HELLENIC BANK

Hellenic Bank Group

Annual Financial Report

For the year ended 31 December 2022

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HELLENIC BANK PUBLIC COMPANY LIMITED
MANAGEMENT REPORT

INCORPORATION, ACTIVITIES AND BRANCH NETWORK

Hellenic Bank Public Company Limited (the "Bank") was incorporated in Cyprus 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 located 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 principal activity of the Group continued to be the provision of a wide range of banking and financial services, which include financial, investment and insurance services, custodian and factoring services and management and disposal of properties, predominantly acquired in debt satisfaction.

The Bank provides banking and financial services through its branch network and digital channels. As at 31 December 2022 the Bank's branch network included 55 branches and 161 ATMs in Cyprus.

GROUP'S STRUCTURE

The Financial Statements for the year ended 31 December 2022 comprise the Financial Statements of Hellenic Bank Public Company Limited and its subsidiary companies, which together are referred to as the Group. All group companies and details of the Bank's acquisitions and disposals of subsidiaries made during the year 2022 are presented in Note 26 of the Financial Statements.

As at 31 December 2022 and according to the provisions of the IFRS 5 "Non-Current assets held for sale and discontinued operations", the financial results of APS Debt Servicing Cyprus Ltd ("APS Cyprus"), the entity responsible for managing the Bank's Non-Performing Exposures and REOs (refer to Note 18), are presented as discontinued operations. On 30 March 2023, the Bank announced the completion of Project Starlight that also includes the disposal of APS Debt Servicing Cyprus Ltd (refer to Note 52 of the Financial Statements).

ALTERNATIVE PERFORMANCE INDICATORS ('API')

Throughout this Report, references are made to non-IFRS measures, namely Alternative Performance Indicators ('APIs'). Management believes that, in addition to IFRS related measures, these indicators provide more relevant information to the users in assessing the financial performance and position of the Group on a consistent basis. Where APIs and the reported results calculated and presented in the Financial Statements are provided on a different basis, a reconciliation of the figures is provided in 'Reconciliations' section of the Annual Financial Report.

FINANCIAL RESULTS[1]

The Group's profit for the year ended 31 December 2022 amounted to €24,2 million (Bank: profit €27,8 million), (31 December 2021: Group loss €11,7 million, Bank loss €14,8 million).

Profit attributable to the shareholders of the parent company for the year ended 31 December 2022 amounted to €24,2 million compared to €11,7 million loss for the year ended 31 December 2021 mainly due to lower impairment losses on the loan portfolio, partially offset by higher staff costs and restructuring costs incurred in FY2022.

1. The Group's Financial Statements and the Group's Financial Results presentation for the year ended 31 December 2022 are available on the Group's website www.hellenicbank.com (Investor Relations). The Financial Statements are also available at the Bank's registered office.

Income Statement Analysis

Net interest income

The Group's net interest income for the year ended 31 December 2022 was €300,8 million (Bank's €300,8 million), up by 17% (Bank: up by 17%) compared to €256,0 million (Bank: €256,3 million) for the year ended 31 December 2021. The increase was mainly driven by the positive impact of €17,4 million from the TLTROs borrowing of €2,3 billion and the increase in NII from placements with Central Banks and other banks following the ongoing increases in interest rates announced by the ECB. Additionally, interest income from the loan portfolio is higher reflecting mainly the impact of the acquisition of part of the performing loan portfolio from RCB Bank during FY2022.

This increase for both the Group and the Bank, was partially offset by the lower interest income from debt securities, mainly due to Cyprus Government Bonds (CGBs) with nominal value of €580 million which matured in December 2021, with interest income earned of €14,3 million during FY2021 and higher interest expense on loan capital. Interest expense on loan capital incurred for FY2022 relates to interest expense from the issuance of Senior Preferred notes and interest expense on CCS 1 and CCS 2 securities paid in December 2022.

The Group's net interest margin (NIM) for FY2022 amounted to 1,60% compared to 1,52% for FY2021. NIM was positively impacted by the increase in NII as explained above, despite the increase in the average interest-bearing assets and higher interest expense on loan capital. The increase in the average interest-bearing assets was driven mainly by the increase in the cash and balances with Central Banks mostly as a result of the increase in customer deposits.

Adjusting for the TLTROs borrowing of €2,3 billion, removing the TLTRO from the average interest-bearing assets and the respective benefit recognised in FY2022, NIM for FY2022 and FY2021 increased to 1,72% and 1,65% respectively.

Non-interest income

The Group's total non-interest income for the year ended 31 December 2022 amounted to €113,4 million (Bank's €104,0 million) and recorded an increase of 10% (Bank increase 11%) compared to €103,0 million (Bank's €93,3 million for the year ended 31 December 2021) mainly driven by higher net fee and commission income and net income from insurance operations on Group level, partially offset by the decrease in other income.

Net gains on disposal and revaluation of foreign currencies and financial instruments

The Group's net gains on disposal and revaluation of foreign currencies and financial instruments for the year ended 31 December 2022 amounted to €2,7 million (Bank: €6,1 million) and recorded a decrease of 46% (Bank: increase 17%) compared to €5,0 million (Bank: €5,2 million) for the year ended 31 December 2021. The decrease at Group level was mainly due to the unrealised net revaluation losses arising from investments in equity securities and collective investment units at fair value through profit or loss, held mainly by the insurance companies of the Group, mainly due to the decrease in investments prices as a result of the Russia/Ukraine conflict, which impacted the global economy, partially offset by the increase in gain on disposal and revaluation of foreign currencies.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2022 was €71,7 million (Bank: €73,4 million) and recorded an increase of 23% (Bank: increase by 18%), compared to €58,2 million (Bank: €62,2 million) for the year ended 31 December 2021. The increase was mainly due to higher banking fees and commissions. Effective from January 2022 a revised Table of Commissions and Charges has been introduced, which resulted in higher ledger fees and credit card related income. Credit related fees and other banking commissions were lower in FY2021 being impacted by the COVID-19 lockdown measures.

Other income
Other income for the year ended 31 December 2022 amounted to €13,4 million (Bank: €24,5 million) decreased by 19% (Bank: decrease 5%) compared to €16,6 million in 2021 (Bank: €25,9 million) as a result of lower sundry income due to the net reimbursement received from an insurance claim recognised in FY2021, partially offset by higher dividend income in FY2022.

Net income from insurance operations
Net income from insurance operations at Group level, amounted to €25,5 million for FY2022 compared to €23,2 million in FY2021. The increase of 10% YoY is due to higher gross income from premiums, generated from new products, partially offset by the impact from the increase in insurance claims and benefits incurred (due to lower claims incurred in FY2021, as a result of COVID-19 lockdown measures) and lower net investment income due to the Russia/Ukraine conflict, which impacted the global economy.

Expenses
The Group's total expenses for the year ended 31 December 2022 amounted to €351,2 million (Bank:€348,1 million) and recording an increase of 33% compared to €263,5 million (Bank: €265,8 million) (Bank increase of 31%) for the year ended 31 December 2021. The increase in total expenses was due to the restructuring costs. Restructuring costs represent the cost of Group's Voluntary Early Exit Scheme (VEES) and other related costs amounting to €70,9 million for FY2022.

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. The total number of employees of the Group that were approved to participate in the Scheme were 446 (c.16% of the Group's employees) of which 394 employees had their employment terminated during the fourth quarter of 2022 while the remaining terminated their employment contract during the first quarter 2023. 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.

Staff costs
Group's staff costs for the year ended 31 December 2022 amounted to €147,2 million and compared to €133,7 million the year ended 31 December 2021, recorded an increase of 10% and accounted for 53% (2021: 51%) of the Group's total expenses excluding restructuring costs. The Bank's staff costs for the year ended 31 December 2022 amounted to €140,3 million and compared to €126,8 million the year ended 31 December 2021, recorded an increase of 11% and accounted for 50% (2021: 48%) of the Bank's total expenses excluding restructuring costs. The main driver of the increase was the salary increments and COLA applicable for each employee as per the expired Collective Agreement. Also, during FY2022, a payment has been made in relation to the re-instatement of ex-CCB employees' salaries to 2013 levels, effective from 1 January 2019. Analysis of staff costs is disclosed in Note 13 of the Financial Statements.

Administrative and other expenses
The Group's total administrative and other expenses for the year ended 31 December 2022 amounted to €108,4 million and compared to €105,2 million for the year ended 31 December 2021 were increased by 3%.

The Bank's total administrative and other expenses for the year ended 31 December 2022 amounted to €117,5 million and compared to €114,9 million for the year ended 31 December 2021 were increased by 2%.The increase was mainly driven by the increase in Transformation costs and Deposit Guarantee Scheme (DGS) contribution and Special Levy on Credit Institutions, following the increase in deposits.

On March 2020, the Management Committee (MC) of the Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS) introduced an approved new Risk Based Methodology (RBM), on the calculation and payment of the contributions to Deposit Guarantee Fund (DGF) paid by all the authorised Credit Institutions on a semi-annual basis until it reaches the level of 0,8% of covered deposits of all authorised Credit Institutions by 3 July 2024. The total contribution for FY2022 was set at €5,8 million (FY2021: €4,5 million) and it was charged in administrative and other expenses in the first quarter of 2022 (€2,6 million) and the third quarter of 2022 (€3,2 million).

Additionally, administrative and other expenses of APS Cyprus amounting to €1,0 million (FY 2021: €1,1 million), are presented under discontinued operations.

Analysis of administrative and other expenses and total fees relating to the Group's statutory auditors is disclosed in Note 14 of the Financial Statements.

