.

45. Risk management - Liquidity risk and funding (continued)

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements. Certain subsidiaries have a recommendation from their regulator to avoid any dividend distribution at this point in time.

Collateral requirements and other disclosures

Collateral requirements
The carrying values of the Company's encumbered assets as at 31 December 2020 and 2019 are summarised below:

	2020	2019
	€000	€000
Cash and other liquid assets	**78,831**	90,437
Investments	**37,105**	222,961
Loans and advances	**2,842,941**	2,537,031
	2,958,877	2,850,429

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions and (ii) trade finance transactions and guarantees issued. It may also be used as part of the supplementary assets for the covered bond.

Investments are mainly used as collateral for supplementary assets for the covered bond and repurchase transactions with commercial banks. As at 31 December 2019, investments were mainly used as collateral for repurchase transactions with commercial banks. As at 31 December 2020, no investments were used as collateral for repurchase transactions with commercial banks as these matured within 2020.

Loans and advances indicated as encumbered as at 31 December 2020 and 2019 are mainly used as collateral for available funding from the ECB and the covered bond.

Loans and advances to customers include mortgage loans of a nominal amount of €1,017 million as at 31 December 2020 (2019: €1,000 million) in Cyprus, pledged as collateral for the covered bond issued by the Company in 2011 under its Covered Bond Programme. Furthermore as at 31 December 2020 housing loans of a nominal amount of €1,827 million (2019: €1,498 million) in Cyprus, are pledged as collateral for funding from the ECB (Note 29).

The Company maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC. Under the Covered Bond Programme, the Company has in issue covered bonds of €650 million secured by residential mortgages originated in Cyprus. On 6 June 2018, the terms of the covered bonds have been amended to extend the maturity date to 12 December 2021 and set the interest rate to 3 months Euribor plus 2.50% on a quarterly basis. The covered bonds are traded on the Luxemburg Bourse. The covered bonds have a conditional Pass-Through structure. All the bonds are held by the Company. The covered bonds are eligible collateral for the Eurosystem credit operations and are placed as collateral for accessing funding from the ECB.

Other disclosures
Deposits by banks as shown in the table further below which discloses contractual maturities include balances of €44,220 thousand as at 31 December 2020 (2019: €51,934 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 €88,963 thousand as at 31 December 2020 (2019: €93,668 thousand).

45. Risk management - Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Company's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'Over five years' time band, unless classified as at FVPL, in which case they are included in the 'On demand and up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Company expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Company has the discretion not to accept such early termination of deposits.

Subordinated loan stock is classified in the relevant time band according to the remaining contractual maturity, ignoring the call date.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
The fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Company after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

45. Risk management - Liquidity risk and funding (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,606,327	18,120	25,430	1,886	1,380	**5,653,143**
Loans and advances to banks	283,871	726	249	76,358	74	**361,278**
Investments at FVPL	12,884	-	-	-	500	**13,384**
Loans and advances to customers	1,349,533	198,638	783,099	3,176,419	4,374,465	**9,882,154**
Balances with Group companies	61,829	44	513,450	161,659	3,949	**740,931**
Fair value of derivative assets	4,857	522	178	19,018	52	**24,627**
Non-trading investments	4,121	28,209	297,140	1,085,844	271,633	**1,686,947**
Financial assets classified as held for sale	470,112	773	2,756	9,046	78,775	**561,462**
Other assets	51,689	1	1,618	2,678	2,037	**58,023**
	7,845,223	**247,033**	**1,623,920**	**4,532,908**	**4,732,865**	**18,981,949**
Financial liabilities						
Deposits by banks	39,281	24,085	19,375	165,298	148,656	**396,695**
Funding from central banks	-	-	-	979,666	-	**979,666**
Customer deposits	11,846,823	1,916,872	2,717,157	58,496	-	**16,539,348**
Balances with Group companies	58,369	8,123	5,314	-	-	**71,806**
Subordinated loan stock	23,125	-	-	92,500	296,250	**411,875**
Fair value of derivative liabilities	4,930	998	877	23,138	16,035	**45,978**
Lease liability	729	1,246	5,608	23,096	9,326	**40,005**
Other liabilities	139,188	13,202	23,763	5,281	2,640	**184,074**
	12,112,445	**1,964,526**	**2,772,094**	**1,347,475**	**472,907**	**18,669,447**
Net financial (liabilities)/assets	**(4,267,222)**	**(1,717,493)**	**(1,148,174)**	**3,185,433**	**4,259,958**	**312,502**

45. Risk management - Liquidity risk and funding (continued)

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Financial assets						
Cash and balances with central banks	5,002,948	21,445	31,129	2,571	1,788	**5,059,881**
Loans and advances to banks	150,036	50,008	-	88,712	-	**288,756**
Investments at FVPL	707	-	-	-	15,611	**16,318**
Loans and advances to customers	2,181,783	196,556	776,115	3,160,133	4,400,815	**10,715,402**
Balances with Group companies	86,193	42	191	661,436	1,628	**749,490**
Fair value of derivative assets	2,953	105	158	19,511	333	**23,060**
Non-trading investments	31,480	64,401	327,718	997,111	292,242	**1,712,952**
Financial assets classified as held for sale	19,660	85	503	2,651	3,030	**25,929**
Other assets	44,561	23,779	29,575	8,298	-	**106,213**
	7,520,321	**356,421**	**1,165,389**	**4,940,423**	**4,715,447**	**18,698,001**
Financial liabilities						
Deposits by banks	157,221	28,449	18,743	146,900	193,997	**545,310**
Repurchase agreements	-	-	170,503	-	-	**170,503**
Customer deposits	10,931,766	2,292,781	3,353,357	132,036	-	**16,709,940**
Balances with Group companies	64,327	19,839	15,801	-	-	**99,967**
Subordinated loan stock	23,125	-	-	92,500	319,375	**435,000**
Fair value of derivative liabilities	6,244	71	5,524	13,194	25,560	**50,593**
Lease liabilities	857	1,411	6,317	20,874	-	**29,459**
Other liabilities	183,916	-	-	-	-	**183,916**
	11,367,456	**2,342,551**	**3,570,245**	**405,504**	**538,932**	**18,224,688**
Net financial (liabilities)/assets	**(3,847,135)**	**(1,986,130)**	**(2,404,856)**	**4,534,919**	**4,176,515**	**473,313**

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total €000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	504,655	36,127	3,193	-	-	**543,975**
Contractual amounts payable	(499,949)	(35,502)	(3,148)	-	-	**(538,599)**
	4,706	**625**	**45**	**-**	**-**	**5,376**
Financial liabilities						
Contractual amounts receivable	565,613	175,348	2,858	-	-	**743,819**
Contractual amounts payable	(570,353)	(175,907)	(2,888)	-	-	**(749,148)**
	(4,740)	**(559)**	**(30)**	**-**	**-**	**(5,329)**

45. Risk management - Liquidity risk and funding (continued)

2020	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total** **€000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,801	1,542	312	-	-	**4,655**
Guarantees	101,769	105,057	270,524	123,140	25,475	**625,965**
Commitments						
Documentary credits	2,482	5,591	4,957	676	1,160	**14,866**
Undrawn formal standby facilities, credit lines and other commitments to lend	2,023,440	-	-	-	40,000	**2,063,440**
	2,130,492	**112,190**	**275,793**	**123,816**	**66,635**	**2,708,926**

