0003/00041193/en

Other Announcements

HELLENIC BANK PUBLIC COMPANY LTD

HB

Pillar III Disclosures for the nine-month period ended 30th September 2022

Announcement dated 21st December 2022 is attached.

Attachments:

1. **Pillar III Disclosures for the nine-month period ended 30th September 2022**
2. **Pillar III Disclosures**

Non Regulated

Publication Date: 21/12/2022

HELLENIC BANK

21st December 2022

ANNOUNCEMENT

Subject: Pillar III Disclosures for the nine-month period ended 30th September 2022

Hellenic Bank Public Company Limited (the "Bank") announces today the publication of Pillar III Disclosures for the nine-month period ended 30th September 2022.

These Disclosures are posted on Bank's website www.hellenicbank.com (Investor Relations).

Please find attached the Pillar III Disclosures for the nine-month period ended 30th September 2022.

HELLENIC BANK PUBLIC COMPANY LIMITED

HELLENIC BANK

Hellenic Bank Group

PILLAR III DISCLOSURES

for the nine-month period ended 30 September 2022

December 2022

Table of Contents

1 INTRODUCTION

1.1 Corporate Information

Hellenic Bank Public Company Limited (the "Bank") was incorporated and is domiciled in the Republic of Cyprus in 1976 and is a public company in accordance with the provisions of the Companies Law (Cap. 113), the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank's registered office is at 200, Corner of Limassol and Athalassa Avenues, 2025 Strovolos, P.O. Box 24747, 1394 Nicosia.

The Bank is the holding company of Hellenic Bank Group (the "Group"). The Group comprises of the Bank and its subsidiaries entities.

The principal activity of the Group is the provision of a wide range of banking and financial services, which include financial, investment and insurance services, custodian and factoring services as well as management and disposal of properties acquired in debt satisfaction.

The Bank is a significant credit institution for the purposes of the Single Supervisory Mechanism (SSM) Regulation and has been designated by the Central Bank of Cyprus (CBC) as an "Other Systemically Important Institution" ("O-SII"). The Group is subject to joint supervision by the European Central Bank (ECB) and the CBC for the purposes of its prudential requirements.

1.2 Pillar III Regulatory Framework

1.2.1 Regulatory framework overview

The Pillar III disclosures for the nine-month period ended 30 September 2022 of the Group (hereinafter "the Report" or "the Disclosures") have been prepared in accordance with the Capital Requirements Regulation No. 575/2013 (the "CRR") and the Capital Requirements Directive 2013/36/EU (the "CRD IV"), as amended by Regulation (EU) 2019/876 (the "CRR II") and Directive (EU) 2019/878 (the "CRD V"), respectively. For the preparation of these Disclosures, the Group has adopted the European Banking Authority (EBA) Guidelines on Pillar III disclosures requirements (EBA/ITS/2020/04), where applicable.

Effective from 1 January 2014, the CRD IV and the CRR, as in force, form the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework.

The CRR establishes the prudential requirements for capital, liquidity and leverage that credit institutions and investment firms need to abide by and is immediately binding on all European Union member states. The CRD IV governs access to deposit taking activities and internal governance arrangements including remuneration, board composition and transparency, while it also sets out additional capital buffer requirements. Unlike the CRR, the CRD IV was transposed into national law by EU member states, and national regulators were allowed to impose additional capital buffer requirements. The CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are largely fully effective from 1 January 2018, and some other transitional provisions with phase-in until 2024 (the latest).

In March 2018, ECB published an NPE addendum which supplements the NPL Guidance by specifying the ECB's supervisory expectations when assessing a bank's levels of prudential provisions for non-performing exposures. The ECB will, in this context, assess, among other things, the length of time an exposure has been classified as non-performing (vintage) as well as the collateral held. In April 2019, Regulation (EU) 2019/630 was issued, as regards to the minimum loss coverage for non-performing exposures, with an immediate effective date, prescribing the minimum provision coverages based on vintage and collateral held, for loans that originated after 26 April 2019.

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force, with CRR II being directly applicable in each EU member state, while CRD V should have been transposed into national law by each EU member state. Accordingly, CRD V has been transposed into the Cyprus national law. The CRR II is an amending regulation, therefore the existing provisions of CRR apply, unless they are specifically amended by CRR II. Certain CRR II provisions took immediate effect while most amendments were applicable from 28 June 2021.

The CRR II amended significantly the CRR in a several aspects such as the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, among others, and introduces some clarifications regarding disclosures on remunerations. It also includes new disclosure requirements on performing, non-performing and forborne exposures, and on collateral and financial guarantees received. The CRD V amended the CRD IV as regards to exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

The current regulatory framework comprises of three Pillars:

- **Pillar I** sets out the guidelines for calculating the minimum regulatory capital requirements, including calculation of RWAs for credit risk, counterparty risk, market risk and operational risk.

- **Pillar II** covers the Supervisory Review and Evaluation Process (SREP) which assesses the Group's internal capital adequacy, and whether additional capital is required over and above the Pillar I and provides for the monitoring and self-assessment of a bank's capital adequacy and internal processes.

- **Pillar III** covers external quantitative and qualitative disclosure requirements designed to provide transparent information on regulatory capital adequacy and internal liquidity adequacy, risk exposures and risk management and internal control processes in order to enhance market discipline.

1.2.2 COVID-19 pandemic implications on capital

The amendments that came into force on 28 June 2021 are additional to those amendments introduced in June 2020 as per Regulation (EU) 2020/873 (also known as the "CRR quick-fix"), which implements certain CRR II provisions in response to the COVID-19 pandemic.

The main amendments of the CRR "quick-fix", which affected the Group's capital adequacy ratio included the acceleration of the implementation of the new SME discount factor, extending the IFRS 9 transitional arrangements by two years until the end of 2024, and introducing further relief measures to CET 1 by allowing:

- to fully add-back to CET 1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets in a phased-out period of five years started from 2022, and also
- advancing the implementation of the application of prudential treatment of software assets which came into force in the last quarter of 2020
- a temporary treatment of unrealised gains or losses on exposures to central governments, to regional governments or to local authorities and to public sector entities, excluding those financial assets that are credit-impaired, and measured at fair value through other comprehensive income. The Group has elected not to adopt this temporary relief, for the nine-month period ended 30 September 2022 and for the year ended 31 December 2021.

As part of the ECB's capital measures for COVID-19 pandemic, the Bank received an amendment to Supervisory Review and Evaluation Process (SREP) 2019, effective from March 2020, regarding the composition of the Pillar II additional own funds requirements. Pillar II requirement should be met with 56,25% of CET 1 Capital, 18,75% of Additional Tier 1 Capital, and 25% of Tier 2 Capital.

In addition, as per CBC circular dated 7 May 2020, the phasing-in of the O-SII buffer of the Bank is deferred by 12 months, from the original 4 years, as a relief measure aiming to further assist corporations and households to deal with the economic consequences of the COVID-19 pandemic. Therefore, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022 as originally set.