The Group's cost to income ratio for the year ended 31 December 2022 was 84,8% compared to 73,4% for the year ended 31 December 2021. The Bank's cost to income ratio for the year ended 31 December 2022 was 86,0% in comparison to 76,0% for 31 December 2021.

The adjusted cost to income ratio (adjusted for the Special Levy, DGS Contribution, Termination Benefits, Transformation costs and Restructuring costs) for FY 2022 was 59,1% and 60,8% for the Group and the Bank respectively and decreased from FY 2021 compared to 64,5% and 66,9% for the Group and the Bank.

Impairment losses on financial instruments and non financial assets

Impairment losses on financial instruments

The Group charge for impairment losses on financial instruments amounted to €18,5 million for FY2022 (FY 2021 Bank: €18,1 million) compared to €102,0 million for FY2021 (FY 2021 Bank: €102,4 million).

The charge of impairment losses in FY2022 was the result of the update of the IFRS 9 LGD and PD models to take into account the anticipated increases in defaults on the EURIBOR based loan portfolio from the increase in ECB interest rates. This is partially offset by the release of impairment losses during FY2022 mainly as a result of the IFRS 9 PD models updating to reflect the latest macroeconomic projections and the scenario weights for each macroeconomic scenario used for IFRS 9 purposes applicable during FY2022. Additionally, following the in-principal agreement for the resolution of the disputed matters, both the APS indemnification asset and the amount receivable have been adjusted with a corresponding charge of impairment losses on other financial assets in FY2022.

The impairment losses incurred in FY2021 were mainly driven by the Bank's deleveraging strategy which resulted to additional impairment losses on the loan portfolio to be disposed (Project Starlight), considering the probability of recovery through sale as at 31 December 2021.

During the first quarter of 2022, the Bank changed its macroeconomic forecasts compared to the year-end 2021, following expectations of improved macroeconomic conditions in relation to the COVID-19 pandemic, as the spread of the COVID-19 pandemic appeared to be stabilizing and moving towards the endemic phase. Having considered this, the Bank has updated the IFRS 9 parameters to be applied in the estimation of the ECL for the first quarter of 2022 and more specifically the PD parameter. However, the ongoing Russia-Ukraine crisis and the surge in inflation exhibited from the start of the Russia/Ukraine conflict created 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 had been rebalanced and remained unchanged during FY2022, as presented in Note 5 of the Financial Statements.

Despite the surge in energy prices and consequently in inflation, GDP growth rates increased in 2022 supported by strong tourists' inflows and the improved performance of key sectors such as "Accommodation and Food Services" and "Wholesale and Retail Trade", due to the gradual recovery from the COVID-19 pandemic. Taking into consideration the above, the Bank during the second half of 2022 has updated the IFRS 9 PD models applied in the estimation of the ECL, as described above.

The Group's and the Bank's cost of risk for 2022 amounted to -0,01%, compared to 1,55% for FY2021. Adjusting for cash flows re-estimation of the APS indemnification asset, the cost of risk for FY2022 and FY2021 amounted to 0,20% and 1,55% respectively.

Impairment losses on non-financial assets
The Group's impairment losses on non-financial assets for FY2022 amounted to €6,8 million and increased by 8% compared to €6,3 million in FY2021. Impairment losses on non-financial assets for FY2022, include an amount of €6,8 million (FY2021: €4,6 million) regarding impairment losses of stock of property resulting from the reassessment of the net realisable value (NRV) of the REOs portfolio, taking into consideration potential liquidity discounts.

Further analysis is disclosed in Note 16 of the Financial Statements.

Negative goodwill
In FY2022, a negative goodwill of €4,8 million was recognised in the Income Statement of the Group and the Bank as a result of the acquisition of part of RCB Bank's banking operations (refer to section Loan Portfolio Quality), representing the difference between the fair value of the consideration payable and the net fair value of the identifiable assets acquired, and the liabilities assumed.

Taxation
The Group's taxation for FY2022 amounted to a tax charge of €10,5 million (FY2021: €2,7 million tax credit), which includes a current tax charge of €10,1 million on taxable profits (FY2021: €7,4 million) and a deferred tax charge of €0,4 million (FY2021: €10,1 million deferred tax credit). The current tax charge in FY2022 was mainly from the result of the Group's cost of VEES, which is non-tax deductible.

The Bank's taxation for FY2022 amounted to a tax charge of €8,6 million (FY2021: €4,2 million tax credit), which includes a current tax charge of €8,1 million on taxable profits (FY2021: €5,9 million) and a deferred tax charge of €0,4 million (FY2021: €10,1 million deferred tax credit). The deferred tax credit for 2021 was mainly the result of a decrease in deferred tax liabilities, due to the treatment of negative goodwill attributed to the bond portfolio acquired by ex-CCB, while the tax charge for 2021 arose mainly on adjustments made to the tax base of stock of properties to align with current practices.

Statement of Financial Position Analysis

As at 31 December 2022, the Group's and the Bank's total assets amounted to €20,0 billion and €19,9 billion respectively and were increased by 6,4% compared to €18,8 billion and €18,7 billion respectively as at 31 December 2021. The increase in total assets is reflected in the net increase in balances with Central Banks, resulting from the increase in customer deposits and the issuance of Senior Preferred notes during the year, as well as the increase in loans and advances primarily due to the acquisition of part of the performing portfolio from RCB Bank.

Funding

Deposits
The Group's and the Bank's customer deposits amounted to €15,9 billion as at 31 December 2022 (31 December 2021: €14,9 billion) and increased by 7% since the 2021 year end. They comprised €14,7 billion deposits in Euro (31 December 2021: €13,7 billion) and €1,2 billion deposits in foreign currencies (31 December 2021: €1,2 billion), mostly in US Dollars.

The Bank's deposits market share as at 31 December 2022 stood at 30,7% compared to 29,2% as at 31 December 2021. Deposits' market share as at 31 December 2022 consists of 38,4% for Households deposits (31 December 2021: 37,9%), 21,1% for Non-financial corporations deposits (31 December 2021: 19,8%) and 12,9% for Other financial intermediaries (31 December 2021: 10,6%).

The Group's and the Bank's net loans to deposits ratio stood at 39% as at 31 December 2022 compared to 40% as at 31 December 2021. Pro forma for HFS portfolios the net loans to deposits ratio is reduced to 38% as at 31 December 2022 and 31 December 2021.

Funding by Central banks
Funding by Central banks amounted to €2,3 billion as at 31 December 2022 (31 December 2021: €2,3 billion). In June 2021, given the favourable borrowing terms and despite the comfortable liquidity position, the Bank participated in the 8th series of the TLTROs III by borrowing an amount of €2,3 billion. The borrowing is for a 3 years duration (26 June 2024) and the Bank has the option to repay (partially or fully) on a quarterly basis starting from June 2022 onwards. It is noted that the European Central Bank (ECB) decided to amend the favourable borrowing terms of the TLTRO as from 23 November 2022 by setting the borrowing rate equal to the average applicable ECB Deposit Facility Rate from that date onward.

Liquidity
The CRD IV/CRR sets forth the guidelines for calculating liquidity measures such as the Liquidity Coverage Requirement Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As at 31 December 2022, the Group was in compliance with all regulatory liquidity requirements.

The LCR of the Group stood at 444% as at 31 December 2022 compared to 499% as at 31 December 2021, which is above the minimum regulatory limit of 100%. The liquidity surplus in LCR as at 31 December 2022 amounted to €6,8 billion compared to €6,4 billion as at 31 December 2021. The NSFR of the Group was at 184% as at 31 December 2022 compared to 197% as at 31 December 2021, which is above the binding minimum NSFR ratio of 100% introduced, applicable from June 2021 as per CRR II . The NSFR liquidity surplus for 31 December 2022 reached €7,8 billion and has increased compared to €6,8 billion as at 31 December 2021 level.

Additional information on liquidity requirements will be provided in the Pillar III disclosures for the year ended 31 December 2022, which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

Loans
The Group's and the Bank's gross loans as at 31 December 2022 amounted to €6.223 million compared to €5.952 million as at 31 December 2021, recording an increase of 5%, mainly as a result of the acquisition of part of the performing loan portfolio from RCB Bank. The performing loan portfolio increased by 6% while the non-performing portfolio decreased by 6%, compared to 31 December 2021. Including the portfolio classified as held for sale, gross loans amounted to €6.963 million as at 31 December 2022, recording an increase of 3% compared to €6.728 million as at 31 December 2021, as explained.

As at 31 December 2022, the Group's net loans and advances to customers amounted to €6.033 million compared to €5.732 million as at 31 December 2021. Additionally, as at 31 December 2022, net loans and advances to customers of €192 million were classified as held for sale in accordance with IFRS 5 (refer to Section 1.2.3 "Loan Portfolio Quality"), compared to €241 million as at 31 December 2021. The decrease in net loans and advances to customers classified as held for sale by 20% is mainly due to the net result of the normal activity and operation of the portfolio and the derecognition of c.€15 million NPE portfolio following the completion of a transaction.

The Bank's loan market share as at 31 December 2022 was 27,7% (31 December 2021: 22,5%) and consists of 34,7% Household loans (31 December 2021: 31,1%).

Total new lending implemented during 4Q2022 reached €367 million, compared to new lending implemented during the third quarter of 2022 of €257 million (second quarter of 2022: €287 million and first quarter of 2022: €269 million) and totalled €1.179 million for FY2022, recording an increase of 30% YoY compared to new lending of €908 million for FY2021. The Bank continued providing lending to creditworthy businesses and households while at the same time focusing on managing early arrears and avoiding new NPLs.