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total** **€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	434,309	6,525	448	-	-	**441,282**
Contractual amounts payable	(432,201)	(6,439)	(445)	-	-	**(439,085)**
	2,108	**86**	**3**	**-**	**-**	**2,197**
Financial liabilities						
Contractual amounts receivable	843,726	4,222	445	-	-	**848,393**
Contractual amounts payable	(850,046)	(4,276)	(444)	-	-	**(854,766)**
	(6,320)	**(54)**	**1**	**-**	**-**	**(6,373)**

2019	On demand and up to one month €000	Between one and three months €000	Between three months and one year €000	Between one and five years €000	Over five years €000	**Total** **€000**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2,922	2,373	521	-	-	**5,816**
Guarantees	88,796	117,436	283,802	156,313	43,047	**689,394**
Commitments						
Documentary credits	3,217	4,002	2,403	985	1,160	**11,767**
Undrawn formal standby facilities, credit lines and other commitments to lend	1,964,137	-	-	-	-	**1,964,137**
	2,059,072	**123,811**	**286,726**	**157,298**	**44,207**	**2,671,114**

46. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholders' value.

46. Capital management (continued)

The capital adequacy framework, as in force, was incorporated through the CRR and Capital Requirements Directive IV (CRD IV) and came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD IV 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 and investment firms. It is directly applicable in all EU member states. CRD IV 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 IV 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 (CRR II and CRD V) came into force. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II. Member states are required to transpose the CRD V into national law. Certain provisions took immediate effect (primarily relating to MREL), but most changes will start to apply from mid-2021. Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission. The key changes introduced consist of among others changes to qualifying criteria for 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 and a Net Stable Funding Ratio (NSFR).

In addition, the Regulation (EU) 2016/445 of the ECB on the exercise of options and discretions available in Union law (ECB/2016/4) provides certain transitional arrangements which supersede the national discretions unless they are stricter than the EU Regulation 2016/445.

Moreover, in June 2020 Regulation (EU) 2020/873 came into force which provides for certain amendments in response to the COVID-19 pandemic, bringing forward some of the capital relieving measures that were due to come into force at a later stage and introducing modifications as part of the wider efforts of competent authorities to provide the support necessary to the institutions. The main adjustments affecting the Group's own funds as at 31 December 2020 relate to the acceleration of the implementation of the new SME discount factor under CRR II introduced in June 2020 instead of June 2021 (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. In addition, the amendments, introduce temporary treatment of unrealized gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income which the Group elected to apply and implemented in the third quarter of 2020. Lastly changes on the application of prudential treatment of software assets as amended by CRR II came into force in December 2020 advancing the implementation to 2020 instead of 2021.

The Group and the Company have complied with the minimum capital requirements (Pillar I and Pillar II).

The Pillar III Disclosures Report (unaudited) of the Group required with respect to the requirements of the Capital Requirements Regulation (EU) No 575/2013 as amended by CRR II applicable as at the reporting date, is published on the Group's website www.bankofcyprus.com (Investor Relations).

47. Related party transactions

Aggregate amounts outstanding at year end and additional transactions

	2020	2019	**2020**	2019
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Company's net assets per director	**9**	11	**98**	309
Loans and advances to other key management personnel and connected persons			**21,870**	22,227
Total loans and advances as at 31 December			**21,968**	22,536
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,515**	3,247
- connected persons			**19,453**	19,289
			21,968	22,536
Interest income for the year			**710**	179
Commission income for the year			**3**	3
Insurance premium income for the year			**257**	179
Subscriptions and insurance expense for the year			**461**	902
Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**2,017**	1,896
- connected persons			**2,801**	4,979
			4,818	6,875
Interest expense on deposits for the year			**3**	4
Accruals and other liabilities as at 31 December:				
- balances with entity providing key management personnel services			**2,013**	9,800
Staff costs, consultancy restructuring and other expenditure with entity providing key management personnel services			**10,087**	17,873

The above table does not include year-end balances for members of the Board of Directors and their connected persons who resigned during the year.

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.

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 €57 thousand (2019: €78 thousand).

There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €3,007 thousand (2019: €1,367 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 other connected persons, using forced-sale values for tangible collaterals, and assigning no value to other types of collaterals, at 31 December 2020 amounted to €1,197 thousand (2019: €1,216 thousand).

47. Related party transactions (continued)

As at 31 December 2020 the Company has a deposit of €2,858 thousand (2019: €2,817 thousand) with Piraeus Bank SA in which Mr Arne Berggren is a non-Executive Director. The Company has also provided certain indemnities to Piraeus Bank SA as part of the disposal of Kyprou Leasing SA in 2015.

There were no other transactions during the years ended 31 December 2020 and 2019 with connected persons of the current members of the Board of Directors or with any members who resigned during the year.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions including interest rates with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel on the same terms as those applicable to the rest of the Company's employees and their connected persons on the same terms as those of customers.

Connected persons include spouses, minor children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

Additional to members of the Board of Directors, related parties include entities providing key management personnel services to the Company.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2020	2019
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**708**	1,910
Termination benefits	**450**	-
Employer's contributions	**49**	100
Retirement benefit plan costs	**55**	152
Total directors' emoluments	**1,262**	2,162
Other key management personnel emoluments		
Salaries and other short term benefits	**3,363**	2,821
Employer's contributions	**241**	155
Retirement benefit plan costs	**155**	117
Total other key management personnel emoluments	**3,759**	3,093
Total	**5,021**	5,255

Fees and benefits are included for the period that they serve as members of the Board of Directors.

The termination benefits of the executive directors relate to compensation paid to an executive director who left the Company on 31 October 2020. The retirement benefit plan costs relate to contributions paid for defined contribution plan.

47. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Executive Directors
The salaries and other short term benefits of the Executive Directors are analysed as follows:

	2020	2019
	€000	€000
John Patrick Hourican (Chief Executive Officer-resigned on 30 August 2019)	**-**	1,510
Panicos Nicolaou (Chief Executive Officer-appointed on 1 September 2019)	**506**	168
Christodoulos Patsalides (First Deputy Chief Executive Officer-resigned on 31 October 2020)	**202**	232
	708	1,910

The retirement benefit plan costs for 2020 amounting to €55 thousand (2019: €152 thousand) relate to Mr Panicos Nicolaou €40 thousand (2019: €15 thousand since the date of his appointment), Dr Christodoulos Patsalides €15 thousand up to the date of his resignation (2019: €20 thousand) and for 2019 Mr John Patrick Hourican up to the date of his resignation €117 thousand.

Non-executive Directors
Non-executive director fees are reflected as an expense of Bank of Cyprus Holdings Public Limited Company and as a result no non-executive director fees are disclosed. However, these are recharged by the holding company back to the Company and the recharge cost is included within 'Other operating expenses'.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other members of the management team who report directly to the Chief Executive Officer or to the First Deputy Chief Executive Officer or Deputy CEO (prior to the change in the group organisational structure those who reported directly to the Chief Executive Officer or the Deputy Chief Executive Officer and Chief Operating Officer).