1.2.3 Regulatory developments

1.2.3.1 Banking Package 2021

On 27 October 2021, the European Commission ("EC") adopted a review of EU banking rules and released legislative proposals for additional amendments to CRR, CRD IV and the Bank Recovery and Resolution Directive (BRRD or Directive 2014/59/EU) (the "2021 Banking Package"). The 2021 Banking Package will implement, amongst other things, the final Basel III reforms due for implementation on 1 January 2025, with some exceptions, which have not yet been transposed into EU law. The 2021 Banking package aims to ensure stronger resilience of EU banks while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality.

The 2021 Banking Package consists of the following legislative proposals:

- a proposed Regulation (known as "CRR III") amending the CRR with regard to, amongst other things, requirements on credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. This proposal reflects the EU's implementation of the Basel III reforms.
- a proposed Directive (known as "CRD VI") amending the CRD IV with regard to, amongst other things, supervisory powers, sanctions, third-country branches and environmental, social and governance (ESG) risks. This proposal introduces a regulatory framework for branches of third-country undertakings providing banking activities in EU member states and a requirement for ESG risks to be embedded in a credit institution's strategies, policies and processes.
- a proposed Regulation (the so-called "daisy chain" proposal) amending the CRR and the BRRD with regard to, amongst other things, the prudential treatment of global systemically important institutions (G-SII) groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities (MREL).

Part of the 2021 Banking Package, the so-called "daisy chain" proposal has been adopted by the European Parliament and Council on 4 October 2022. Following the adoption of this framework, Regulation (EU) 2022/2036 came into force on 14 November 2022, except Article 2 (1) and (3) which must be brought into force by 15 November 2023 and Article 1(3), (5)(b), (7), (8) and (9) which are applicable from 1 January 2024.

The 2021 Banking Package is being discussing by the European Parliament and Council and is subject to amendments prior to implementation, and it will take some time until it is implemented (currently expected in 2025) while certain reforms are expected to be subject to transitional arrangements or to be phased-in over time. The Bank is currently in the process of examining the revised framework, so as to be prepared for the effects of these legislative amendments. The final standards must be transposed into local law before coming into effect.

1.2.4 Capital requirements

The minimum regulatory capital requirements (phase-in) of the Group are presented in the table set out below.

In addition to the capital requirements disclosed in the following table, the Bank notes that the ECB has provided on a consolidated basis, a non-public Pillar II capital guidance (P2G) to be made up entirely of CET 1 capital.

Minimum Capital Requirement

	Notes	2022[1] (%)	2021 (%)
Pillar I			
CET 1		4,50	4,50
AT 1		1,50	1,50
Tier 1		6,00	6,00
Tier 2		2,00	2,00
Capital adequacy – Pillar I		**8,00**	**8,00**
Pillar II			
CET 1		1,94	1,80
AT 1		0,65	0,60
Tier 1		2,59	2,40
Tier 2		0,86	0,80
Capital adequacy – Pillar II		**3,45**	**3,20**
Combined buffer requirement	1		
Capital conservation buffer (CCB)	2	2,50	2,50
Countercyclical capital buffer (CCyB)	3	--	--
Other systematically important institutions buffer (O-SII)	4	0,875	0,75
Minimum CET 1 requirement		**9,815**	**9,55**
Minimum capital adequacy requirement		**14,825**	**14,45**

Notes:

1 Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015, effective from 1 January 2016, and taking into account the recommendations of the Recommendation ESRB/2014/1 of the European Systemic Risk Board (ESRB), the CBC is the designated national authority responsible for setting the macroprudential buffers that are derived from the provisions of the CRD IV.

2 The capital conservation buffer (CCB) was phased-in over a period of four years at 0,625% in 2016, 1,25% in 2017, and 1,875% in 2018 and was fully implemented on 1 January 2019 at 2,50%.

3 In accordance with the provisions of the above Law (Note 1), the countercyclical capital buffer rate (CCyB) is reassessed on a quarterly basis, adjusted if necessary and published in the macroprudential policy decisions by the CBC. The CCyB is effective from 1 January 2016 and is determined by the national macroprudential authority of all the countries in the European Economic Area (EEA) at the beginning of each quarter. The CCyB rate for the risk weighted exposures in the Republic of Cyprus, where most of the Bank's exposures are located, was set at 0% by CBC for the years 2022 and 2021. The CCyB as at 30 September 2022 has been calculated at 0%. For the remaining exposures, the CCyB rate for the nine-month period ended 30 September 2022 was also 0%. As per CBC circular received on 1 December 2022, the CBC decided on 30 November 2022 to increase the CCyB rate for the risk weighted exposures in Cyprus from 0% to 0,5%, effective from 30 November 2023. Therefore, for the first quarter of 2023 the CCyB rate increases to 0,5% applicable from 30 November 2023.

4 In accordance with the provisions of the above Law (Note 1), the CBC as the designated national macroprudential authority, is also responsible for the designation of Other Systemically Important Institutions (O-SII institutions) and for the setting of the O-SII buffer requirement for these institutions, on an annual basis. The methodology for the determination of the O-SII buffer requirement is based on the above Law (Note 1) and the relevant EBA Guidelines (EBA/GL/2014/10). Based on the above provisions, the Bank has been designated as an O-SII institution and the CBC set the O-SII buffer rate at 1,5% and reduced it to 1% since November 2021[2], effectively from 1 January 2022. The O-SII buffer is being phased in gradually with application starting from 1 January 2019. As per CBC circular dated 7 May 2020, the phasing-in of the O-SII buffer was deferred by 12 months, from the original 4 years. Therefore, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022, as was originally set. Consequently, and following the reduction to 1%, effective from 1 January 2022, the O-SII buffer for the Bank is 0,875% (2021: 0,75%) and from 1 January 2023 the O-SII buffer is 1%.

[1] As per 2021 final SREP letter, the new capital requirements are effective from 1 March 2022.
[2] As per CBC circular received in December 2022, the O-SII buffer rate remains at 1% as from 1 January 2023.

1.2.5 Supervisory Review and Evaluation Process

The 2021 SREP was based on the final decision received, on 2 February 2022, of ECB's intention to adopt a decision establishing prudential requirements pursuant to Regulation (EU) No 1024/2013 (Article 16(2)(a)). The SREP was conducted pursuant to Regulation (EU) No 1024/2013 (Article 4(1)(f)) and took into account the EBA SREP Guidelines, as well as the findings stemming from the supervisory stress test conducted in 2021. The 2021 SREP requirements are effective from 1 March 2022.

The ECB did not issue a SREP decision for the 2020 SREP cycle and the requirements established by the 2019 SREP decision continued to apply for 2021, including in particular the decisions on the capital requirements.

Effective from 1 March 2022, the Group is required to maintain, on a consolidated basis, a phased-in Capital Adequacy Ratio of 14,825% (2021: 14,45%), which includes:

- the minimum Pillar I own funds requirements of 8%, of which up to 1,5% can be met with Additional Tier 1 Capital and up to 2% with Tier 2 Capital,
- an own funds Pillar II requirement of 3,45% (2021: 3,2%) required to be held in excess of the minimum own fund requirement (P2R to be held in the form of 56,25% of CET 1 capital and 75% of Tier 1 capital), and
- a phased-in combined buffer requirement which for 2022 and 2021 includes the fully loaded capital conservation buffer of 2,5%, which has to be made up with CET 1 capital and the O-SII buffer of 0,875% (2021: 0,75%), with application starting from 1 January 2019 which is phased-in over a period of five years (refer to Section 1.2.4).