Loan Portfolio Quality
As part of its ongoing NPE deleveraging efforts, the Bank throughout 2022 worked towards the sale of a non-performing portfolio with gross carrying amount €0,7 billion (Project Starlight).

References to pro forma figures and (Alternative Performance Indicators) APIs disclosed throughout the Management Report as at 31 December 2022 refer to the NPEs portfolios classified as a disposal group held for sale, which were excluded. Where figures are provided on a pro forma basis, this is stated and referred to as “Pro forma for held for sale” or “Pro forma for HFS”. Where figures and APIs disclosed are provided on a different basis, this is stated.

Project Starlight
On 11 April 2022, the Bank announced that it 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 comprised of legacy NPEs including properties acquired in satisfaction of debt totalling to a gross amount of c.€0,8 billion.

Significant work was made throughout 2022 with regards to the legal steps, the operationalisation and the completion of “Project Starlight”. More specifically, the following milestones were achieved:

1. The entity Kohira Holdings Ltd (subsequently renamed Themis Portfolio (S1) Management Holdings Ltd) to which the loans were transferred in February 2023 had been set up and licensed by the Central Bank of Cyprus as a Credit Acquiring Company (the “CyCAC”),

2. The European Central Bank 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, was received, and

4. The relevant clearance was 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 operate as a Licensed Credit Servicer.

In February 2023, the Scheme of arrangement was approved by the Court and the Bank proceeded with the transfer of “Project Starlight” portfolio to the CyCAC on 22 February 2023.

Project Starlight was expected to be completed in early 2023 in accordance with the Addendum singed in December 2022 and as such the disposal group was classified as held for sale and as discontinued operations as at 31 December 2022. In fact, on 30 March 2023, the Bank announced the completion of Project Starlight that also includes the disposal of APS Debt Servicing Cyprus Ltd (refer to Note 52 of the Financial Statements).

Project Starlight has significantly de-risked the Bank’s statement of financial position by reducing its NPE ratio, excluding the NPEs covered by the Asset Protection Scheme (APS), to a pro forma ratio of c. 3,6% from 13,5% at 31 December 2022. Including the APS-NPEs, the NPE ratio was reduced to a pro forma ratio of c. 9,8% from 19,2% at 31 December 2022. The frontloaded de-risking of the statement of financial position allows the Bank to normalize its cost of risk as well as to benefit from the interest income stemming from the 66,7% retention of the Senior Note.

Project Starlight has a positive capital impact of c. 0,8%, with the pro forma CET 1 ratio rising to 19,1% from 18,3% at 31 December 2022, reflecting the portfolio deconsolidation, the Bank's investments in the Senior Note and the Mezzanine Note and the gain relating to the sale of APS Debt Servicer.

Through the servicing agreement for the management of the Bank's residual NPE portfolio as well as any future NPE formation, the Bank expects to achieve further NPE deleveraging from its partnership with PIMCO given the latter's long-standing experience and track record in the NPE sector in Europe.

Agreement to acquire part of the RCB banking operations
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 Bank, with the assistance of independent advisors, performed a purchase price allocation assessment in accordance with IFRS 3. All identifiable assets and liabilities acquired were measured at their acquisition-date fair value. The difference between the purchase price and the balance of assets and liabilities acquired and measured at fair value was recognised as Negative goodwill in the Income Statement.

The Transaction involved 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). Also, 14 employees from RCB Bank were transferred to the Bank. The resulting negative goodwill recognised in the Income Statement amounted to €4,8 million.

Non-performing exposures reduction
The Group's and the Bank's non-performing exposures (NPEs) as defined by the European Banking Authority (EBA), including the exposures classified as held for sale, amounted to €1.335 million as at 31 December 2022 and decreased by 6% compared to €1.414 million as at 31 December 2021 (NPEs excluding NPEs covered by the APS agreement amounted to €1,0 billion as at 31 December 2022 and 31 December 2021).

Pro forma for HFS portfolios NPEs amounted to €610 million as at 31 December 2022 recording a decrease of 6%, compared to €650 million as at 31 December 2021 (NPEs excluding NPEs covered by the APS agreement amounted to €0,2 billion as at 31 December 2022 and 31 December 2021).

Terminated loans included in NPEs amounted to €1.003 million as at 31 December 2022 (31 December 2021: €930 million). Gross loans with forbearance measures as at 31 December 2022 amounted to €858 million (31 December 2021: €1.031 million). Pro forma for HFS portfolios, terminated loans included in NPEs amounted to €341 million as at 31 December 2022 (31 December 2021: €253 million) and gross loans with forbearance measures amounted to €584 million as at 31 December 2022 (31 December 2021: €741 million).

The Group's and the Bank's NPE ratio as at 31 December 2022 was 19,2% compared to 21,0% as at 31 December 2021. The ratio excluding the NPEs covered by the APS agreement as at 31 December 2022 was 13,5% (31 December 2021: 14,4%). Pro forma for HFS portfolios, the NPE ratio is reduced to 9,8% as at 31 December 2022 (31 December 2021: 10,9%), while the NPE ratio excluding the NPEs covered by the APS agreement was 3,6% as at 31 December 2022 (31 December 2021: 3,6%).

Total accumulated impairment losses
The Group's and the Bank's total accumulated impairment losses amounted to €738 million as at 31 December 2022 (31 December 2021: €755 million) and represented 10,6% of the total gross loans (31 December 2021: 11,2%). Total accumulated impairment losses over gross loans excluding the loans covered by the APS agreement was 12,1% as at 31 December 2022 (31 December 2021: 13,2%). Pro forma for HFS portfolios total accumulated impairment losses over gross loans as at 31 December 2022 was 3,0% (31 December 2021: 3,7%), while excluding the loans covered by the APS agreement the ratio as at 31 December 2022 was 2,7% (31 December 2021: 3,5%).

The Group's and the Bank's NPEs provision coverage ratio stood at 55% as at 31 December 2022 (31 December 2021: 53%), while excluding the NPEs covered by the APS agreement, the ratio is adjusted to 70% as at 31 December 2022 (31 December 2021: 70%). Pro forma for HFS portfolios the NPEs provision coverage ratio as at 31 December 2022 was 31% (31 December 2021: 34%), while excluding the NPEs covered by the APS agreement the ratio was 51% as at 31 December 2022 (31 December 2021: 69%).

Taking into account tangible collaterals the net NPEs collateral coverage ratio stood at 157% as at 31 December 2022 (31 December 2021: 151%), while excluding the NPEs covered by the APS agreement and the corresponding tangible collateral and provisions of the NPEs covered by the APS agreement, the ratio is adjusted to 211% as at 31 December 2022 (31 December 2021: 208%). Pro forma for HFS portfolios the ratio as at 31 December 2022 was 120% (31 December 2021: 121%), while excluding the NPEs covered by the APS agreement the ratio was 152% as at 31 December 2022 (31 December 2021: 205%).

Investment assets

The carrying value of the Group's and the Banks' investment assets amounted to €13.281 million as at 31 December 2022 (31 December 2021: €12.318 million) and €13.188 million (31 December 2021: €12.235 million) respectively and represented 66% of the Group's and the Bank's total assets (31 December 2021: 65%). Investment assets comprise cash and balances with Central Banks, placements with other banks, investments in debt securities and investments in equity and collective investment units. Total investment assets increased by 8% compared to 31 December 2021, mostly due to the increase in cash and balances with Central Banks.

The Group's and the Bank's cash and balances with Central Banks and placements with other banks amounted to €8.749 million and €8.740 million respectively as at 31 December 2022 (31 December 2021: Group: €7.760 million, Bank: €7.743 million). Most foreign currency placements were with P-1 rated banks. Cash and balances with Central Banks and placements with other banks have increased by 13% compared to 31 December 2021.

The Group's investments in debt securities amounted to €4.424 million as at 31 December 2022 (31 December 2021: €4.463 million), down by 1% and represented 22% of total assets (31 December 2021: 24%). The net decrease was mainly due to maturities and disposals of debt securities partially offset by acquisitions of debt securities during FY2022. The Group's investments in debt securities comprised mainly high-grade investments in financial institutions senior unsecured bonds, covered bonds, RMBS (Residential Mortgage-Backed Security), CLOs (Collateralised Loan Obligations), sovereign bonds including CGB (Cyprus Government Bonds), supranational bonds and High Yield Corporate bonds through a discretionary Asset Manager mandate.

Investments in financial institutions and securitisations represent 46% and 17% of the Group's and the Bank's investments in debt securities respectively (31 December 2021: 42% and 13% respectively).

The Cyprus Government Bonds held by the Group as at 31 December 2022 amounted to €790 million and decreased by 47% compared to €1.485 million as at 31 December 2021, due to maturities. Out of the total CGB held by the Group, €263 million will mature within a period of less than 1 year and the remaining €527 million will mature within 1 and 5 years.

SHARE CAPITAL

At 31 December 2022, 412.805.230 fully paid ordinary shares were in issue, with a nominal value of €0,50 each (31 December 2021: 412.805.230 fully paid shares with a nominal value €0,50 each).

Details on share capital of the Bank are disclosed in Note 38 of the Financial Statements.

There are no restrictions on the transfer of the Bank's ordinary shares, other than the provisions of the Business of Credit Institutions Law of Republic of Cyprus which require the approval of the Central Bank of Cyprus (CBC) prior to acquiring shares of the Bank above certain thresholds and the requirements of the EU Market Abuse Regulation.

The Bank's issued ordinary shares do not carry special control rights.

LOAN CAPITAL

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.

Additional information on Loan capital is disclosed in Note 37 of the Financial Statements.