48. Subsidiary companies

The main subsidiary companies and branches of the Company, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 31 December 2020 are:

Company	**Country**	**Activities**	**Percentage holding (%)**
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	Non-life insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC (formerly Cytrustees Investment Public Company Ltd)	Cyprus	UCITS Fund	58
LCP Holdings and Investments Public Ltd	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
BOC Asset Management Ltd	Cyprus	Management administration and safekeeping of UCITS Units	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	n/a
BOC Asset Management Romania S.A.	Romania	Collection of the existing portfolio of receivables, including third party collections	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

48. Subsidiary companies (continued)

In addition to the above companies, at 31 December 2020 the Company had 100% shareholding in the companies listed below whose activity is the ownership and management of immovable property:

Cyprus: Belvesi Properties Ltd, Hamura Properties Ltd, Noleta Properties Ltd, Tolmeco Properties Ltd, Arlona Properties Ltd, Dilero Properties Ltd, Ensolo Properties Ltd, Folimo Properties Ltd, Pelika Properties Ltd, Cobhan Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Nalmosa Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, EuroLife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Thryan Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Kernland Properties Ltd, Jobelis Properties Ltd, Melsolia Properties Ltd, Koralmon Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Hovita Properties Ltd, Astromeria Properties Ltd, Orzo Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Camela Properties Ltd, Subworld Properties Ltd, Jongeling Properties Ltd, Fareland Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Homirova Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Olivero Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bonsova Properties Ltd, Garmozy Properties Ltd, Palmco Properties Ltd, Thermano Properties Ltd, Venicous Properties Ltd, Lorman Properties Ltd, Eracor Properties Ltd, Rulemon Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balasec Properties Ltd, Bendolio Properties Ltd, Diafor Properties Ltd, Kartama Properties Ltd, Paradexia Properties Ltd, Paramina Properties Ltd, Nouralia Properties Ltd, Resocot Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Weinar Properties Ltd, Zemialand Properties Ltd, Asianco Properties Ltd, Cimonia Properties Ltd, Coeval Properties Ltd, Comenal Properties Ltd, Finevo Properties Ltd, Intelamon Properties Ltd, Mazima Properties Ltd, Nesia Properties Ltd, Nigora Properties Ltd, Riveland Properties Ltd, Rosalica Properties Ltd, Secretsky Properties Ltd, Senadaco Properties Ltd, Tasabo Properties Ltd, Venetolio Properties Ltd, Zandexo Properties Ltd, Flymoon Properties Ltd, Meriaco Properties Ltd, Odolo Properties Ltd, Calandomo Properties Ltd, Molemo Properties Ltd, Nivamo Properties Ltd, Edilia Properties Ltd, Icazo Properties Ltd, Limoro Properties Ltd, Rofeno Properties Ltd, Samilo Properties Ltd, Jalimo Properties Ltd, Sendilo Properties Ltd, Baleland Properties Ltd, Vemoto Properties Ltd, Prodino Properties Ltd and Zenoplus Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Green Hills Properties SRL, Romaland Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 31 December 2020 the Company had 100% shareholding in Obafemi Holdings Ltd, Stamoland Properties Ltd, Unoplan Properties Ltd, Petrassimo Properties Ltd and Gosman Properties Ltd.

The main activities of the above companies are the holding of shares and other investments and the provision of services.

At 31 December 2020 the Company had 100% shareholding in the companies listed below which are reserved to accept property.

Cyprus: Tavoni Properties Ltd, Amary Properties Ltd, Holstone Properties Ltd, Alepar Properties Ltd, Cramonco Properties Ltd, Monata Properties Ltd, Aktilo Properties Ltd, Alezia Properties Ltd, Aparno Properties Ltd, Enelo Properties Ltd, Mikosa Properties Ltd, Stormino Properties Ltd, Stevolo Properties Ltd, Lomenia Properties Ltd, Vertilia Properties Ltd, Carilo Properties Ltd, Gelimo Properties Ltd, Rifelo Properties Ltd, Avaleto Properties Ltd, Midelox Properties Ltd, Ameleto Properties Ltd, Orilema Properties Ltd, Montira Properties Ltd, Larizemo Properties Ltd and Olisto Properties Ltd.

48. Subsidiary companies (continued)

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Romaland Properties Ltd, Janoland Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Tantora Properties Ltd, Zunimar Properties Ltd, Selilar Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd, Landanafield Properties Ltd and Hydrobius Ltd.

The Company also holds 100% of the following companies which are inactive:

Cyprus: Birkdale Properties Ltd, Laiki Bank (Nominees) Ltd, Thames Properties Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurances Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Weinco Properties Ltd, Iperi Properties Ltd, Finerose Properties Ltd, CYCMC II Ltd, CYCMC III Ltd, CYCMC IV Ltd and BOC Terra AIF V.C.I Plc.

Greece: Kyprou Zois (branch of EuroLife Ltd), Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd), Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method. All companies listed above, except for Global Balanced Fund of Funds Salamis Variable Capital Investment Company PLC which is a UCITS Fund, have share capital consisting of ordinary shares.

Control over CLR Investment Fund Public Ltd (CLR) and its subsidiaries without substantial shareholding

The Company considers that it exercises control over CLR and its subsidiaries (Europrofit Capital Investors Public Ltd, Axxel Ventures Ltd and CLR Private Equity Ltd) through control of the members of the Board of Directors and is exposed to variable returns through its holding.

Restructuring of investment of banking and brokerage activities

On 19 November 2020, the Group proceeded with a restructuring of its investment banking and brokerage activities through the acquisition by CISCO of LCP Holdings and Investments Public Ltd and CLR Investment Fund Public Ltd. This was achieved by an increase in the share capital of CISCO to the Company in exchange of the shares held by the Company in both companies. In particular 67% of LCP Holdings and Investments Public Ltd and 20% in CLR Investment Fund Public Ltd are owned by CISCO as at 31 December 2020. In January 2021, CISCO also proceeded with the acquisition of BOC Asset Management Ltd from the Company. The above restructuring did not have an impact on the results of the Company.

48. Subsidiary companies (continued)

Dissolution and disposal of subsidiaries

As at 31 December 2020, the following subsidiaries were in the process of dissolution or in the process of being struck off: Renalandia Properties Ltd, Crolandia Properties Ltd, Fantasio Properties Ltd, Demoro Properties Ltd, Elosis Properties Ltd, Polkima Properties Ltd, Pariza Properties Ltd, Prosilia Properties Ltd, Otoba Properties Ltd, Dolapo Properties Ltd, Nivoco Properties Ltd, Bramwell Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Buchuland Properties Ltd, Corner LLC, Diners Club (Cyprus) Ltd, Fairford Properties Ltd, Leasing Finance LLC, Mirodi Properties Ltd, Nallora Properties Ltd, Omiks Finance LLC, Salecom Ltd, Sylvesta Properties Ltd, Commonland Properties Ltd, Fledgego Properties Ltd, Loneland Properties Ltd, Frozenport Properties Ltd, Melgred Properties Ltd, Unknownplan Properties Ltd, Battersee Real Estate SRL and Trecoda Real Estate SRL.