Based on the final 2021 SREP letter, the Pillar II requirement, effective from 1 March 2022, has increased to 3,45%. Based on the 2020 SREP communication, the Pillar II requirement applicable for 2021 stood at 3,2%.

Additionally, the combined buffer requirement applicable for the Bank, includes an institution specific CCyB calculated as a weighted average of the countercyclical buffer rates that apply in the countries where an institution's credit exposures are located. The CCyB rate for the risk weighted exposures in the Republic of Cyprus, where most of the Bank's exposures are located, was set at 0% by CBC for the years 2022 and 2021. The CCyB as at 30 September 2022 has been calculated at 0%. For the remaining exposures, the CCyB rate for the nine-month period ended 30 September 2022 was also 0%.

In addition to the above, the ECB has provided on a consolidated basis, a non-public Pillar II capital guidance (P2G) ratio to be made up entirely of CET 1 capital. The P2G, effective from 1 March 2022, has increased compared to its previous level which is applicable for 2021.

Furthermore, the Bank should continue to refrain from making distributions to its shareholders, as the 2019 SREP decision continues to apply.

Taking the above into consideration, the Group's phased-in minimum Capital Adequacy Ratio, CET 1 and Tier 1 ratios, effective from 1 March 2022, were set at 14,825% (2021: 14,45%), 9,815% (2021: 9,55%) and 11,965% (2021: 11,65%) respectively, excluding P2G. The Group's capital ratios remain above the new SREP requirements.

In the context of the NPE addendum (refer to the Section 1.2.1), the Bank received a letter from the ECB in 2019, as part of normal supervisory activities, containing qualitative and quantitative elements, with a focus on the management and addressing of NPEs in line with supervisory expectations with regards to the legacy NPE stock (i.e., loans that have defaulted prior to April 2018). The supervisory expectations with regards to legacy NPE coverages are re-assessed by the Regulator and communicated to the Bank as part of the annual SREP cycle (latest coverages for end of 2021 has been included in 2021 SREP letter). Taking into account the specificities of the supervisory expectations, the Bank has estimated the prudential provision shortfalls subject to Pillar 1 and Pillar 2 treatment and has subtracted them directly from own funds and risk weighted assets for the nine-month period ended 30 September 2022 and for the year ended 31 December 2021.

1.3 Scope of Pillar III Disclosures

Pillar III Disclosure policy

The Group adopts a formal Pillar III Disclosure policy to comply with the disclosure requirements of Part Eight of the CRR and the respective EBA Guidelines and technical standards. The below provide the key elements of the disclosure policy such as basis of preparation, frequency of disclosures, means and approval.

In line with the Group's policy, a dedicated process has to be followed in case the Group considers omitting certain disclosures due to these disclosures being immaterial, proprietary or confidential. In the rare cases where the Group classifies information as non-material in this report this has been stated accordingly in the related disclosures.

Basis of preparation

These Pillar III disclosures (hereinafter the "Report" or the "Disclosures") of the Group consists of both quantitative and qualitative disclosures, as required by Article 433a of Part Eight of the CRR, since the Group meets the conditions for being "large institution" as per Article 4 (146), which specify the disclosure requirements on a quarterly basis, EBA Guidelines (EBA/ITS/2020/04) on Pillar III disclosures, effective from 30 June 2021, and the corresponding Commission Implementing Regulation (EU) 2021/637 which specify the templates and tables disclosed in this report. The Group adheres to the frequency of disclosure requirements as provided within the latest EBA Guidelines on public disclosures under Part Eight of the CRR.

The disclosures have also been prepared in accordance with the EBA Guidelines (EBA/2014/14) on materiality, proprietary and confidentiality under Article 432. Therefore, the principles of materiality, proprietary and confidentiality have been applied throughout the report.

The Pillar III disclosures for the nine-month period ended 30 September 2022 should be read in conjunction with the Commentary and the Presentation of the Group's Financial Results for the nine-month period ended 30 September 2022, which are available on the Bank's official website: Financial results (hellenicbank.com) (Investor Relations) and any Announcements made by the Bank up to the date of publication of this Report, which are available on the Bank's official website: Announcements to CSE & CySEC (hellenicbank.com) (Investor Relations).

The Pillar III disclosures of the Group for the nine-month period ended 30 September 2022 have not been audited by the external auditors of the Group.

Due to rounding, numbers presented throughout this document may not precisely add-up to the totals provided and percentages may not precisely reflect the absolute figures.

The information presented in Pillar III disclosures is in Euro (€ million), unless otherwise stated within the Report.

Frequency of disclosures

The Group publishes the Pillar III disclosures in accordance with Articles 433 and 433a of the CRR, since the Group meets the conditions for being "large institution" as per Article 4 (146).

Article 433a specifies the frequency of the disclosure requirements on a quarterly, semi-annual and annual basis. The Group adheres to the frequency of disclosure requirements as provided within the latest EBA Guidelines on public disclosures under Part Eight of the CRR.

As per Article 433 the annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter while quarterly and semi-annual disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter. Such a delay cannot exceed any deadline for Pillar 3 disclosures publication set by the national competent authority.

As per the Business of Credit Institutions Law of 1997 (the "Banking Law"), the audited financial statements of the Bank are submitted to the CBC within four months from the end of each financial year, unless otherwise permitted by the CBC or the ECB. Therefore, in accordance with Article 433 and the Group's Pillar III Disclosure policy, the Group's Pillar III disclosures are published within one month following the date of publication of the Group's financial statements or financial reports for the reference period, the latest.

Means of disclosures

The Pillar III disclosures for the nine-month period ended 30 September 2022 are published in electronic format and are available on a designated location on the Bank's official website: [Pillar 3 Disclosures (hellenicbank.com)] under "Investor Relations" as per Article 434 of the CRR. Also, the disclosures are published as a standalone document that provides a readily accessible source of prudential information for the users.

Approval & Management Attestation

The Group adopts formal policies to comply with the disclosure requirements laid down in Part Eight of the CRR and puts in place and maintains internal processes, systems and controls to verify that the disclosures are appropriate and in compliance with the requirements.

A framework of disclosure controls and procedures is in place to support the approval of the Group's disclosures prior to their publication on the Bank's website. Governance committees are responsible for reviewing the Group's disclosures so that they are subject to adequate verification and comply with applicable regulation and guidelines. Please refer to Appendix B for references to the Group's compliance with each article of Part Eight of the CRR and list of EBA templates disclosed, on a quarterly basis.

The Pillar III disclosures for the nine-month period ended 30 September 2022, as per the formal disclosure policy, are reviewed and approved by the Board of Directors (BoD), following the review by the Management Board (MB), the review of the Board Risk Management Committee (BRMC) and the Board Audit Committee (BAC) through the participation of the Chairman of BAC on the BRMC meeting, prior to their publication on the Bank's website.