On 8 March 2023 the Bank announced the successful issue of a new €200 million Tier 2 Subordinated Notes under its EMTN Programme. More details are disclosed in Note 52 of the Financial Statements and in the Additional Risk and Capital Management information of this Annual Financial Report.

CAPITAL BASE AND ADEQUACY

The Group maintains capital adequacy ratios, above the minimum required by the relevant regulatory authorities.

Under Pillar I (transitional basis), the Capital Adequacy Ratio of the Group as at 31 December 2022 was 20,57% (Bank: 20,44%), the Tier 1 Ratio was 20,57% (Bank: 20,44%) and the Common Equity Tier 1 Ratio (CET 1) was 18,28% (Bank: 18,16%).

The Group's risk weighted assets as at 31 December 2022 amounted to €5.674 million (Bank: €5.695 million).

As at 31 December 2022 the Leverage Ratio, using the transitional Tier capital definition, of the Group was 5,69% (Bank: 5,67%).

Details of the capital management of the Group are disclosed in Note 51 of the Financial Statements and in the Additional Risk and Capital Management information for the year ended 31 December 2022 section of the Annual Financial Report.

ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 17 replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure for insurance contracts. The new standard introduces new profit emergence patterns and requires insurance liabilities to be measured at a current fulfilment value aiming to a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 provisions are effective for annual periods beginning on or after 1 January 2023. An IFRS 17 implementation Project was underway throughout 2022 by the Group insurance companies and made significant progress in the implementation.

The Group's insurance companies have assessed the estimated impact that the initial application of IFRS 17 will have on their financial statements. Based on the assessments undertaken to date, the total adjustment (after tax) to the Insurance subsidiaries' total equity as at 1 January 2022 amounts to an increase of c.€11,7 million, being an amount of c.€12,1 million positive impact from the Life-Insurance subsidiary and c.€0,4 million negative impact from the Non-Life insurance subsidiary. The impact of the initial application of IFRS 17 enables an equivalent dividend distribution, which would increase the Group's regulatory capital and enhance CET 1 ratio by c.20 basis points. The actual impact of adopting IFRS 17 may change until the Group finalises testing and assessment of systems and implementation of internal control processes, which is expected until the Group finalises its first Financial Statements that include the date of initial application.

Additional details on the requirements of IFRS17 are disclosed in Note 4 of the Financial Statements.

DIVIDEND

Based on the SREP decisions of prior years, the Bank was refrained from making distributions to its shareholders. Therefore, no dividends were paid or declared during the years 2022 and 2021.

STRATEGIC TARGETS AND OUTLOOK

In delivering its strategy, the Bank remains committed to be a strong bank that meets the expectations of its shareholders, employees, clients and the society.

The overarching narrative for Cyprus remains positive, despite the effect of the Russian/Ukraine conflict in the surge in energy prices and consequently in inflation. GDP growth increased by 5,6% in 2022 supported by strong tourism inflows, local residents' consumption that was maintained largely unaffected and the gradual recovery of COVID-19 affected sectors like wholesale and retail trade. At the same time, the labour market improved compared to 2021 with average unemployment reaching 6,8% compared to 7,5% in 2021. Forecast for 2022 was revised upwards in September 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 were lifted and 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 and a sale of a non-performing exposures portfolio, the Bank will be able to normalize its cost of risk going forward.

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.

The Bank's strategy comprises of four pillars: Growth, Asset Quality, Cost Optimisation and Capital & Funding optimisation. The Bank intends to continue to carry out its role in supporting the economy, while safeguarding its shareholders' value through prudent policies and in line with the Bank's target risk profile. In 2022, the Bank granted €1,2 billion of new lending to viable households and businesses. Also, in line with the strategy of growing its business in Cyprus, the Bank acquired a performing loan portfolio from RCB bank.

At the same time, the Bank is executing a Transformation Plan with the aim to enhance customer experience, increase revenues, whereas at the same time drive efficiency. The Bank's transformation strategy embraces advancements in technology and data analytics and aims for digital enhancements and process streamlining, with emphasis on improving the customer service.

The Bank is able to effectively tackle its NPEs in an accelerated way and with higher recoveries. Moreover, the Bank accelerated the de-risking of its non-performing exposures through the sale of an NPE portfolio completed on 30 March 2023.

The Bank has sufficient liquidity, allowing the exploitation of opportunities in various sectors of the domestic market, with a long-term strategy to selectively expand into other jurisdictions. The Bank aims to continue its pivotal role in the support of the real economy, financing creditworthy Cypriot businesses and households with a comprehensive range of quality banking services and within its risk appetite. The focus on new loans for business clients will continue to be to companies that increase the competitiveness and productivity of the country, such as in the sectors of retail trade, manufacturing, health, education, energy and renewables, transportation and storage, information and communication and hospitality. At the same time, loans to individuals are geared toward mortgages. The Bank stands ready to support the needs of all its clients, households and businesses.

The Bank monitors closely the developments in the Cypriot, European and Global economic environment and assesses the situation as it is evolving, whilst continuing the implementation of its strategy. The operating environment remains challenging, however the Bank aims to remain vigilant of developments and to turn these challenges into opportunities.

Below we indicate the revised Medium-Term financial targets, followings the Bank's Strategic Plan approval:

	FY2021	FY2022	MTT[2]
Asset Quality			
NPE Ratio[3]	c. 3,4%[4]	3,6%[5]	c. 3%
Cost of Risk[6]	1,6%	0,2%	c. 50 bps
Profitability			
Cost to income ratio[7]	66%	61%[8]	<50%
ROTE	(1,1%)	2,3%/8,9%[8]	>10%
Capital & Funding			
CET 1 ratio (transitional basis)	c. 19,1%[9]	c. 19,1%[10, 11]	>14,0%
New lending	908 million	1.179 million	> €1,2 billion per annum

2023 Guidance
The Bank notes that the evolving interest rate environment will continue to support its financial performance in the coming years. As per its Plan, the Bank expects its profit before tax for FY23 to be higher than €200 million, mainly driven by the expected changes in interest rates and the improved cost structure following the successful Voluntary Early Exit Scheme completed in November 2022.

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.

2. The Medium -Term Targets (MTT) cover a period of 3-5 years.
3. Excluding the NPEs covered by the APS agreement.
4. Pro forma for portfolios classified as HFS and the acquisition of Tranche A from RCB Bank.
5. Pro forma for portfolios classified as HFS.
6. Adjusted for the cash flows re-estimation of the APS indemnification asset.
7. Adjusted for the Deposit Guarantee Scheme contribution and the Special Levy.
8. Adjusted for the Restructuring costs.
9. Pro forma taking into account the negative impact from Tranche A and the positive impact from the Project Starlight (includes mainly the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).
10. Pro forma taking into account for the positive impact from the Project Starlight completion (includes mainly the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).
11. Including FY2022 audited profits.

Taking into account the Bank's expected financial performance as per its Plan and following the completion of the Starlight Project, the Bank will request approval from regulators to commence dividend payments for the financial year 2023 onwards.

RISK MANAGEMENT

The Group is exposed to a variety of risks, the most important of which are described and analysed in Note 50 of the Financial Statements and in the Additional Risk and Capital management information for the year ended 31 December 2022 section of the Annual Financial Report.

The management and monitoring of risks is centralised under a uniform management, which covers the entire range of the Group's operations.

AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS OR THE STAFF OF THE BANK

Details on agreements with members of the Board of Directors are described in the 2022 Remuneration Policy Report.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Code (the "Code") published by the Cyprus Stock Exchange (fifth revised edition – January 2019) has been fully adopted by the Bank's Board of Directors.

The Board of Directors recognises the importance of implementing sound Corporate Governance based on the Code in combination with the mandate and practices followed by the various Committees of the Board of Directors in order to achieve the target of maximising the shareholders' investment.

The Corporate Governance Code is publicly available on the Cyprus Stock Exchange (CSE) website www.cse.com.cy.

Information on Members of the Board of Directors retiring and being eligible for re-election, as well as on the composition and operation of the Bank's Board of Directors and its committees are set out in section B of the Report on Corporate Governance.

Any amendments to the Articles of Association of the Bank are only valid if approved by a Special Resolution at a General Meeting of the Shareholders.

Details of restrictions in voting rights and special control rights in relation to the shares of the Bank are set out in Note 38 of the Financial Statements.

The Board of Directors may issue share capital if there is sufficient authorised capital which has not been issued and as long as the new shares to be issued are offered first to the existing shareholders, pro-rata to their percentage holding in the Bank's share capital. In the event that a share capital increase requires an increase in the authorised share capital or if the new shares will not be offered to existing shareholders, the prior approval of the shareholders at a General Meeting must be obtained. The Board of Directors may also propose to a General Meeting of the Shareholders a share buyback scheme.

GOING CONCERN

The Management of the Bank after performing an assessment on the Group's ability to continue as a going concern, concluded that there are no material uncertainties which could cast significant doubt over the Bank's ability to continue as a going concern for at least the next 12 months from the date of approval of the Financial Statements for the year ended 31 December 2022.

Details on the going concern assessment are set out in Note 2 of the Financial Statements.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

According to the Cyprus Securities and Stock Exchange Regulations and pursuant to the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the following shareholders owned five (5%) percent or more of the nominal value of the Bank's issued share capital as at 31 December 2022:

Demetra Holdings Plc[1]	21,33%
Wargaming Group Limited[2]	20,61%
Poppy SARL	17,30%
Eurobank A.E	15,80%

As at 31 December 2022, Eurobank S.A. owned directly 15,8% in the Bank. In addition, Eurobank has agreed with Wargaming Group Limited on 30 November 2022 to acquire a holding of 13,41% in the Bank, subject to all required regulatory approvals. Therefore, upon completion of the transaction, Eurobank's total holding in the Bank will amount to 29,2%. On 5 April 2023 the Bank announced the completion of the transaction.