Bank of Cyprus (Channel Islands) Ltd, Bocaland Properties SRL, Selilar Properties SRL and Tantora Properties SRL were dissolved during the year ended 31 December 2020. Legamon Properties Ltd, Ligisimo Properties Ltd, Syniga Properties Ltd, Badrul Properties Ltd, Marisaco Properties Ltd and Gozala Properties Ltd were disposed of during the year ended 31 December 2020.

Carrying value of investments in subsidiaries

	2020	2019
	€000	€000
1 January	**108,177**	254,688
Contribution to subsidiaries	**143**	6,041
Issue of shares of subsidiary following scrip dividend	**244**	-
Disposals/dissolution of subsidiaries	**(54)**	(148,358)
Impairment of investments in subsidiaries (Note 14)	**(10,901)**	(4,194)
31 December	**97,609**	108,177

49. Acquisitions and disposals of subsidiaries

49.1 Acquisitions during 2020

There were no acquisitions during 2020.

49.2 Disposals during 2020

There were no material disposals during 2020.

49.3 Acquisitions during 2019

There were no acquisitions during 2019.

49.4 Disposals during 2019

49.4.1 Disposal of Cyreit

In June 2019, the Company completed the sale of its entire holding of 88.2% in Cyreit.

The final purchase consideration amounts to €141,139 thousand. The disposal resulted in a loss of €7,219 thousand disclosed within 'Net losses on financial instrument transactions and disposal/dissolution of subsidiaries and associates' (Note 10).

49.4.2 Disposal of NMH group

In December 2019, the Company completed the sale of its entire holding of 64% in NMH group. The purchase consideration amounted to €92,193 thousand and involved the settlement of existing facilities and provision of new lending, giving rise to a gain on derecognition of the existing facilities of €2,380 thousand disclosed within 'Net gains on derecognition of financial assets measured at amortised cost' in the Income Statement.

50. Events after the reporting period

50.1 TLTRO III

In December 2020 the ECB announced the extension of the period over which more favourable terms will apply to the third series of targeted longer term refinancing operations (TLTRO III) by twelve months, to June 2022 and also announced that three additional TLTRO III operations will be conducted between June and December 2021.

The Company already participated in 2020 in TLTRO III by borrowing €1,000 million, which may benefit from the favourable terms for a further 12 months following the announcement by the ECB in December 2020, provided it meets the lending threshold set by the ECB. In addition, in March 2021 the Company borrowed additional €1,700 million under the new TLTRO III operation.

50.2 Project Helix 2B

In January 2021, the Group reached an agreement for the sale of a portfolio (the 'Portfolio 2B') of loans and advances to customers (known as 'Project Helix 2B'). The Portfolio 2B will be transferred to a CyCAC by the Company and the shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO, the purchaser of both Portfolios Helix 2A and 2B. The parties amended and restated the agreement executed in August 2020 for Helix 2A to incorporate the transaction of Helix 2B.

As at 31 December 2020, the Portfolio 2B including stock of property and cash held by the Company, had a net book value of €223,228 thousand (Note 28). The gross consideration for Project Helix 2B amounts to €243 million before transaction and other costs, of which 50% is payable at completion and the remaining 50% is deferred up to December 2025 without any conditions attached. The consideration can be increased through an earnout arrangement, depending on the performance of the Portfolio 2B.

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

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Ltd

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Bank of Cyprus Public Company Ltd (the "Company") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 245 to 398 and comprise:

- the balance sheet as at 31 December 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality	Overall materiality: €16,5 million, which represents approximately 0,9% of the Company's net assets as presented on the balance sheet by line item 'Total equity'.
Key audit matters	We have identified the following key audit matters: ● Impairment of loans and advances to customers. ● Going concern. ● Litigation provisions and regulatory and other claims. ● Valuation of stock of properties. ● Privileged user access.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€16,5 million
How we determined it	Based on approximately 0.9% of the Company's net assets as presented on the balance sheet by line item 'Total equity'.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark, because in our view, it is reflective of the Company's Common Equity Tier 1 ("CET1") capital position, which is the benchmark against which the performance of the Company is most commonly measured by the users of the financial statements. We chose 0.9%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €823 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers Refer to Note 5.2, "Calculation of expected credit losses" within Note 5 "Significant and other judgements, estimates and assumptions, Note 21, "Loans and advances to customers" and Note 43, "Risk management - credit risk". The Company has developed complex models to calculate expected credit losses ("ECL") on its loans and advances to customers. Impairment provisions are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant or which meet specific criteria determined by management.	We obtained an understanding of controls relevant to the audit, evaluated their design and also tested the operating effectiveness of such key controls across processes relevant to the calculation of ECL. We read and considered the minutes of the joint Audit & Risk Committee meetings where key inputs, assumptions, adjustments and outcomes were discussed and approved by the Joint Audit & Risk Committee. We assessed the appropriateness of the key assumptions used in the methodologies and models of the Company and their compliance with the requirements of IFRS 9. We assessed the triggers identified by management to determine the appropriate staging of loans within Stages 1, 2 or 3 and tested, on a sample basis, the criteria used to allocate loans and advances to

We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making the estimate including: • The interpretations and assumptions required to build the model, including the segmentation employed; • The allocation of loans and advances to customers within Stages 1, 2 or 3 including consideration of relevant overlays, where applicable; • The increased complexity of identifying 'Significant Increase in Credit Risk' during a period of repayment moratorium due to the reduced availability of arrears data; and • The inputs, assumptions and probability weights assigned to multiple economic scenarios as used by the Company.	customers to Stages 1, 2 or 3 with reference to those triggers. As part of this, we considered staging overlays, in particular those applied by management with respect to moratorium customers, where applicable. We tested the completeness and accuracy of data inputs to the ECL model by tracing on a sample basis relevant data fields to source documents (such as loan agreements and collateral valuations) and the performance of data validation tests. We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL. This included considering the appropriateness of model design and challenging the assumptions used (e.g. Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We built an ECL calculator ''challenger model'', on the basis of which an independent point ECL estimate was developed and compared against the Company's own calculation. We evaluated the Company's individual assessments for a sample of material Stage 3 exposures for compliance with the Company's policies, developments during 2020 and compliance with IFRS 9 requirements; significant data inputs were tested with reference to appropriate supporting documentation, such as collateral valuations and Land Registry records. We considered the impact on the Company's ECL charge of expected realisation through disposals of certain loan portfolios comprising primarily Stage 3 loans and determined whether the related ECL charge is reasonable. We assessed, with the assistance of PwC credit risk experts, forecast macroeconomic variables used within the macroeconomic model scenarios such as Gross Domestic Product, unemployment, interest rates and House Price Index. We evaluated the appropriateness of the Company's disclosures particularly in relation to significant judgements and estimates. We concluded that the methodologies and judgments used by management in determining the ECL charge were reasonable, that the ECL provisions recognised were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.