The established governance process ensures that both the Group's Management and the Board are given sufficient opportunity to debate and challenge the Disclosures before their publication, hence, to examine that the Disclosures have been subject to adequate verification and comply with applicable standards and legislation.

1.4 Recent Developments

Economic Environment

The overarching narrative for Cyprus remains positive, despite the effect of Russian-Ukraine conflict (refer further below in this section) in the surge in energy prices and consequently in inflation. GDP growth increased by 6,2% during the first half of the year supported by strong tourism inflows, local residents' consumption that maintained largely unaffected and the gradual recovery of COVID-19 affected sectors like wholesale and retail trade. Forecast for 2022 is revised upwards to 5,0% and for 2023 is expected to reach 2,0% due to the uncertainties created by Russia-Ukraine conflict and the developments in EU economies. Although the Bank maintained the credit quality of the portfolio, as the various Cyprus government and EU support measures regarding COVID-19 are being lifted and geopolitical uncertainties remain high, these could negatively impact specific lending portfolios. The ability of certain borrowers to repay their obligations may be adversely affected and, consequently, the amount of expected credit risk losses may increase.

The Bank is closely monitoring the affected loan portfolio and applies an effective, efficient and comprehensive arrears management of incremental credit risk of the exposures, with the use of early warning triggers and behavioural scoring models, in order to mitigate the risk of potential new defaults. With a sizable part of the loan portfolio already assessed through lifetime provisioning, a portion of performing loans covered by the Asset Protection Scheme ("APS") and a sale of a non-performing exposures portfolio ("Project Starlight") (refer further below in this section), the Bank will be able to normalize its cost of risk going forward.

The Bank's financial performance in 2023 and 2024 will benefit from higher interest rates, which are expected to have a net interest positive impact of >c.€150 million on an annual basis for 2023 and 2024, compared to the Bank's strategic plan approved in December 2021. This is based on current market expectations, with the basic assumption of the ECB Deposit Facility Rate rising to 2,75% by 2023. The majority of the expected positive impact relates to the Bank's ECB placements, followed by the potential to invest maturing bonds in higher yielding bonds of similar credit quality.

The Bank actively monitors asset quality and credit risk evolution amidst rising interest rate environment and macro-economic tail risks which include, inter-alia, high inflationary environment and rising financing costs. It is noted that the majority of the performing loan book are baselined on the Bank's reference rate and have not thus far observed any increase in their respective base rates. The Bank maintains a limited book whose reference rate is EURIBOR which is closely monitored and have not observed any significant credit risk deterioration thereon, thus far.

In these challenging times, the Bank aims to remain in a robust position and will continue focusing on strengthening and improving its market position by supporting the real economy.

Russia-Ukraine crisis

The Bank is closely monitoring the latest developments in Ukraine and Russia and provides regular updates to the Executive Committees and Board Committees on contingency risk management actions and risk mitigation. The Bank is also taking all necessary and appropriate measures to manage all related risks and to comply with the applicable sanctions imposed on Russia. A Crisis Management Action Plan was developed by the Bank focusing on six key initiatives relating to the areas of: i) Compliance ii) Payments iii) Foreign exchange and Market Risk iv) Credit Risk v) Russian Banks monitoring & reporting vi) Information Security and Fraud.

The ongoing Russia-Ukraine crisis and the surge in inflation exhibited from the start of the Russia-Ukraine conflict create significant uncertainty in the economy, particularly in the Hotel and Accommodation sector which exhibited reliance in the past from inflow of Russian tourists. Having considered the increased uncertainty in the economy, the probability weights for each macroeconomic scenario (Baseline, Optimistic and Pessimistic scenario) used for IFRS 9 purposes have been rebalanced.

The monitoring of customers has also intensified, while transactions are strictly monitored and vetted accordingly. The Bank expects limited impact from its direct exposure, while any indirect impact will depend on the longevity and severity of crisis and its impact on the Cypriot economy, which remains uncertain at this stage. The Bank will continue to monitor the situation, taking all necessary measures to mitigate the impact on its operations and financial performance.

Project Starlight

On 11 April 2022, the Bank announced that it has reached an agreement for the sale of a NPE portfolio and the disposal of APS Cyprus, its subsidiary responsible for managing the Bank's NPEs and REOs ("Project Starlight"). The perimeter involved comprises of legacy NPEs totalling a gross amount of c.€0,7 billion. Post completion of the transaction, the Bank is expected to reach its medium-term target of mid-single digit NPE ratio (excl. APS-NPEs).

Significant progress has been made with regards to the legal steps, the operationalisation and the completion of "Project Starlight"[3]. More specifically, the following milestones have been achieved:

1) The entity Kohira Holdings Ltd to which the loans will be transferred has been set up and has been licensed by the Central Bank of Cyprus as a Credit Acquiring Company (the "CyCAC"),
2) The European Central Bank has provided its approval with regards to the Significant Risk Transfer (SRT).
3) The approval regarding the transfer of NPEs to the CyCAC in accordance with the requirements of section 16(1) of the Business of Credit Institutions Law (L. 66(I)/1997), as amended, has been received, and
4) The relevant clearance has been received from the Commission for the Protection of Competition of the Republic of Cyprus,
5) On 27 November 2022, the Central Bank of Cyprus, issued a license to APS Cyprus to operative as a Licensed Credit Servicer.

The parties are closely working together to complete "Project Starlight" as soon as possible, and the completion target is expected to be in early 2023 compared to year-end completion target previously communicated, due to certain parts of the Project taking longer than initially anticipated and as such the disposal group was classified as held for sale and as discontinued operations as at 30 September 2022.

Agreement to acquire part of the RCB banking operations

The Bank announced on 22 March 2022 that it has entered into an agreement to acquire a performing loan portfolio (the "Transaction") from RCB Bank Limited.

On 21 March 2022, the Bank signed a Business Transfer Agreement ("BTA") to acquire part of the RCB Bank's banking operations (the "Transaction") to be completed in two tranches. The acquisition of Tranche A was completed on 24 March 2022 ("Completion Date A") and the acquisition of Tranche B was completed on 16 June 2022 ("Completion Date B"). The date of acquisition was considered to be the 24 March 2022. The Transaction involved mainly a performing loan portfolio of fair value of c.€346 million (Tranche A c.€285 million and Tranche B c.€61 million) and customer deposits of c.€22 million (Tranche A c.€20 million and Tranche B c.€2 million).

Completion of Voluntary early exit scheme (VEES)

On 29 November 2022, the Bank announced the successful completion of a voluntary early exit scheme (the "Scheme"), in line with the Bank's strategy to reduce its operating costs and achieve sustainable profitability. The Scheme was offered to employees of the Bank and its subsidiaries (the "Group") to voluntary exit from the Group in consideration for an ex-gratia amount. Around 450 employees (approximately 17% of the Group's employees) were approved to participate in the Scheme for an expected total cost to the Group of c.€70 million to be recorded in the Income Statement in the fourth quarter of 2022. The annual payroll cost of these employees is around €30 million, with the respective saving commencing from 2023, notwithstanding any salary increases for the remaining staff.