On 31 December 2022 shareholders holding more than 5% of the share capital, had in their possession CCS1 amounting to €23,4 thousand (31 December 2021: €770,1 thousand) and CCS2 amounting to €8,0 million (31 December 2021: €33,9 million).

Pursuant to the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the shareholders who held at least five (5%) percent of the nominal value of the issued share capital, five (5) days prior to the date of approval of the Financial Statements by the Board.

Eurobank A.E	29,20%
Demetra Holdings Plc[1]	21,33%
Poppy SARL	17,30%
Wargaming Group Limited[2]	7,20%

Note 1: It is noted that Logicom Services Ltd, which has a direct holding of 3,33% in the Bank, also has a 29,62% holding in Demetra Holdings Plc whose holding in the Bank is specified in the above table.

Note 2: Wargaming Group Limited includes direct holding in the Bank of the Provident Fund of the Executive Directors of Wargaming and the Provident Fund of the Senior Management Personnel Wargaming.

Five (5) days prior to the date of approval of the Financial Statements by the Board, Shareholders holding more than 5% of the share capital, had in their possession CCS1 amounting to €770,1 thousand and CCS2 amounting to €37,9 million.

ENVIROMENTAL, SOCIAL AND GOVERNANCE (ESG)

As the world is moving towards a more sustainable future, the banking sector plays a pivotal role during this transition. Shareholders, regulators, governments and other key stakeholders recognise the urgency to act and are beginning to exert pressure on financial institutions to mobilise. From strategy setting to regulatory compliance and disclosures, ESG priorities are stipulated in response to the stakeholders and market expectations.

In that context, the Bank established a dedicated ESG department, within the Strategy and Transformation Division. The department is responsible for the Bank's strategic direction on ESG issues, as well as the development and implementation of the Bank's sustainability and ESG ambitions as part of its business model. With this set up and in the context of its evolution and transformation, the Bank invests further in sustainable development and is consistently designing its actions to improve its environmental and social impact, while ensuring robust corporate governance.

ESG Strategy
Transitioning to a more sustainable economy with the aim to deliver a positive impact to the environment and the society, entails both risks and opportunities. In this respect, the Bank is adopting a strategic approach towards sustainability and ESG. In December 2022, the Board of Directors approved a new ESG Strategy demonstrating the Bank's ongoing commitment to sustainability. The main drivers formulating the new ESG Strategy are the European and local strategies, the competitive environment, the evolving regulatory framework, and the sustainability materiality assessment. As a result, four pillars emerged, on which the Bank's ESG Strategy is based:

- Net-zero and energy efficient Bank
- Workforce of the future
- Resilience and performance
- Sustainable ecosystem

The underlying targets of the ESG strategic pillars, are aligned with international and European sustainability targets and frameworks, such as the UN Sustainable Development Goals (SDGs), the Paris Agreement and the EU Green Deal. Each strategic pillar is mapped to the relevant SDGs.

For the implementation of the ESG Strategy, the Bank sets clear and forward-looking targets with focus on the following primary goals:

- Become an energy efficient Bank and a climate neutral Bank by 2050
- Diversity & inclusion and Employee wellbeing
- Enhance Risk Management frameworks and disclosures
- Support customers and investors in their green transition
- Positive impact on community

Environmental and Energy Management
The Bank is committed to reduce its environmental impact and work closely with clients, employees, suppliers and other stakeholders, to employ practices that reduce the ecological footprint of the Bank and contribute to the protection of the environment by saving natural resources.

The Bank, in the context of its ESG strategy, continues to have a pioneering role in the field of energy management for its operations. It established and implemented Environmental and Energy Management Policy nine years ago, through which it has managed to reduce its annual electricity consumption and its Scope 2 CO_2 emissions. The energy performance of the Group continued to be impacted by the COVID-19 pandemic due to the adjusted air conditioning and ventilation systems operations More information on the performance of the Bank can be found in the ESG Impact Report.

Since the beginning of 2015 the Bank has been certified with the international standard ISO 50001 Energy Management System, the first organization in Cyprus to achieve such a certification. The Bank has also successfully transitioned to the new requirements of the ISO50001 standard in October 2020. The ISO 50001 Energy Management System is implemented within the Group and its success depends to a great extent on the awareness, contribution and involvement of its staff. The Energy Management system is implemented to all services and related buildings of the Group and provides a systematic approach towards the continuous improvement of energy performance, including efficient energy use and consumption as well as the minimization of CO_2 emissions.

The continued implementation of rational and prudent energy management provides significant benefits, such as the energy saving and the reduction of energy consumption and cost, as well as the promotion of an environmentally friendly culture, something which makes the Group stand out.

ESG risks and opportunities
The Bank's holistic approach to sustainability and ESG is combining financial performance with environmental and social responsibility as well as sound governance practices. The relevant ESG principles are taken into consideration when evaluating business risks and opportunities as this will add value to the Bank's stakeholders.

Withing the Bank's efforts to support its customers in their green transition, the Bank is offering green retail products with favourable pricing for electric/hybrid cars and energy efficient homes. Also, the majority of credit/debit cards issued are made of biodegradable, environmentally friendly material. For Corporates and SMEs the Bank provides green project financing through the growgreen initiative by offering credible consultation and guidance. The Bank is seeking to provide more green products and services to cover its customer needs, both individuals and businesses. An open communication is maintained with the relevant stakeholders for the implementation of the Recovery and Resilience Plan of Cyprus, where a joint effort is made to combine financing from the banking sector with the corresponding governmental grants. In relation to the investor's side and given the market focus on sustainable investments, the Bank is in the process of establishing a Sustainable Bond Framework for the issuance of sustainable bonds.

As part of the management of ESG risks and in line with regulatory expectations (ECB's Guide on Climate-related and environmental risks), the Bank developed in 2021 a climate-related and environmental Risks Action Plan (the "CE risk Action Plan). The CE risk Action Plan is a road map for the integration of climate and environmental risks within business strategy and governance, risk management frameworks and disclosures. Embedding climate and environmental risks as well as the remaining aspects of the ESG principles, across the Bank is a dynamic process. During 2022, the Bank has revised the CE Action Plan to ensure alignment with the ongoing developments and to address any gaps identified through the ECB's thematic review. The implementation is progressing steadily, with most of the milestones to be completed within 2023.

Governance and ESG reporting
The Bank ensures an effective oversight of ESG risks with an adequate governance structure and allocation of the ESG roles and responsibilities across its three lines of defence and other affected units.

ESG is one of the initiatives of the Transformation Plan, with the objective of integrating ESG considerations into business strategy and culture, and implementation of the Climate and Environmental risk Action Plan. Hence the initiative's progress is closely monitored through the Transformation Plan governance.

The overall responsibility of the development and implementation of the ESG strategy lies with the Nominations/Internal Governance Board Committee. The Committee also reviews the Annual ESG Impact Report and recommends it for approval by the Board of Directors. The Bank's non-financial disclosures are aligned with the requirements of the Non-Financial Reporting Directive (NFRD) and are prepared using the Global Reporting Initiative (GRI) standards. The Bank's non-financial disclosures are issued annually, through the ESG Impact Report, within six months after the end of the reporting period.

During 2022, in the context of its robust governance practices, the Bank proceeded with the enhancement of its policy framework to accommodate the relevant ESG developments including among others the development of an ESG Policy and a Green Lending Policy. Within its ESG policy, the Bank is setting all relevant principles and applicable requirements to ensure the adoption of environmentally sustainable and socially responsible practices across its operations, including implementing appropriate governance and culture. The Bank's ESG Policy, sets out the framework for the effective management and monitoring of ESG associated risks, including the relevant governance arrangements and control mechanisms embedded in the overall operating model, in line with ECB's "Guide on Climate-related and environmental risks". In addition, the Bank Green Lending Policy, as part of the Credit Policy, aims to establish and maintain a prudent and disciplined framework for the assessment of green lending and classification of credit facilities into green lending. The policy provides an effective tool for channelling credit to activities with positive environmental impact and thereby contribute to the achievement of Bank's environmental objectives, in line with its ESG Strategy.

Additional information on the ESG disclosures will be provided in the Pillar III disclosures for the year ended 31 December 2022, which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

NON-FINANCIAL INFORMATION DISCLOSURES

In line with the relevant legislation, the Bank is in the process of preparing an ESG Impact Report, which as per current legislation is required to be submitted to the Registrar of Companies by 30 June 2023.

EMPLOYEE MATTERS

The Bank, acknowledging the benefits of harmonization of employment terms amongst its employees and with the aim of maintaining healthy industrial relations and attain industrial peace, continued its efforts to agree on a mutually beneficial Collective Agreement aligned with the Bank's Strategic Plan.

Until an agreement is reached in relation to the new Collective Agreement, the Bank, paid the annual increments for 2022 as per the Collective Agreement applicable for each employee. At the same time, the Bank continued the negotiations with the Unions, so that an agreement is reached through honest and constructive dialogue to the overall benefit of the employees, aiming to achieve the Bank's medium-term targets and have a successful transformation plan that will lead to a modern and financially healthy organization.

Also, within the year, adhering to its legal obligations and based on the guidance received by the Ministry of Labour & Social Insurance, the Bank proceeded to reinstate retrospectively from 2019, the salaries of affected ex-CCIs employees which they were reduced as from 1 January 2014 as per the Interim Collective Agreement dated 31 January 2014.

Based on the Bank's Transformation Plan and future business model, a restructuring and rightsizing was undertaken including the launch of a Voluntary Exit Scheme where approximately 450 employees have been departed (refer to Note 15 of the Financial Statements).