Going concern Refer to Note 3 "Going Concern" to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors have determined that it is appropriate to prepare the financial statements using the going concern assumption and that no material uncertainties exist relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern. In making their assessment, the Directors have considered a period of at least twelve months from the date of approval of the financial statements. As part of its assessment, the Company has considered a number of macroeconomic scenarios and then assessed the resulting Company capital and liquidity ratios for comparison against regulatory requirements. The development of these scenarios requires considerable management judgement. Particular consideration has been given to assessing the impact of COVID-19 and of measures taken by the Cypriot government to mitigate its spread as well as legislative amendments in Cyprus and changes to Bank capital and liquidity requirements announced during 2020 by the European Central Bank ("ECB"). Where appropriate, the Directors have identified relevant actions to support the Company's capital and liquidity positions. We determined this to be a key audit matter due to the ongoing focus on the capital adequacy for the Company, the uncertainties involved in the delivery of the Company's Financial Plan and the increased risks presented by the continuing COVID-19 pandemic.	We obtained the Directors' going concern assessment and assessed whether events and conditions exist that create material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We read correspondence with the relevant regulators with regards to regulatory capital and liquidity requirements of the Company, as well as other correspondence such as the findings of the ECB's Supervisory Review and Evaluation Process (SREP) which determines the Company's required Regulatory ratios. We considered the Company's 4 year Financial Plan approved by the Board in November 2020. We compared the Company's CET1 and other capital and liquidity ratios as included in management's going concern assessment versus regulatory reporting submissions of the Company. We evaluated the Company's assessment of the impact of COVID-19 and other factors on its operations, liquidity and capital ratios for the period of assessment. In particular, we: • Considered the Company's models used to develop projected future operating results, cash flows and estimates of assets and liabilities and challenged the assumptions underlying them by reference to past experience and policies implemented by the Cypriot government in response to COVID-19 designed to support the economy. • Assessed the Company's development of alternative (base and adverse) macroeconomic scenarios by reference to internal and external forecasts for the performance of the Cypriot economy over the next two years. • Considered the Company's estimates with respect to projected liquidity in the context of liquidity stress testing. • Assessed the Company's estimation of the expected ECL impact on the customer loan portfolio and the valuation of property assets held as collateral and their

	consistency with the macroeconomic scenarios under consideration. We noted the capital and liquidity relief measures as announced by the ECB during 2020 and the implied capital release, for a period at least to the end of 2020, made available to the Company as a result of those measures. We discussed a number of matters with relevant regulatory authorities including the nature of the relief measures, their availability to the Company and their likely duration. We also evaluated the disclosures made by the Directors in the financial statements and assessed whether they reflected the basis of the conclusions of the Directors' assessment. We concluded that the judgements made by the Directors in preparing the financial statements on a going concern basis were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Litigation provisions and regulatory and other matters Refer to Note 5.4 "Provisions for pending litigation, claims, regulatory and other matters" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 37 "Pending litigation, claims, regulatory and other matters", to the financial statements, which provide detailed information on provisions for pending litigation, claims, regulatory and other matters. The Company is subject to various legal claims, investigations and other proceedings. Management together with the Company's compliance and legal departments and, where necessary, the risk management department, review all existing and potential legal cases, prepare an assessment of potential outcomes for each individual case and assess the probability of economic outflow from the Company. We have determined this to be a key audit matter as the recognition and measurement of provisions in respect of pending litigation, claims, regulatory and other matters require a significant level of judgement by management. The judgements relate to the probability of obligating events requiring an outflow of resources to settle the obligation and the estimation of the extent of any related economic outflow.	We obtained an understanding of controls relevant to the audit, evaluated their design and tested the operating effectiveness of certain controls relating to elements of recognising and measuring litigation provisions and regulatory and other matters. We obtained and evaluated management's assessment of individual cases. For a sample of cases, we assessed management's proposed provisions against information contained in case files and information obtained from external legal advisors. Where deemed necessary we confirmed case facts and judgements directly with external legal advisors. For cases where economic outflow was assessed as probable and therefore a provision was recorded, we recalculated the provision and performed sensitivity analysis on key assumptions used by management. We inspected the minutes of meetings of the board of directors and certain of its committees for evidence of any unidentified legal cases or developments in current cases which might impact their outcome. We inspected regulatory correspondence and further inquired with the compliance department about known existing circumstances of or possible non-compliance with any regulatory requirements. We evaluated whether the disclosures made addressed significant uncertainties and assessed

	their adequacy against the relevant accounting standards for both provisions and contingencies as at 31 December 2020. Based on evidence obtained, while noting the inherent uncertainty in such matters, we concluded that the recorded provisions for pending litigation, claims, regulatory and other matters were reasonable, and the disclosures made in relation to these matters in the financial statements were appropriate.
Valuation of stock of properties Refer to Note 5.3, "Stock of property - estimation of net realisable value" within Note 5 "Significant and other judgements, estimates and assumptions" and Note 26 "Stock of properties". The Company has acquired a significant number of properties as a result of restructuring agreements with customers. These properties are accounted for as stock of property at the lower of their cost or net realisable value in accordance with IAS 2. Valuations obtained from reputable external valuers are a key input to determine the appropriate carrying amount. In light of the large volume of properties held and the uncertainty around market conditions (including those reflecting the COVID-19 pandemic) when estimating the carrying amount, we determined this to be a key audit matter.	We obtained an understanding of controls relevant to the audit, evaluated their design and also tested the operating effectiveness of such key controls across processes that are relevant to the valuation of stock of properties. We focused on the key inputs and assumptions underlying the valuation of the properties accounted for in accordance with IAS 2 . We evaluated the competence, capability and objectivity of management's external experts (property valuers). For a sample of properties, we obtained the valuation reports used by the Company from external valuers to ensure the accuracy of management's records. For a sample of external valuation reports, we assessed the methodology and assumptions used with the assistance of PwC valuation experts. For a sample of newly onboarded properties, we tested "cost" with reference to signed "debt-for-asset" agreements entered into with Company borrowers, and subsequently compared this to the "net realisable value" as determined via external valuation reports. We performed look-back procedures by comparing the price achieved for disposals during 2020 to the carrying amounts for those assets at 31 December 2019. We evaluated whether the disclosures address significant judgements and estimates and assessed their adequacy against the relevant accounting standards. We concluded that the judgements and estimates used by management in determining the carrying

	amount of stock of properties were reasonable and the disclosures made in relation to these matters in the financial statements were appropriate.
Privileged user access The Company's financial reporting is heavily reliant on IT systems which have been in place for a number of years and which are inherently complex, thereby creating an elevated risk to financial reporting. The Company relies on privileged user access controls which are critical to ensuring that changes to the applications and underlying data are made in an appropriate manner such that the risk of potential fraud or errors as a result of changes to application functionality and data is mitigated. We determined privileged user access to be a key audit matter as our audit approach relies on IT dependent controls and data and we performed extensive procedures due to the nature of the legacy systems in place.	With the assistance of PwC IT audit specialists, we obtained an understanding of the Company's IT environment and evaluated and tested the design and operating effectiveness of those IT General Controls (ITGCs) on IT systems that support financial reporting. Where deficiencies in privileged user access controls were identified we sought to identify and test other compensating controls. Where compensating controls or other mitigating factors and circumstances were not identified, we performed additional audit procedures in respect of user access rights. Specifically, we: • Extracted user access listings directly from the production environment of relevant IT applications, along with their supporting IT infrastructure to validate the completeness of access rights within the Company's user access tool that supports the management of user access, for the provision, deprovision, and recertification of privileged access;. • Extracted the list of privileged users on the Company's data warehouse and considered the appropriateness of access during 2020; • Extracted the list of developers from the production IT systems and release tools for those applications where system functionality is managed in-house and reviewed the appropriateness of developer access; and • Considered the authentication controls of applications and supporting IT infrastructure to assess compliance with the Company's password policy requirements. After evaluating the results of these additional audit procedures, where necessary our team performed further audit procedures such that, we concluded that any residual audit risk was reduced to an acceptable level.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Definitions and explanations on Alternative Performance Measures Disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 2 April 2019 by the shareholder of the Company through an extraordinary general meeting for the audit of the financial statements for the year ended 31 December 2019. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus
29 March 2021