[3] As per the Bank's announcement on 27 October 2022 regarding update on Project Starlight.

2 KEY METRICS

The table below, namely EU KM1, provides the key prudential and regulatory metrics and ratios covered by the CRR and CRD, including own funds, RWAs, capital ratios, capital buffers requirements, requirements based on SREP, leverage rate, liquidity coverage ratio and net stable funding ratio.

The table covers the first three quarters of 2022 and the last two quarters of 2021, in accordance with the Group's regulatory reporting submissions for each relevant quarter. The relevant capital ratios and leverage ratio that have been calculated on an IFRS 9 fully loaded basis are presented in Section 3.1.1.

For all periods presented below, except for 30 June 2022 and 31 December 2021, capital ratios and leverage ratio disclosed are as per the Group's quarterly regulatory/supervisory reporting submissions, which unaudited profits are excluded, in accordance with Article 26(2) of the CRR.

Template 1: EU KM1 – Key metrics template

		a	b	c	d	e
		30-Sep-22[4]	30-Jun-22[4]	31-Mar-22[5]	31-Dec-21[6]	30-Sep-21[5]
	Available own funds (amounts € million)[7]					
1	Common Equity Tier 1 (CET1) capital	1.066	1.069	1.016	1.058	1.095
2	Tier 1 capital	1.195	1.198	1.145	1.187	1.224
3	Total capital	1.195	1.198	1.145	1.187	1.224
	Risk-weighted exposure amounts (€ million)[7]					
4	Total risk exposure amount	5.670	5.722	5.693	5.479	5.586
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18,80%	18,68%	17,84%	19,30%	19,59%
6	Tier 1 ratio (%)	21,08%	20,95%	20,12%	21,67%	21,92%
7	Total capital ratio (%)	21,08%	20,95%	20,12%	21,67%	21,92%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,45%	3,45%	3,45%	3,20%	3,20%
EU 7b	of which: to be made up of CET1 capital (%)	1,94%	1,94%	1,94%	1,80%	1,80%
EU 7c	of which: to be made up of Tier 1 capital (%)	2,59%	2,59%	2,59%	2,40%	2,40%
EU 7d	Total SREP own funds requirements (%)	11,45%	11,45%	11,45%	11,20%	11,20%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,88%	0,88%	0,88%	0,75%	0,75%
11	Combined buffer requirement (%)	3,38%	3,38%	3,38%	3,25%	3,25%
EU 11a	Overall capital requirements (%)	14,83%	14,83%	14,83%	14,45%	14,45%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,63%	9,50%	8,67%	10,47%	10,72%
	Leverage ratio[7]					
13	Total exposure measure	20.284	20.099	19.634	19.332	19.194
14	Leverage ratio (%)	5,89%	5,96%	5,83%	6,14%	6,38%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%

[4] Figures and ratios presented are as per the final regulatory reporting submissions, for which interim profits for the six-month period ended 30 June 2022 are included, following permission granted by the Supervisory Authorities.
[5] Figures and ratios presented are as per the final regulatory reporting submissions, for which unaudited profits are excluded.
[6] Figures and ratios presented are as per the final regulatory reporting submissions, for which audited profits are included.
[7] On IFRS 9 transitional basis. Refer to Section 3.1.1 for metrices on an IFRS 9 fully loaded basis.

		a	b	c	d	e
		30-Sep-22[4]	30-Jun-22[4]	31-Mar-22[5]	31-Dec-21[6]	30-Sep-21[5]
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Liquidity Coverage Ratio[8]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (€ million)	8.090	7.909	7.703	7.431	7.195
EU 16a	Cash outflows - Total weighted value (€ million)	2.168	2.092	1.992	1.904	1.865
EU 16b	Cash inflows - Total weighted value (€ million)	427	412	391	374	374
16	Total net cash outflows (adjusted value) (€ million)	1.741	1.680	1.601	1.530	1.491
17	Liquidity coverage ratio (%)	465%	471%	481%	486%	483%
	Net Stable Funding Ratio					
18	Total available stable funding (€ million)	16.783	16.565	14.016	13.848	14.942
19	Total required stable funding (€ million)	9.201	9.319	7.243	7.036	7.977
20	NSFR ratio (%)	182%	178%	194%	197%	187%

CET 1 ratio – commentary

The decrease of 50 basis in CET 1 ratio[4] of the Group, as at 30 September 2022, compared to 31 December 2021, was the result of the following:

(i) increase in CET1 capital due to:
- current period profits[4] (effect of 105 basis points increase),
- the decrease in other comprehensive income mainly due to the decrease in revaluation reserve from bonds (total effect of 15 basis points decrease),
- the change in IFRS 9 transitional arrangements added back to CET 1, reduced from 50% for 2021 to 25% for 2022 and the COVID-19 relief measures as per Regulation (EU) 2020/873 by which subsequently to 1 January 2020 expected credit losses on Stages 1 and 2 exposures are added back in CET 1 in a phased-out period of 5 years (reducing to 75% for 2022 from 100% for 2020 and 2021) (effect of 63 basis points decrease),
- the change in prudential provision for non-performing exposures[9], the deduction of net book value of immovable properties acquired in the course of satisfaction of debt from CET 1 and the change in intangible assets deducted (total effect of 10 basis points decrease),

(ii) overall increase in RWAs (effect of 67 basis points decrease), mainly due to:
- the increase in credit RWAs mainly driven by the increase in net funded exposures due to the acquisition of part of the performing loan portfolio from RCB Bank.

Leverage ratio – Commentary

The Group's Leverage ratio[4] as at 30 September 2022 has decreased by 25 basis points compared to 31 December 2021, mainly due to the increase in "Leverage ratio total exposure measure" despite the increase in Tier 1 capital. The main reason for the increase in "Leverage ratio total exposure measure" was the increase in total assets as a result of the increase in customer deposits and the issuance of Senior Preferred notes during the nine-month period which was reflected in the net increase in balances with Central Banks, investment in debt securities and the increase in loans and advances primarily due to the acquisition of part of the performing loan portfolio from RCB Bank. The increase in Tier 1 capital was the result of the main drivers for the change in CET 1 capital as explained above.

[8] As per EBA Guidelines (EBA/ITS/2020/04) on Pillar III disclosures regarding LCR requirements, each quarterly observation is the simple average of month-end observations over the twelve months preceding the end of each quarter.
[9] As per Regulation (EU) 2019/630, amending Regulation (EU) No 575/2013 as regards to minimum loss coverage for non-performing exposures (Pillar 1 treatment) and as per ECB Addendum to NPL Guidance (2018) and minimum provision coverages for legacy defaulters communicated via SREP assessment (Pillar 2 treatment).

3 OWN FUNDS

3.1 IFRS 9 transitional arrangements

As per Regulation (EU) 2017/2395 issued amending the CRR, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9, a portion of the impact of expected credit losses provisions is added back to CET 1 capital allowing for a transitional period of five years until full impact on 2023. For the years 2022 and 2021 the portion added back is set at 25% and 50% respectively, with 2022 being the final year of the transitional period.