Following the Bank's successful completion of the acquisition of the performing loan portfolio from RCB Bank Limited ("RCB Bank"), fourteen (14) employees from RCB Bank who managed this portfolio were transferred to the Bank.

During 2022, with regards to our people development, emphasis has been given to the enhancement of knowledge and skills in a wide range of subjects and particularly on risk & compliance, credit courses, insurance related, change mindset related, training programs for developing the required skillset for newly appointed managerial/supervisory employees, as well as programs related to automation, Digital & Technology, and other specialized programs, including ESG related, among others. Following the post pandemic era, even though the majority of training programs continued to be conducted in the form of webinars, due to the significant efficiencies gained from the said training method, selected training programs were conducted with physical presence, in the cases that the latter method of training was deemed more appropriate, to ensure the maximum return on investment. E-learning continued to be utilized for the provision of courses in regulatory and compliance areas, including in the areas of anti-money laundering, anti-bribery, data protection, as well as in information and physical security subjects; specifically, 6 e-learning programs were conducted in 2022.

The Bank was honored by the Pancyprian Voluntary Coordinative Council (“PVCC”) and specifically the Corporate Volunteering Award was provided to our Bank for the #HBVolunteersChallenge campaign, which is organized on an annual basis by Human Resources with the support of all Divisions/Units, within the framework of the Pancyprian Volunteering Week. #HBVolunteersChallenge is now embedded in the Bank’s culture as an annual activity and its success rests on all employees and their generous contribution and involvement.

The Bank proceeded internally with the revamp of the annual Performance Appraisal System, in order to strengthen the value obtained through performance evaluation, as well as to keep up to date with global trends and best practices. Training sessions for the upgraded Performance Appraisal System were conducted for all appraisers (new and existing) and the new process will be launched in 2023, for the 2022 Performance Appraisal cycle.

Furthermore, with the aim to further simplify, automate and introduce agile HR processes, various HR procedures have been introduced in order to offer a better and direct employee service and experience (e.g., HR system upgrades, overtime automation, on boarding process for new employees, e-submission of sick and maternity leaves).

Various divisional reorganizations were affected during 2022, to ensure a more efficient structure, as well due to changes emanating from the Voluntary Exit Scheme. The main organizational changes were affected, among others, at Risk Management, Compliance Unit, Human Resources, as well as at Technology & Operations. Additionally, Hellenic Bank’s Representative Offices in Russia & Ukraine closed in fourth quarter of 2022.

An important cornerstone for delivering results is based on our constant efforts to build winning teams, through the successful identification and selection of the most suited candidate (from the internal and external marketplace) for filling job roles.

One of the many challenges during 2022 was the continuing staffing of specialized teams, like Technology and Digital division, to satisfy specific recruitment needs. Technology and Digital continue to be one of the major enablers for the Digital Transformation of the Organization to achieve a modern and streamlined workplace.

Due to the ongoing pandemic COVID-19, the Bank continued its high-level involvement in addressing health and safety issues amongst its employees. On-going communication was in place, advising employees of the preventing and protecting measures against the spread of COVID-19. Moreover, in an effort to further strengthen the precautionary measures against COVID-19, the Bank continued to encourage the Remote Working Policy in order to protect & safeguard health and safety issues.

The Bank is also committed in safeguarding gender equality and respect to human rights in the workplace with a number of policies and practices.

Specifically, the Key Function Holders' Diversity Policy has been introduced setting the principles and identifying specific diversity targets for persons holding Key Function Holder positions. The objective of the Policy is to ensure Diversity, Equity and Inclusion (DE&I) is taken into consideration in recruiting, selection and succession planning of the Key Function Holders' positions. The Bank aims to promote DE&I and, from this perspective, to ensure equal opportunities in the workplace, regardless of diverse profiles/demographics, including gender, sexual orientation, age, disability, race, ethnic origin or religion. In this respect, specific target relating to DE&I (i.e., Increase participation of diverse groups including but not limited to, under-represented gender participation in KFH positions), has been included in the ESG strategy, which has been approved by the Board of Directors in December 2022, amongst others, which should be achieved by June 2023 and necessary actions are currently taken to this direction. Moreover, the Code for Dealing with Harassment in the workplace has been reviewed/updated to take into consideration further good practices/regulations.

Moreover, the Code for Dealing with Harassment in the workplace has been reviewed/updated to take into consideration further good practices/regulations.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

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 February 2023, the Bank received notification from the Single Resolution Board (SRB) of its final 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) 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. Furthermore, the Bank must continue to meet a part of both MREL requirements equal to 16,57% of TREA and 5,91% of LRE that were set as intermediate targets in the previous resolution planning cycle for 1 January 2022. The own funds used by the Bank to meet the combined buffer requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk weighted assets.

Taking into consideration the applicable CBR requirements, as at 31 December 2022 the intermediate binding target for MREL requirements was 19,95% of TREA. As from 1 January 2023, the intermediate binding target for MREL requirements was 20,07% and the final target 27,88% of TREA to be met by 31 December 2025. From 30 November 2023, following the increase of the countercyclical capital buffer rate (CCyB) rate from 0% to 0,5%, the MREL requirements for the intermediate and the final targets will be 20,57% and 28,38% respectively.

The Group's MREL ratio as at 31 December 2022 was 23,2% of TREA and 6,4% of LRE. The MREL ratios disclosed include profits for the year ended 31 December 2022.

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, under its EMTN Programme (refer to Note 37 of the Financial Statements) and in March 2023 an additional amount of €200 million of Tier 2 capital was issued (refer to Note 52 of the Financial Statements).

Details on MREL are set out in the "Additional Risk and Capital management information for the year ended 31 December 2022" section of the Annual Financial Report.

COMPLIANCE WITH THE REQUIREMENTS OF EUROPEAN SECURITIES MARKET AUTHORITY (ESMA)

The Bank complied with the ESMA requirement for the preparation of its Financial Statements in the format of European Electronic Format (ESEF).

Financial Statements in the ESEF format are available on the Bank's website www.hellenicbank.com (Investor Relations).

PREPARATION OF PERIODIC REPORTS

The Group has in place an effective system of internal controls, the adequacy of which is evaluated at least annually by the Board of Directors and in more frequent intervals by the Board's Audit Committee, in respect of financial and operational systems as well as for compliance with any risk management regulations that may arise. The adequacy of the system of internal controls secures the validity of financial data and compliance with relevant legislation and aims to ensure the management of risks while providing reasonable assurance that no loss will incur.

The Group's internal control and risk management systems incorporate effective procedures aiming at the identification and prevention of errors, omissions or fraud that could result in material misstatements during the preparation of the Financial Statements and of the relevant disclosures which are included in the periodic reporting provided by the Group based on Part II of the Transparency Requirements Law (Securities admitted to trading on a Regulated Market) Laws of 2007 up to 2017.

SYSTEM OF INTERNAL CONTROL

The Board of Directors has ensured that the Bank maintained an effective System of Internal Control in 2022. The adequacy and effectiveness of the System of Internal Control are reviewed by the Board at least annually. The review covers all systems of internal control, including financial and operational systems, as well as compliance systems and systems for the management of risks that threaten the attainment of the Group's objectives.

In order to maintain an effective System of Internal Control, the relevant procedures have been designed for maintaining proper accounting records and for ensuring the accuracy, completeness and validity of the information provided to the Group's stakeholders. These procedures can only provide reasonable but not absolute assurance against material misstatement, errors, losses, fraud or breaches of laws and regulations.

The Audit Committee meets before the announcement of the results, to monitor the integrity, accuracy and reliability of the Group's quarterly and annual financial reporting process and Financial Statements as well as any formal announcements relating to the Group's financial performance, to assess the adequacy of the provisions in line with accounting policies and standards and to monitor the establishment of accounting policies and practices, paying particular attention to (i) changes to critical accounting policies and practices, (ii) decisions requiring a significant element of judgement and (iii) unusual transactions and how these are disclosed. It then proceeds with the relevant suggestions to the Board of Directors through a detailed memo.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are disclosed in Note 52 of the Financial Statements.

MANAGEMENT REPORT (continued)

BOARD OF DIRECTORS

The Members of the Board of Directors as at 31 December 2022 were the following:

Evripides A. Polykarpou	Non-Executive Chairman
Marco Comastri	Non-Executive Vice Chairman
Marianna Pantelidou Neophytou	Non-Executive Member of the Board
Stephen John Albutt	Non-Executive Member of the Board
Demetrios Efstathiou	Non-Executive Member of the Board
Kristofer Richard Kraus	Non-Executive Member of the Board
Marios Maratheftis	Non-Executive Member of the Board
Christos Themistocleous	Non-Executive Member of the Board
John Gregory Iossifidis	Non-Executive Member of the Board
Andreas Persianis	Non-Executive Member of the Board
Miranda Xafa	Non-Executive Member of the Board
Oliver Gatzke	Executive Member of the Board
Antonis Rouvas	Executive Member of the Board

During 2022 and until the date of this Report the changes in the Board of Directors of the Bank were as follows:

Mr Christos Themistocleous was not re-elected as Member of the Board of Directors of the Bank at the Annual General Meeting of the Shareholders held on 23 June 2021. On 1 July 2021, Mr Chr. Themistocleous was appointed as Interim Director by the Board of Directors, in accordance with Regulation 110 of the Bank's Articles of Association. On 10 February 2022, the Board of Directors terminated Mr Themistocleous' appointment as Interim Director and on the same day appointed him as an Independent Non-Executive Director of the Board of Directors of the Bank. Mr Themistocleous was re-elected as Member of the Board of Directors at the Annual General Meeting of the Shareholders held on 28 September 2022.