DEFINITIONS

Allowance for expected loan credit losses	Allowance for expected loan credit losses comprises: (i) allowance for expected credit losses (ECL) on loans and advances to customers (including allowance for expected credit losses on loans and advances to customers held for sale), (ii) the residual fair value adjustment on initial recognition of loans and advances to customers (including residual fair value adjustment on initial recognition on loans and advances to customers held for sale), (iii) allowance for expected credit losses for off-balance sheet exposures (financial guarantees and commitments) disclosed on the balance sheet within other liabilities and (iv) the aggregate fair value adjustment on loans and advances to customers classified and measured at FVPL.
Cost to income ratio	Cost to income ratio is calculated as the total staff costs (excluding 'Restructuring costs – Voluntary Staff Exit Plan (VEP)) (on an underlying basis as reconciled in the table further below), special levy on deposits and contributions to Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF) (excluding Deferred tax credit (DTC) levy) (on an underlying basis as reconciled in the table further below), and other operating expenses (excluding 'Advisory and other restructuring costs-organic', any restructuring costs relating to NPE sales, and provisions for litigation, claims, regulatory and other matters) (on an underlying basis as reconciled in the table further below) divided by total income as per the underlying basis (as defined below).
Digitally engaged customers ratio	This is the ratio of digitally engaged individual customers to the total number of individual customers. Digitally engaged customers are the individuals who use the digital channels of BOC PCL (mobile banking app, browser and ATMs) to perform banking transactions, as well as digital enablers such as a bank-issued card to perform online card purchases, based on an internally developed scorecard.
Gross loans	Gross Loans comprises: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at FVPL adjusted for the aggregate fair value adjustment. Gross loans are reported before the residual fair value adjustment on initial recognition relating mainly to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired).
Interest earning assets	Interest earning assets include: cash and balances with central banks, plus loans and advances to banks, plus net loans and advances to customers (including loans and advances to customers classified as non-current assets held for sale), plus investments (excluding equities and mutual funds).
Leverage ratio	The leverage ratio is the ratio of tangible total equity (including Other equity instruments) to total assets as presented on the balance sheet.
Loan credit losses	Loan credit losses comprise: (i) credit losses to cover credit risk on loans and advances to customers, (ii) net gains on derecognition of financial assets measured at amortised cost and (iii) net gains on loans and advances to customers at FVPL, for the year.

Loan credit losses charge (cost of risk)	Loan credit losses charge (cost of risk) (year to date) is calculated as the loan credit losses (as defined) (annualised based on year to date days) divided by the average gross loans (as defined). The average gross loans are calculated as the average of the opening balance and the closing balance for the year.
Net fee and commission income over total income	Fee and commission income less fee and commission expense divided by total income (as defined).
Net Interest Margin	Net interest margin is calculated as the net interest income (per the underlying basis) (annualised based on year to date days) divided by the quarterly average interest earning assets (as defined). Quarterly average interest earning assets exclude interest earning assets of any discontinued operations at each quarter end, if applicable.
Net loans and advances to customers	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (as defined, but excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans to deposits ratio is calculated as the gross loans (as defined) net of allowance for expected loan credit losses (as defined), divided by customer deposits.
New lending	New lending includes the disbursed amounts of the new and existing non-revolving facilities (excluding forborne or re-negotiated accounts) as well as the average year to date change (if positive) of the current accounts and overdraft facilities between the balance at the beginning of the period and the end of the period. Recoveries are excluded from this calculation since their overdraft movement relates mostly to accrued interest and not to new lending.
Non-performing exposures (NPEs)	As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions: (i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due. (ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy. (iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due. (iv) Performing forborne exposures under probation for which additional forbearance measures are extended. (v) Performing forborne exposures under probation that present more than 30 days past due within the probation period. Exposures include all on and off balance sheet exposures, except those held for trading, and are categorised as such for their entire amount without taking into account the existence of collateral. 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. Material arrears/excesses are defined as follows: - Retail exposures: Total arrears/excesses amount greater than €100 - Exposures other than retail: Total

	arrears/excesses are greater than €500 and the amount in arrears/excess in relation to 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 'Unaudited Consolidated Income Statement on the underlying basis' relate to: (i) Advisory and other restructuring costs – organic, (ii) Restructuring costs – Voluntary Staff Exit Plan (VEP) (iii) Provisions/net loss relating to NPE sales, including restructuring expenses, (iv) Deferred tax credit (DTC) Levy/reversal of impairment of deferred tax assets (DTA) and impairment of other tax receivables and (v) Loss on remeasurement of investment in associate upon classification as held for sale (CNP) net of share of profit from associates (for the year ended 31 December 2019 only).
NPE coverage ratio	The NPE coverage ratio is calculated as the allowance for expected loan credit losses (as defined) over NPEs (as defined).
NPE ratio	The NPE ratio is calculated as the NPEs (as defined) divided by gross loans (as defined).
Operating profit	Operating profit (on an underlying basis) comprises profit before loan credit losses (as defined), impairments of other financial and non-financial assets, provisions for litigation, claims, regulatory and other matters, tax, (profit)/loss 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 (based on year to date days) operating profit (on an underlying basis) (as defined) divided by the quarterly average of total assets for the relevant period. Average total assets exclude total assets of discontinued operations at each quarter end, if applicable.
Profit/(loss) after tax – organic (attributable to the owners of the Company)	Profit/(loss) after tax - organic (attributable to the owners of the Company) is the profit/(loss) after tax and before non-recurring items (as defined above) (attributable to the owners of the Company), except for the 'Advisory and other restructuring costs – organic'.
Total income	Total income per the underlying basis comprises the total of net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates (excluding net gains on loans and advances to customers at FVPL), insurance income net of claims and commissions, net gains/(losses) from revaluation and disposal of investment properties, net gains on disposal of stock of property and other income (on the underlying basis). A reconciliation of these amounts between the statutory and the underlying bases is disclosed in the Director's Report under section 'Group financial results per the underlying basis'.

RECONCILIATIONS

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2020.