In June 2020, Regulation (EU) 2020/873 came into force, as regards certain adjustments in response to the COVID-19 pandemic, which extends the IFRS 9 transitional arrangements by introducing further relief measures to CET 1. IFRS 9 transitional arrangements have been extended by 2 years (i.e. up until 31 December 2024). Post 1 January 2020 expected credit losses on Stages 1 and 2 exposures are added back in CET 1 in a phased-out period of five years. For the years 2022 and 2021 the portion added back is 75% and 100% respectively, reducing to 50% for 2023 and to 25% for 2024, with 2024 being the final year of the transitional period.

Additionally, Regulation (EU) 2020/873 permits institutions to temporarily add back unrealised gains or losses on exposures to central governments, to regional governments or to local authorities and to public sector entities, excluding those financial assets that are credit-impaired, and measured at fair value through other comprehensive income, during the period from 1 January 2020 to 31 of December 2022. The Group has elected not to adopt this temporary relief, neither for the nine-month period ended 30 September 2022 or the year ended 31 December 2021.

Since 2018, as per the notification to the regulator, the Group has been applying to the full extent the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (including amendments via the CRR “quick-fix” revisions published in June 2020). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief).

The CRR allows for a phase-in of the CET 1 reduction due to the increase in credit loss allowance, as a result of the implementation of IFRS 9, over a five-year period until year end 2024. The transitional provisions are structured in such a way that there is a static component relating to increases of credit loss allowance observed as of January 2018 and as per the CRR amendment published in June 2020 a dynamic component relating to credit loss allowance increases observed between two periods. The first being a period from January 2018 to January 2020 with a phase-in period until 2022, whilst the second period covers January 2020 to the currenting reporting date allowing for an extended phased-in period until 2024.

As of 30 September 2022, static relief under the IFRS 9 transitional arrangements amounted to €9,6 million (31 December 2021: €19,3 million) and dynamic relief amounted to €4,4 million (31 December 2021: €29,4 million) through CET 1 capital.

Disclosures of IFRS 9 transitional arrangements impact on capital ratios are presented in the next table.

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

The following table provides a comparison of the Group's own funds, Common Equity Tier 1 capital, Tier 1 capital, risk-weighted assets, Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous ECLs. Only the transitional arrangements arising from the implementation of the IFRS 9 and analogous ECLs are considered for the purposes of this template.

Template 2: IFRS 9 – FL

		30-Sep-22[10]	30-Jun-22[10]	31-Mar-22[11]	31-Dec-21[12]	30-Sep-21[11]
	Available capital (amounts € million)					
1	Common Equity Tier 1 (CET1) capital	1.066	1.069	1.016	1.058	1.095
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1.052	1.055	1.002	1.009	1.043
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--
3	Tier 1 capital	1.195	1.198	1.145	1.187	1.224
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1.181	1.184	1.131	1.139	1.172
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--
5	Total capital	1.195	1.198	1.145	1.187	1.224
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1.181	1.184	1.131	1.139	1.172
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--
	Risk-weighted assets (amounts € million)					
7	Total risk-weighted assets	5.670	5.722	5.693	5.479	5.586
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.656	5.708	5.679	5.431	5.536
	Capital ratios (%)					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,80%	18,68%	17,84%	19,30%	19,59%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,59%	18,48%	17,64%	18,58%	18,83%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--
11	Tier 1 (as a percentage of risk exposure amount)	21,08%	20,95%	20,12%	21,67%	21,92%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,88%	20,75%	19,92%	20,96%	21,18%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--
13	Total capital (as a percentage of risk exposure amount)	21,08%	20,95%	20,12%	21,67%	21,92%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,88%	20,75%	19,92%	20,96%	21,18%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--

[10] Figures and ratios presented are as per the final regulatory reporting submissions, for which interim profits for the six-month period ended 30 June 2022 are included, following permission granted by the Supervisory Authorities.
[11] Figures and ratios presented are as per the final regulatory reporting submissions, for which unaudited profits are excluded.
[12] Figures and ratios presented are as per the final regulatory reporting submissions, for which audited profits are included.

		30-Sep-22[10]	30-Jun-22[10]	31-Mar-22[11]	31-Dec-21[12]	30-Sep-21[11]
	Leverage ratio (%)					
15	Leverage ratio total exposure measure	20.284	20.099	19.634	19.332	19.194
16	Leverage ratio	5,89%	5,96%	5,83%	6,14%	6,38%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,82%	5,88%	5,75%	5,90%	6,12%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	--	--	--	--	--

3.2 Minimum required own funds for credit, market and operational risk

3.2.1 Overview of total risk weighted exposure amounts (RWEA)

The Group follows the Standardised Approach for the calculation of the Pillar I capital requirement for credit risk and market risk and the Basic Indicator Approach (BIA) for operational risk. Pillar II requirement (P2R) is a bank-specific capital requirement which applies in addition to, and covers risks which are underestimated or not covered by Pillar I. P2R is determined on the basis of SREP.

The tables below provide a breakdown of the RWEAs by risk frameworks and model approaches and the corresponding Pillar I own funds requirements (defined on Pillar I total capital at 8%) for the periods disclosed.

Template 3: EU OV1 – Overview of total risk exposure amounts

(€ million)		**Total risk exposure amounts (TREA)[13]**		**Total own funds requirements**
		30 September 2022	**30 June 2022**	**30 September 2022**
1	Credit risk (excluding CCR)	4.824	4.872	386
2	*Of which the standardised approach*	4.824	4.872	386
3	*Of which the Foundation IRB (F-IRB) approach*	--	--	--
4	*Of which slotting approach*	--	--	--
EU 4a	*Of which equities under the simple risk weighted approach*	--	--	--
5	*Of which the Advanced IRB (A-IRB) approach*	--	--	--
6	Counterparty credit risk - CCR	15	14	1
7	*Of which the standardised approach*	--	--	--
8	*Of which internal model method (IMM)*	--	--	--
EU 8a	*Of which exposures to a CCP*	--	--	--
EU 8b	*Of which credit valuation adjustment - CVA*	7	7	--
9	*Of which other CCR*	8	7	1
15	Settlement risk	--	--	--
16	Securitisation exposures in the non-trading book (after the cap)	134	138	11
17	*Of which SEC-IRBA approach*	--	--	--
18	*Of which SEC-ERBA (including IAA)*	112	112	9
19	*Of which SEC-SA approach*	22	26	2
EU 19a	*Of which 1250% / deduction*	--	--	--
20	Position, foreign exchange and commodities risks (Market risk)	1	2	--
21	*Of which the standardised approach*	*1*	*2*	--
22	*Of which IMA*	--	--	--
EU 22a	Large exposures	--	--	--
23	Operational risk	696	696	56
EU 23a	*Of which basic indicator approach*	696	696	56
EU 23b	*Of which standardised approach*	--	--	--
EU 23c	*Of which advanced measurement approach*	--	--	--
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	134	134	11
29	**Total**	**5.670**	**5.722**	**454**

The decrease in RWAs during the quarter was mainly due to the decrease in credit RWAs, primarily driven by repayments in the lending portfolio exceeding new lending.