Mrs Miranda Xafa and Mr Kyriacos Riris were elected as Members of the Board of Directors of the Bank at the Annual General Meeting of the Shareholders held on 23 June 2021. Mrs M. Xafa was appointed as Independent Non-Executive Director on 14 February 2022, following the relevant consent of the European Central Bank / Central Bank of Cyprus. On 25 January 2022, the Bank announced that it had been notified by Mr K. Riris that he had withdrawn his interest to be appointed as a Member of the Board of Directors, for personal / professional reasons.

Mrs Marianna Pantelidou Neophytou resigned from the position of Non-Executive Member of the Board of Directors of the Bank with effect from 26 January 2023. Mr Christodoulos Hadjistavris was appointed as Non-Executive Member of the Board of Directors of the Bank, with effect from 26 January 2023, following consent by the European Central Bank/Central Bank of Cyprus.

At the Extraordinary General Meeting of the Shareholders of the Bank held on 31 August 2022, Regulation 108 of the Bank's Articles of Association was replaced so that paragraph 15(5) of the Internal Governance Directive to Credit Institutions of 2021 of the Central Bank of Cyprus, providing that "the appointed members of the management body are subject to re-election at the annual general meeting, every 3 years from the date of their appointment", is being complied with.

Furthermore, the existing Regulation 114 of the Bank's Articles of Association provides that "any director [appointed at any time and from time to time by the directors, either to fill a casual vacancy or as an addition to the existing directors,] shall hold office, only until the next following annual general meeting, and shall then be eligible for re-election". Hence, the retiring Director, who is eligible and will offer himself for re-election at the next Annual General Meeting of the Shareholders, is Mr Christodoulos Hadjistavris.

Reference to Directors' emoluments, fees and compensation is provided in Note 45 of the Financial Statements and in the Remuneration Policy Report for the year 2022, of the Annual Financial report.

MANAGEMENT REPORT (continued)

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

According to the Cyprus Securities and Stock Exchange Regulations and in accordance with the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the percentage shareholdings in the Bank's share capital owned by Members of the Board of Directors, their spouses, or/and relatives by blood up to first degree and companies in which they control directly and indirectly at least 20% of the voting rights at 31 December 2022 and the respective percentages as at 6 April 2023.

	31 December 2022			6 April 2023		
	Direct participation	Indirect participation	Total	Direct participation	Indirect participation	Total
Evripides A. Polykarpou	-	-	-	-	-	-
Marco Comastri	-	-	-	-	-	-
Marianna Pantelidou Neophytou	0,00302%	-	0,00302%	N/A	N/A	N/A
Stephen John Albutt	-	-	-	-	-	-
Demetrios Efstathiou	-	-	-	-	-	-
Kristofer Richard Kraus	-	-	-	-	-	-
Marios Maratheftis	-	-	-	-	-	-
Christos Themistocleous	-	0,0002%	0,0002%	-	0,00020%	0,00020%
John Gregory Iossifidis	-	-	-	-	-	-
Andreas Persianis	0,00250%	-	0,00250%	0,00250%	-	0,00250%
Miranda Xafa	-	-	-	-	-	-
Oliver Gatzke	-	-	-	-	-	-
Antonis Rouvas	-	-	-	-	-	-
Christodoulos Hadjistavris	N/A	N/A	N/A	-	-	-

The Members of the Board of Directors as at 31 December 2022 and as at 6 April 2023 did not hold any stake in the Bank's issued loan capital (31 December 2021: nil).

INDEPENDENT AUDITORS

The independent auditors Ernst & Young Cyprus Ltd have expressed their willingness to continue in office as the Bank's auditors.

A resolution authorizing the Board of Directors to appoint and fix their remuneration will be proposed at the next AGM.

On behalf of the Board of Directors,

Evripides A. Polykarpou
Chairman

Nicosia, 13 April 2023

CEO STATEMENT 2022 Results

Commenting on the Group's financial results for the year ended 31 December 2022, Mr. Oliver Gatzke, the Group's Chief Executive Officer, stated:

Despite the challenges caused by the war in the Ukraine and the inflationary pressures we managed to deliver a good set of financial results with a profit of €24,2 million for 2022 (compared to losses of €11,7 million for 2021). This exceeds our expectations and confirms the good progress in implementing our transformation towards a client centric and technology driven bank. Adjusted for extraordinary cost of the Voluntary Early Exit Scheme (VEES) we have achieved profit of €95,0 million which reflects the strength of our business model in a positive interest rate environment following the latest rate increases by the European Central Bank.

2022 Highlights

New lending during 2022 reached €1,2 billion, up 30% YoY, marking another record year for Hellenic Bank. Financing sectors such as health, education, energy, ICT, hospitality, transportation, and shipping remain a high priority to us, contributing to the competitiveness and productivity of the economy. Net interest income reached €300,8 million, up 17% YoY, while non-interest income for 2022 amounted to €113,4 million also demonstrating a 10% increase compared to 2021.

Other highlights of 2022 include:

- *The acquisition of around €346 million worth of performing loans from RCB, which significantly improved our corporate lending franchise*
- *the signing of 'Project Starlight' which reduces our NPEs by around €0,7 billion and the pro-forma NPE ratio, excluding the NPEs covered by the Asset Protection Scheme, to 3,6%. The Project was successfully competed on 30 March 2023.*
- *The reduction of our headcount by approximately 600 through the exit of temporary staff and permanent staff through a successful VEES*
- *The start of coupon payments to holders of Additional Tier 1 capital instruments*

2023 Outlook and Recent Developments

In March 2023 we successfully priced a new €200 million Tier 2 Subordinated Notes under our EMTN Programme. The total orderbook was almost 4,5 times oversubscribed. The high participation from investors demonstrates confidence in the Bank and re-affirms the market's appetite for the Bank's creditworthiness.

The issue of the Notes further enhances the Bank's capital structure and is expected to increase the Group's Total Capital Ratio from 20,6% as at 31 December 2022 to a pro forma ratio of 24,1%.

With a strong capital adequacy ratio well above the regulatory requirements, and ample liquidity (Liquidity Coverage Ratio of 444%), at a time of heightened volatility in the global markets, we are committed and well positioned to continue supporting our retail and business customers in the future.

The impact of our transformation plan, as well as higher global interest rates, give us confidence in achieving our medium-term ROTE (Return on Tangible Equity) target of at least 10% already in 2023, when we expect a profit before tax to be higher than €200 million, which translates into a ROTE before tax higher than 17%.

Our transformation journey remains on track to address structural challenges, unleash hidden potential, and underpin the deployment of our strategy on sustainable profitability. Decisive steps were taken toward digitalization, as well as streamlining the network of branches, processes and cost management, and further enhancing the digital channels in order to transform our Bank into a customer centric organization.

CEO STATEMENT 2022 Results (continued)

Furthermore, we enhance the profile of our loan book through healthy growth with a strong focus on Environmental, Social and Governance issues (ESG). For the implementation of the ESG Strategy, we set clear and forward-looking targets with focus on the following primary goals:

- *Become an energy efficient Bank and a climate neutral Bank by 2050*
- *Diversity & inclusion and Employee wellbeing*
- *Enhance Risk Management frameworks and disclosures*
- *Support customers and investors in their green transition*
- *Positive impact on community*

I sincerely want to thank our Board of Directors and shareholders for the continuous support and assure them that the Hellenic Bank team remains fully committed to achieving its goals and strategic objectives. I also extend my great appreciation to our people: Those who left the Bank for their valuable services and commitment for all their years of service and those who remain at the Bank and for their resilience, hard work and successful handling the high volume of work after the exit scheme.

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Independent Auditor's Report

To the Members of Hellenic Bank Public Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Hellenic Bank Public Company Limited (the "Bank") and its subsidiaries (together with the Bank the "Group") and separate financial statements of the Bank, which are presented in pages 33 to 212 and comprise the consolidated statement of financial position of the Group and the statement of financial position of the Bank as at 31 December 2022, and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows of the Group and income statement, statements of comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2022, and of their financial performance and their 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.

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 and Separate Financial Statements* section of our report. We remained independent of the Group and the Bank 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 and separate financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the Key Audit Matter

Expected credit losses on loans and advances to customers
 	
As at 31 December 2022, gross loans and advances to customers amounted to €6.222.929 thousand and the related expected credit losses (ECL) amounted to €189.659 thousand.
 	
Refer to Note 22 of the consolidated and separate financial statements for the relevant disclosures.
 	
As at 31 December 2022, gross loans and advances to customers classified as held for sale amounted to €740.289 thousand and the related expected credit losses amounted to €548.627 thousand.
 	
Refer to Note 31 of the consolidated and separate financial statements for the relevant disclosures.
 	
The relevant accounting policy is presented in Note 4.16.5 of the consolidated and separate financial statements.
 	
Management exercises significant judgement, using subjective assumptions when determining the amount of the ECL for loans and advances to customers.
 	