1. (a) Reconciliation of Gross loans and advances to customers

	2020	2019
	€000	€000
Gross loans and advances to customers as per the underlying basis (as defined above)	**12,261,404**	12,821,838
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.6)	**(146,602)**	(201,999)
Loans and advances to customers classified as held for sale (Note 45.6)	**(1,341,255)**	(173,881)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.6)	**(46,675)**	(11,083)
Loans and advances to customers measured at fair value through profit or loss (Note 23)	**(289,861)**	(369,293)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(36,408)**	(57,436)
Gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 23)	**10,400,603**	12,008,146

1. (b) Reconciliation of Loans and advances to customers classified as held for sale

	2020	2019
	€000	€000
Loans and advances to customers classified as held for sale as per the underlying basis	**1,387,930**	184,964
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.6)	**(46,675)**	(11,083)
Loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**1,341,255**	173,881

2. (a) Reconciliation of Allowance for expected credit losses on loans and advances to customers (ECL)

	2020	2019
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) as per the underlying basis (as defined above)	**1,901,978**	2,096,180
Reconciling items:		
Residual fair value adjustment on initial recognition (Note 45.6)	**(146,602)**	(201,999)
Aggregate fair value adjustment on loans and advances to customers measured at fair value through profit or loss	**(36,408)**	(57,436)
Allowance for expected credit losses on loans and advances to customers classified as held for sale (Note 45.9)	**(848,218)**	(147,952)
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.6)	**(46,675)**	(11,083)
Provisions for financial guarantees and commitments (Note 34)	**(19,658)**	(22,112)
Allowance for ECL for impairment of loans and advances to customers as per the Consolidated Financial Statements (Note 23)	**804,417**	1,655,598

2. (b) Reconciliation of Allowance for expected credit losses on loans and advances to customers classified as held for sale (ECL)

	2020	2019
	€000	€000
Allowance for expected credit losses on loans and advances to customers (ECL) classified as held for sale as per the underlying basis	**894,893**	159,035
Reconciling items:		
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Note 45.6)	**(46,675)**	(11,083)
Allowance for ECL for impairment of loans and advances to customers classified as held for sale as per the Consolidated Financial Statements (Note 29)	**848,218**	147,952

3. Reconciliation of NPEs

	2020	2019
	€000	€000
NPEs as per the underlying basis (as defined above)	**3,085,646**	3,879,508
Reconciling items:		
Loans and advances to customers (NPEs) classified as held for sale *(Note 1 below)*	**(1,312,165)**	(172,880)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale *(Note 2 below)*	**(47,011)**	(11,096)
Loans and advances to customers measured at fair value through profit or loss (NPEs)	**(118,479)**	(144,866)
POCI (NPEs) *(Note 3 below)*	**(227,065)**	(511,933)
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as Stage 3 (Note 45.6)	**(9,376)**	(16,516)
Stage 3 gross loans and advances to customers at amortised cost as per the Consolidated Financial Statements (Note 45.6)	**1,371,550**	3,022,217
NPE ratio		
NPEs (as per table above) (€000)	**3,085,646**	3,879,508
Gross loans and advances to customers (as per table above) (€000)	**12,261,404**	12,821,838
Ratio of NPE/Gross loans (%)	**25.2%**	30.3%

Note 1: Gross loans at amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €1,130,937 thousand Stage 3 loans (2019: €150,206 thousand Stage 3 loans) and an amount of €181,228 thousand POCI – Stage 3 loans (out of a total of €181,984 thousand POCI loans) (2019: €22,674 thousand POCI – Stage 3 loans (out of a total of €22,679 thousand POCI loans) as disclosed in Note 45.6 of the Consolidated Financial Statements for the year ended 31 December 2020.

Note 2: Residual fair value adjustment on initial recognition of loans and advances to customers classified as held for sale includes an amount of €7,650 thousand for Stage 3 loans (2019: €3,402 thousand for Stage 3 loans) and an amount of €39,361 thousand for POCI – Stage 3 loans (out of a total of €39,381 thousand POCI loans) (2019: €7,694 thousand for POCI – Stage 3 loans) as disclosed in Note 45.6 of the Consolidated Financial Statements for the year ended 31 December 2020.

Note 3: Gross loans and advances to customers at amortised cost before residual fair value adjustment on initial recognition include an amount of €227,065 thousand POCI – Stage 3 loans (out of a total of €335,852 thousand POCI loans) (2019: €511,933 thousand POCI – Stage 3 loans (out of a total of €627,212 thousand POCI loans)) as disclosed in Note 45.6 of the Consolidated Financial Statements for the year ended 31 December 2020.

4. Reconciliation of Gross Loans – Pro forma

	2020
	€000
Gross Loans (as per table 1 (a) above)	**12,261,404**
Reconciling items:	
Gross loans and advances to customers classified as held for sale (Project Helix 2, Portfolios A and B) (Note 29 – Disposal Group 1 and 2)	**(1,309,206)**
Residual fair value adjustment on initial recognition on loans and advances to customers classified as held for sale (Project Helix 2, Portfolios A and B)	**(44,947)**
Gross loans and advances to customers – pro forma	**10,907,251**

5. Reconciliation of NPEs – Pro forma

	2020
	€000
NPEs (as per table 3 above)	**3,085,646**
Reconciling items:	
Gross loans and advances to customers (NPEs) classified as held for sale (Project Helix 2, Portfolios A and B) *(Note 1 below)*	**(1,280,391)**
Residual fair value adjustment on initial recognition on loans and advances to customers (NPEs) classified as held for sale (Project Helix 2, Portfolios A and B)	**(45,269)**
NPEs - Pro forma	**1,759,986**

Note 1: Gross loans of amortised cost after residual fair value adjustment on initial recognition classified as held for sale include an amount of €1,106,816 thousand stage 3 loans and an amount of €173,575 thousand POCI – stage 3 loans for project Helix 2, Portfolios A and B (out of a total €1,130,937 thousand stage 3 loans classified as held for sale as disclosed in Note 45.6 of the Consolidated Financial Statements for the year ended 31 December 2020 and €181,228 thousand POCI – stage 3 loans classified as held for sale as disclosed in Note 1 of Table 3 in these 'Definitions and explanations of Alternative Performance Measures Disclosures'.

NPE ratio – Pro forma	2020
	€000
NPEs - Pro forma (as per table above) (€000)	**1,759,986**
Gross loans and advances to customers - Pro forma (as per table above) (€000)	**10,907,251**
Ratio of NPE/Gross loans – Pro forma (%)	**16.1%**

6. Reconciliation of Loan credit losses

	2020	2019
	€000	€000
Loan credit losses as per the underlying basis	**148,504**	145,498
Reconciling items:		
Loan credit losses relating to NPE sales, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis	**120,021**	87,481
One off charge disclosed in 'Net interest income' under the statutory basis and in 'Loan credit losses' under the underlying basis, given that this was a non-recurring item which related to a change in the method of amortising arrangement fees	**-**	(11,606)
	268,525	221,373
Loan credit losses (as defined) are reconciled to the statutory basis as follows:		
Credit losses to cover credit risk on loans and advances to customers (Note 16)	**275,080**	232,451
Net gains on derecognition of financial assets measured at amortised cost (Consolidated Income Statement)	**(2,949)**	(8,187)
Net gains on loans and advances to customers at FVPL (Note 11)	**(3,606)**	(2,891)
	268,525	221,373

RATIO INFORMATION

For the purpose of the 'Definitions and explanations of Alternative Performance Measures Disclosures', reference to 'Note' relates to the respective note in the Consolidated Financial Statements for the year ended 31 December 2020.