[13] Figures reported include exposures classified as held for sale as per IFRSs.

(€ million)		Total risk exposure amounts (TREA)[13]		Total own funds requirements
		30 September 2021	30 June 2021	30 September 2021
1	Credit risk (excluding CCR)	4.700	4.697	376
2	*Of which the standardised approach*	4.700	4.697	376
3	*Of which the Foundation IRB (F-IRB) approach*	--	--	--
4	*Of which slotting approach*	--	--	--
EU 4a	*Of which equities under the simple risk weighted approach*	--	--	--
5	*Of which the Advanced IRB (A-IRB) approach*	--	--	--
6	Counterparty credit risk - CCR	14	14	1
7	*Of which the standardised approach*	--	--	--
8	*Of which internal model method (IMM)*	--	--	--
EU 8a	*Of which exposures to a CCP*	--	--	--
EU 8b	*Of which credit valuation adjustment - CVA*	6	5	--
9	*Of which other CCR*	8	9	1
15	Settlement risk	--	--	--
16	Securitisation exposures in the non-trading book (after the cap)	138	137	11
17	*Of which SEC-IRBA approach*	--	--	--
18	*Of which SEC-ERBA (including IAA)*	96	92	8
19	*Of which SEC-SA approach*	42	44	3
EU 19a	*Of which 1250% / deduction*	--	--	--
20	Position, foreign exchange and commodities risks (Market risk)	1	1	--
21	*Of which the standardised approach*	1	1	--
22	*Of which IMA*	--	--	--
EU 22a	Large exposures	--	--	--
23	Operational risk	733	733	59
EU 23a	*Of which basic indicator approach*	733	733	59
EU 23b	*Of which standardised approach*	--	--	--
EU 23c	*Of which advanced measurement approach*	--	--	--
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	120	119	10
29	**Total**	**5.586**	**5.582**	**447**

3.3 Minimum requirement for own funds and eligible liabilities

The Bank, within the framework of the Bank Recovery and Resolution Directive (BRRD), is subject to the minimum requirement for own funds and eligible liabilities (MREL). The framework, which entered into effect on 1 January 2016, provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure (that is: "bailed in"). Such liabilities, in combination with equity, are known as MREL.

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 it has recently being transposed into National Law. Further to the above, 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 November 2022, the Bank received notification from the Single Resolution Board (SRB) of its draft decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Group. Accordingly, the final MREL target was set at 24,38% of total risk exposure amount (TREA), plus combined buffer requirement (CBR) resulting in a total target of 27,88%, while the final MREL target of leverage ratio exposure (LRE) is set at 5,91%, both to be met by 31 December 2025. No MREL subordination requirement has been communicated to the Bank. The intermediate binding target 1 January 2022 remains at 16,57% of total risk exposure amount (TREA), plus combined buffer requirement (CBR) resulting in a total target of 19,95%. The MREL target of leverage ratio exposure (LRE) as at 1 January 2022 remains at 5,91%.

The Group's MREL ratio[14] as at 30 September 2022, excluding 3Q2022 profits, was 23,8% of TREA and 6,6% of LRE. The Group's MREL ratio[15] as at 30 September 2022 was 24,1% of TREA and 6,7% of LRE. After adjusting for the VEES cost and the Project Starlight, the pro forma MREL ratio[15,16] of the Group as at 30 September 2022 was c.23,8% of TREA and c.6,6% of LRE.

The Bank established a Euro Medium Term Note (EMTN) Programme of a €1,5 billion size, in order to issue MREL. In July 2022 the Bank issued €100 million Senior Preferred Notes (the "Notes"), under its EMTN Programme. The Notes are priced at par with a fixed coupon of 9% per annum, payable annually in arrears. The fixed coupon will reset on 15 July 2024. The maturity date of the Notes is 15 July 2025, and the Notes are callable at par on 15 July 2024 (3NC2), subject to meeting certain regulatory conditions as specified in the terms and conditions of the Notes. The Notes were admitted to trading on the Euro Multilateral Trading Facility (MTF) Market of the Luxembourg Stock Exchange and listed on the Official List of the Luxembourg Stock Exchange.

Going forward, the Bank will proceed with additional MREL issuances within the compliance period until the end 2025, with the instrument, size, duration and timing of issuance, subject to market conditions and investor interest and taking into account relevant advisor feedback.

The MREL requirement for the final target to be met by 31 December 2025 is expected to change over time due to: (a) possible changes in regulatory capital requirements and/or (b) changes in the financial position of the Bank (such as changes in RWAs, own funds, non-performing exposures etc). The Bank anticipates that the MREL requirement will continue to be assessed and be set on an ongoing basis.

The provisions on disclosures on MREL, as published by the EBA (EBA/ITS/2020/06 on 3 August 2020) and the SRB, apply from 1st January 2024 at the earliest and the first reference date for reporting in accordance with the implementing technical standards was the 30 June 2021.

[14] As per the final regulatory reporting submissions, for which interim profits for the six-month period ended 30 June 2022 are included, following permission granted by the Supervisory Authorities.
[15] On IFRS 9 transitional basis, including 9M2022 unaudited profits.
[16] Pro forma taking into account for the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).

4 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of a decrease in profits or capital, arising from a weakness of the Bank to meet its immediate obligations, without incurring additional costs. The Group's approach in managing liquidity risk is to ensure, to the extent possible (considering that the main role of the Bank as an intermediary is to accept short term deposits and grant long term loans), that there is adequate liquidity to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress conditions, without the Group incurring any additional costs.

4.1 Liquidity Coverage Ratio

The Group must comply with the Liquidity Coverage Ratio (LCR) as per the provisions of the Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018 amending Delegated Regulation (EU) 2015/61 (which supplements CRR with regards to the liquidity coverage requirement for Credit Institutions). The LCR was in effect from 1 October 2015 with a regulatory limit of 60%, increasing to 100% from 1 January 2018 when the full phase-in of the requirement was effected.

The Group's LCR ratio reached 470% in September 2022, compared to the December 2021 figure of 499% and remained well within its regulatory limit of 100% and Risk Appetite Statement (RAS) limit throughout the nine-month period ended 30 September 2022.

Total High-Quality Liquid Assets (HQLA) of the Bank increased and remained at high level. This movement was primarily due to the increase in customer deposits, the issuance of Senior Preferred notes and the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank, during the nine-month period ended 30 September 2022. At the same time the net outflows of the Bank have increased due to the increase in customer deposits.

Concentration of funding sources

The Group places emphasis on the maintenance of stable customer deposits, as they represent its main funding source. This is effectively achieved through the maintenance of good and long-standing relationships of trust with customers and through competitive and transparent pricing strategies, also taking into consideration the liquidity position of the Bank.

Other funding sources include Central bank funding and issued notes.

Additionally, the Bank does not have any concentration in individual large depositors.