1. Net Interest Margin

Reconciliation of the various components of net interest margin between the underlying basis and the statutory basis is provided below:

1.1. Reconciliation of Net interest income	**2020**	2019
	€000	€000
Net interest income as per the underlying basis	**330,016**	343,632
Reclassifications for:		
Net interest income relating to the Helix portfolio, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis	**-**	33,962
One off charge disclosed in 'Net interest income' under the statutory basis and in 'Loan credit losses' under the underlying basis, given that this was a non-recurring item which related to a change in the method of amortising arrangement fees	**-**	(11,606)
Net interest income as per the statutory basis	**330,016**	365,988
Net interest income used in the calculation of NIM	**329,998**	343,620

1.2. Interest earning assets	**31 December 2020**	30 September 2020	30 June 2020	31 March 2020	31 December 2019
	€000	€000	€000	€000	€000
Cash and balances with central banks (Note 42)	**5,653,315**	5,506,401	5,276,398	4,398,781	5,060,042
Loans and advances to banks (Note 42)	**402,784**	529,393	621,960	455,284	320,881
Loans and advances to customers (Note 23)	**9,886,047**	10,046,718	10,104,240	10,596,536	10,721,841
Loans and advances to customers held for sale (Note 29)	**493,037**	349,381	361,652	23,700	25,929
Cash held for sale (Note 29)	**68,425**	-	-	-	-
Investments					
Debt securities (Note 20)	**1,708,844**	1,824,720	1,804,290	1,781,992	1,738,007
Less: Investments which are not interest bearing	**(18,618)**	(19,819)	(23,887)	(21,496)	(23,593)
Total interest earning assets	**18,193,834**	18,236,794	18,144,653	17,234,797	17,843,107
1.3. Quarterly average interest earning assets (€000)					
- 2020	**17,930,637**				
- 2019	18,050,705				

2. Cost to income ratio

2.1. Reconciliation of the various components of total expenses used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2020	2019
	€000	€000
2.1.1. Reconciliation of Staff costs		
Total Staff costs as per the underlying basis	**195,227**	219,983
Reclassifications for:		
Staff costs relating to the Helix portfolio, reclassified under the underlying basis to 'Provisions/net loss relating to NPE sales, including restructuring expenses'	**-**	5,564
Staff costs – voluntary exit plan and other termination benefits, separately presented under the underlying basis (Note 14)	**5,825**	81,166
Total Staff costs as per the statutory basis (Note 14)	**201,052**	306,713

	2020	2019
	€000	€000
2.1.2. Reconciliation of Other operating expenses		
Other operating expenses as per the underlying basis	**145,046**	165,623
Reclassifications for:		
Operating expenses relating to the portfolio under NPE sales, presented within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis	**20,720**	20,021
Provisions for pending litigations, claims, regulatory and other matters, separately presented under the underlying basis	**7,202**	10,451
Advisory and other restructuring costs – organic, separately presented under the underlying basis	**10,284**	21,590
Restructuring costs relating to the NPE sales, presented within 'Provisions/net loss relating to NPE sales, including restructuring expenses' under the underlying basis	**5,205**	25,067
Other operating expenses as per the statutory basis (Note 15)	**188,457**	242,752

	2020	2019
	€000	€000
2.1.3. Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies		
Special levy on deposits on credit institutions in Cyprus and contribution to Single Resolution Fund (SRF) per the underlying basis	**30,211**	24,854
Reclassification for:		
Levy fee relating to the revised income tax legislation, which has been disclosed within 'DTC levy/reversal of impairment of DTA and impairment of other tax receivables' under the underlying basis (Note 15)	**3,445**	18,755
Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution fund and other levies per the statutory basis (Note 15)	**33,656**	43,609

2. Cost to income ratio (continued)

2.2. Reconciliation of the various components of total income (as defined) used in the cost to income ratio calculation from the underlying basis to the statutory basis is provided below:

	2020	2019
	€000	€000
2.2.1. Reconciliation of Net fee and commission income		
Total Net fee and commission income as per the underlying basis	**144,674**	149,960
Reclassifications for:		
Fee and commission income relating to the Helix portfolio, disclosed under non-recurring items within 'Provisions/net loss relating to NPE sales, including restructuring expenses' per the underlying basis	**-**	11,934
Total net fee and commission income as per the statutory basis	**144,674**	161,894

	2020	2019
	€000	€000
2.2.2. Reconciliation of Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates		
Total Net foreign exchange gains and net gains on financial instruments transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis	**14,650**	38,494
Reclassifications for:		
Net gains on loans and advances to customers measured at fair value through profit or loss (FVPL), disclosed within 'Loan credit losses' per the underlying basis (Note 11)	**3,606**	2,891
Profit relating to the disposal of subsidiary, disclosed within 'Net gains from revaluation and disposal of investment properties and on disposal of stock of properties' under the underlying basis	**-**	3,886
Total Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (see below)	**18,256**	45,271
Net foreign exchange gains as per the statutory basis	**16,535**	26,596
Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis (Note 11)	**1,721**	18,675
Total Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the statutory basis	**18,256**	45,271

2. **Cost to income ratio** (continued)

	2020	2019
	€000	€000
2.3 Total Income as per the underlying basis		
Net interest income as per the underlying basis (as per table above)	**330,016**	343,632
Net fee and commission income as per the underlying basis (as per table above)	**144,674**	149,960
Net foreign exchange gains and Net gains on financial instrument transactions and disposal/dissolution of subsidiaries and associates as per the underlying basis (as per table above)	**14,650**	38,494
Insurance income net of claims and commissions (as per the statutory basis)	**56,063**	57,660
Net gains from revaluation and disposal of investment properties and on disposal of stock of properties (as per the statutory basis)	**6,690**	28,201
Profit relating to the disposal of subsidiary, disclosed within 'Net gains from revaluation and disposal of investment properties and on disposal of stock of properties' under the underlying basis	**-**	3,886
Other income (as per the statutory basis)	**14,957**	28,938
Total Income as per the underlying basis	**567,050**	650,771

	2020	2019
	€000	€000
2.4 Total Expenses as per the underlying basis		
Staff costs as per the underlying basis (as per table above)	**195,227**	219,983
Special levy on deposits on credit institutions in Cyprus, contribution to Single Resolution Fund and other levies as per the underlying basis (as per table above)	**30,211**	24,854
Other operating expenses as per the underlying basis (as per table above)	**145,046**	165,623
Total Expenses as per the underlying basis	**370,484**	410,460
Cost to income ratio		
Total expenses (as per table above) (€000)	**370,484**	410,460
Total income (as per table above) (€000)	**567,050**	650,771
Total expenses/Total income (%)	**65%**	63%

3. **Operating profit return on average assets**

The various components used in the determination of the operating profit return on average assets are provided below:

	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
	€000	€000	€000	€000	€000
Total assets used in the computation of the operating profit return on average assets/per the Consolidated Balance Sheet	**21,514,214**	21,515,586	21,370,663	20,430,892	21,122,705

	2020	2019
	€000	€000
Operating profit	**196,566**	240,311
Quarterly average total assets	**21,190,812**	21,589,062