Composition of the institution`s liquidity buffer

The Bank aims to maintain an adequate liquidity buffer, which will allow it not only to meet its obligations as they fall due in a business-as-usual scenario, but also to be able to survive a combined market-wide and idiosyncratic scenario, as defined in the Bank's ILAAP. To determine the minimum required level of liquid assets, the Bank considers the Risk Appetite Framework (RAF) Management Action Trigger levels of Liquidity Risk metrics.

The Bank holds a liquidity buffer in the form of a portfolio of unencumbered, high quality liquid assets which could be monetized quickly in the event that the Bank experiences a liquidity crisis. The Liquidity Buffer is primarily comprised of Central Bank reserves. The rest of the buffer is mainly held in Level 1 high quality securities and some Level 2 securities.

The quality of the liquid assets held by the Bank is safeguarded by the Hellenic Bank Investment Framework (HBIF), which promotes a well-diversified, high credit quality investment portfolio, while placing a limit on non-ECB eligible securities.

Derivative exposures and potential collateral calls

The Bank has a relatively small derivatives portfolio which mainly consists of FX-swaps that are short term. Therefore, any potential collateral calls, which may be the result of either changes in market value of the derivatives or a deterioration in the Bank's credit quality, are not expected to materially affect the liquidity position of the Bank.

Currency mismatch in the LCR

It is noted that for the USD, which is the Bank's foreign currency with material positions, the Bank does not have a mismatch, meaning that it maintains a ratio well above 100%. The Bank has included LCR USD in its RAS with a risk appetite limit set to 100%.

It is noted that in accordance with the Pillar III disclosure requirements (table below), each quarterly observation is the average of the previous 12 months preceding the end of each quarter.

The following table shows a quantitative analysis of LCR, in accordance with Article 451a of CRR.

Template 4: EU LIQ1 – Quantitative information of LCR

Scope of consolidation: Consolidated		**a**	**b**	**c**	**d**	**e**	**f**	**g**	**h**
€ million		**Total unweighted value (average)**				**Total weighted value (average)**			
EU 1a	Quarter ending on:	**30-Sep-22**	**30-Jun-22**	**31-Mar-22**	**31-Dec-21**	**30-Sep-22**	**30-Jun-22**	**31-Mar-22**	**31-Dec-21**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					8.090	7.909	7.703	7.431
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	7.902	7.698	7.493	7.299	499	485	470	457
3	*Stable deposits*	6.018	5.894	5.762	5.624	301	295	288	281
4	*Less stable deposits*	1.884	1.804	1.731	1.675	198	190	182	176
5	Unsecured wholesale funding	2.722	2.627	2.498	2.365	1.569	1.511	1.428	1.353
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	13	17	22	27	3	4	5	7
7	*Non-operational deposits (all counterparties)*	2.709	2.610	2.476	2.338	1.566	1.507	1.423	1.346
8	*Unsecured debt*	--	--	--	--	--	--	--	--
9	Secured wholesale funding								--
10	Additional requirements	439	415	392	379	40	37	35	34
11	*Outflows related to derivative exposures and other collateral requirements*	7	6	5	5	7	6	5	5
12	*Outflows related to loss of funding on debt products*	--	--	--	--	--	--	--	--
13	*Credit and liquidity facilities*	432	409	387	374	33	31	30	29
14	Other contractual funding obligations	23	23	22	22	1	1	1	1
15	Other contingent funding obligations	907	919	928	938	59	58	58	59
16	**TOTAL CASH OUTFLOWS**					2.168	2.092	1.992	1.904
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	--	--	--	--	--	--	--	--
18	Inflows from fully performing exposures	343	330	311	299	328	316	298	286
19	Other cash inflows	402	396	387	380	99	96	93	88
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					--	--	--	--
EU-19b	(Excess inflows from a related specialised credit institution)					--	--	--	--
20	**TOTAL CASH INFLOWS**	745	726	698	679	427	412	391	374
EU-20a	***Fully exempt inflows***	--	--	--	--	--	--	--	--
EU-20b	***Inflows subject to 90% cap***	--	--	--	--	--	--	--	--
EU-20c	***Inflows subject to 75% cap***	745	726	698	679	427	412	391	374
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					8.090	7.909	7.703	7.431
22	**TOTAL NET CASH OUTFLOWS**					1.741	1.680	1.601	1.530
23	**LIQUIDITY COVERAGE RATIO (%)**					465%	471%	481%	486%

5 APPENDICES

5.1 APPENDIX A: List of EBA templates

5.2 APPENDIX B: References to CRR Articles of Part Eight and List of EBA Templates disclosed, on a quarterly basis, and cross reference with Pillar III Disclosures

CRR Reference	EBA TEMPLATE	Pillar III Disclosures Reference
Article 447 points (a) to (g) and Article 438 point (b)	EU KM1 - Key metrics template	Section 1.2.5 & Section 2
Article 438 point (d)	EU OV1 - Overview of risk weighted exposure amounts	Section 3.2.1
Article 451a(2)	EU LIQ1 - Quantitative information of LCR	Section 4.1
Article 451a(2)	EU LIQB on qualitative information on LCR, which complements template EU LIQ1	Section 4.1
Article 438 point (h)	EU CCR7 - RWEA flow statements of CCR exposures under the IMM	Not applicable
Article 438 point (h)	EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach	Not applicable
Article 438 point (h)	EU MR2-B - RWA flow statements of market risk exposures under the IMA	Not applicable
Article 473a and Article 468	IFRS 9 - FL - Comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 CRR	Section 3.1

5.3 APPENDIX C: Glossary & Definitions

A	
APS	Asset Protection Scheme
B	
BAC	Board Audit Committee
BoD	Board of Directors
BRMC	Board Risk Management Committee
BRRD	Bank Recovery and Resolution Directive
BTA	Business Transfer Agreement
C	
CBC	Central Bank of Cyprus
CBR	Combined buffer requirement
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCS	Convertible Capital Securities
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1 capital
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
CyCAC	Credit Acquiring Companies
E	
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
EMTN Programme	Euro Medium-Term Note Programme
ESRB	European Systemic Risk Board
EU	European Union
G	
GDP	Gross Domestic Product
G-SII	Global Systemically Important Institution
H	
HBIF	Hellenic Bank Investment Framework
HQLA	High Quality Liquid Assets
I	
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal ratings-based approach
ITS	Implementing Technical Standards
L	
LCR	Liquidity Coverage Ratio
M	
MB	Management Board
MREL	Minimum requirements for own funds and eligible liabilities
MTF	Multilateral Trading Facility
N	
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
NSFR	Net Stable Funding Ratio
O	
O-SII	Other Systemically Important Institution
P	
P2G	Pillar II Guidance
P2R	Pillar II Requirement
R	
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
REO	Real Estate Owned
RWA	Risk Weighted Assets
RWEA	Risk Weighted Exposure Amounts
S	
SA	Standardised Approach

SEC-SA	Securitisation Standardised Approach
SEC-ERBA	Securitisation External Ratings Based Approach
SME	Small and Medium sized enterprises
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer
SSM	Single Supervisory Mechanism
T	
TREA	Total Risk Exposure Amounts