Management exercises significant level of judgment and estimates for the below areas:
 	
• The allocation of loans and advances to customers to Stages 1, 2 or 3 using criteria in accordance with IFRS 9;
• The inputs, assumptions and probability weightings assigned to multiple economic scenarios;
	We have performed, among others, the following audit procedures:
	
	• Updated our understanding and performed walkthroughs of the processes relevant to the calculation of ECL to identify key systems, applications and controls within the processes.
	• Performed test of controls across the processes relevant to the calculation of ECL.
	• Inspected the key technical papers such as the ECL policy and involved our financial risk specialists to read the methodology of the Bank used for the calculation of impairment and assess whether it is in accordance with IFRS 9.
	• With the assistance of our financial risk specialists, we performed the following:
	    o Assessed whether the coding of the Bank's ECL tool, in relation to the Probability of Default (PDs), is in line with the Bank's methodology;
	    o Tested the Loss Given Default (LGD) calculation by independently reconstructing the model used in accordance with the Bank's methodology; and
	    o Reperformed the Exposure at Default (EAD) calculation for a sample of facilities.
	• Selected a sample of collateral valuations and engaged a property valuation specialist to assess whether the value recognized by the Bank is reasonable.
	• Analysed and evaluated the criteria used to allocate loans and advances

• Management overlays used in the ECL calculation to address the uncertainty over the impact of the Russia/Ukraine conflict; • The identification and measurement of ECL for loans and advances to customers which were individually assessed; and • The measurement of ECL for loans and advances to customers that were classified as held for sale. Refer to Note 5.1 to the consolidated and separate financial statements for the significant judgments and estimates used in the calculation of ECL. We consider this to be a key audit matter due to the fact that a significant level of judgment is exercised by management in estimating the expected credit losses on loans and advances to customers. Furthermore, we consider this to be a key audit matter, as loans and advances to customers are a significant part of the Company's and Group's total assets.	to customers to Stage 1, 2 or 3 in accordance with IFRS 9. Specifically, we have selected a sample of loans and advances to customers in Stage 1, 2 or 3 to verify that they were allocated to the appropriate stage. • Assessed whether the main assumptions used for the calculation of ECL such as the probability weightings assigned to multiple economic scenarios are reasonable. • Selected a sample of loans and advances to customers, which were collectively assessed, and tested that the inputs used in the ECL calculation, such as liquidation haircuts and liquidation date, are in accordance with the Bank's policy. • Assessed whether any management overlays/underlays used in the ECL calculation to address uncertainty over the impact of the Russia/Ukraine conflict are reasonable. • Performed analytical procedures on the ECL recognised, including ratio analysis on staging to assess the reasonableness of the ECL recognised by the Bank. • Read the minutes of the Impairment Committee meetings where the inputs, assumptions and ECL adequacy were discussed and approved. • Read the minutes of the Board of Directors where decisions were made in relation to loans and advances to customers that were classified as held for sale. • Assessed the method used by the Bank in estimating the expected credit losses with respect to the loans and advances to customers that were classified as held for sale, obtained supporting evidence for the inputs used in the calculation and assessed the reasonableness of the assumptions used.

	• Tested a sample of the individually assessed loan files performed by the Bank and assessed the measurement of the provisions including the main assumptions and inputs used, such us collateral value, liquidation date and estimated cash flows. • Selected a sample of loans and advances to customers and assessed whether they have been correctly allocated to either the collectively assessed loans or the individually assessed loans. • Assessed the adequacy of disclosures against the relevant accounting standards.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Financial Report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate 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 and Separate Financial Statements

The Board of Directors is responsible for the preparation of consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Group's and the Bank'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 Bank or to cease the Group's 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 and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Bank's and 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 Bank's and 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 and separate 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 Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient and 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 and separate 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 Bank and the Group on 23 June 2021 by the Annual General Meeting of the shareholders. Our appointment will be renewed annually by shareholder resolution. The total period of uninterrupted engagement appointment is two (2) years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 5 April 2023 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 Bank and the Group, and which have not been disclosed in the consolidated and separate financial statements or the management report.

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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 consolidated and separate financial statements.
- In light of the knowledge and understanding of the Bank and 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 management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the Corporate Governance Report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated and separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the Corporate Governance Report includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Bank and 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 Corporate Governance Report in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank'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 Savvas Pentaris.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

13 April 2023
Nicosia

HELLENIC BANK

Financial Statements

For the year ended 31 December 2022

HELLENIC BANK GROUP
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Turnover	4.6	**465.686**	402.256
Continuing Operations			
Interest income calculated using the effective interest method	6	**330.853**	288.154
Other interest income	6	**10.525**	1.837
Interest expense calculated using the effective interest method	7	**(36.281)**	(26.730)
Other interest expense	7	**(4.336)**	(7.257)
Net interest income		**300.761**	256.004
Fee and commission income	8	**82.624**	67.475
Fee and commission expense	9	**(10.944)**	(9.301)
Net fee and commission income		**71.680**	58.174
Net gains on disposal and revaluation of foreign currencies and financial instruments	10	**2.728**	5.028
Net income from insurance operations	11	**25.520**	23.209
Other income	12	**13.436**	16.553
Total net income		**414.125**	358.968
Staff costs	13	**(147.204)**	(133.744)
Restructuring costs	15	**(70.860)**	-
Depreciation and amortisation	27 29	**(24.693)**	(24.562)
Administrative and other expenses	14	**(108.447)**	(105.174)
Total expenses		**(351.204)**	(263.480)
		62.921	95.488
Net (losses)/gains on derecognition of financial assets measured at amortised cost		**(236)**	5.869
Impairment losses on financial instruments	16	**(18.506)**	(102.041)
Impairment losses on non financial assets	16	**(6.796)**	(6.316)
		37.383	(7.000)
Negative goodwill	41	**4.782**	-
Profit/(loss) before taxation		**42.165**	(7.000)
Taxation	17	**(10.522)**	2.695
Profit/(loss) for the year from continuing operations		**31.643**	(4.305)
Discontinued Operations			
Loss for the year from discontinued operations	18	**(7.458)**	(7.373)
Profit/(loss) for the year		**24.185**	(11.678)
Profit/(loss) attributable to:			
Shareholders of the parent company from continuing operations		**31.644**	(4.307)
Shareholders of the parent company from discontinued operations		**(7.458)**	(7.373)
Non-controlling interests		**(1)**	2
Profit/(loss) for the year		**24.185**	(11.678)
Earnings/(loss) per share (€cent)			
Basic earnings/(loss) per share (€cent)	19	**5,86**	(2,83)
Diluted earnings/(loss) per share (€cent)	19	**5,59**	(2,83)
Earnings/(loss) per share (€cent) for continuing operations			
Basic earnings/(loss) per share (€cent) from continuing operations	19	**7,67**	(1,04)
Diluted earnings/(loss) per share (€cent) from continuing operations	19	**7,31**	(1,04)

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Profit/(loss) for the year		**24.185**	(11.678)
Other comprehensive income			
Items that will not be reclassified in the income statement			
Taxation relating to components of other comprehensive income	40	**1.590**	(196)
Net revaluation gain of investments in equity securities at fair value through other comprehensive income	40	**2.304**	1.820
		3.894	1.624
Items that are or may be reclassified subsequently in the income statement			
Transfer to the income statement on disposal of investments in debt securities at fair value through other comprehensive income	40	**60**	44
Net revaluation loss of investments in debt securities measured at fair value through other comprehensive income	40	**(8.484)**	(5.120)
		(8.424)	(5.076)
Other comprehensive expenses		**(4.530)**	(3.452)
Total comprehensive income/(expenses) for the year		**19.655**	(15.130)
Total comprehensive income/(expenses) for the year attributable to:			
Shareholders of the parent company		**19.656**	(15.132)
Non-controlling interests		**(1)**	2
		19.655	(15.130)

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	**2022 €'000**	2021 €'000
Assets			
Cash and balances with Central Banks	20,44	**8.468.074**	7.346.224
Placements with other banks	21,44	**281.339**	414.094
Loans and advances to customers	22	**6.033.270**	5.732.107
Debt securities	23	**4.423.949**	4.463.491
Equity securities and collective investment units	25	**107.167**	94.485
Property, plant and equipment	27	**167.177**	180.366
Stock of property	28	**130.535**	169.414
Intangible assets	29	**43.652**	46.624
Tax receivable		**4.270**	2.871
Assets and disposal group held for sale	18, 31	**209.866**	253.906
Other assets	32	**119.284**	132.526
Total assets		**19.988.583**	18.836.108
Liabilities			
Deposits by banks	33	**108.027**	122.464
Funding by Central Banks	34	**2.278.377**	2.293.931
Customer deposits and other customer accounts	35	**15.928.247**	14.941.933
Tax payable		**4.614**	2.568
Deferred tax liability	30	**9.254**	9.890
Liabilities and disposal group held for sale	18, 31	**1.631**	2.885
Other liabilities	36	**305.575**	226.603
Loan capital	37	**232.347**	129.666
Total liabilities		**18.868.072**	17.729.940
Equity			
Share capital	38	**206.403**	206.403
Reserves	38, 39, 40	**914.095**	899.751
Equity attributable to shareholders of the parent company		**1.120.498**	1.106.154
Non-controlling interests		**13**	14
Total equity		**1.120.511**	1.106.168
Total liabilities and equity		**19.988.583**	18.836.108

The Consolidated Financial Statements have been approved by the Board of Directors on 13 April 2023.

Dr Evripides A. Polykarpou Chairman of the Board of Directors	Oliver Gatzke Chief Executive Officer	Christos Themistocleous Chairman of the Audit Committee of the Board	Antonis K. Rouvas Chief Financial Officer

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to shareholders of the parent company							
	Share capital (Note 38) €'000	Reduction of share capital reserve (Note 38) €'000	Share premium reserve (Note 38) €'000	Retained earnings (Note 39) €'000	Revaluation reserves (Note 40) €'000	Total attributable to shareholders of the parent company €'000	Non-controlling interests (Note 26) €'000	Total equity €'000
Balance 1 January 2022	206.403	260.269	553.414	28.432	57.636	**1.106.154**	14	**1.106.168**
Total comprehensive income for the year net of taxation								
Profit/(loss) for the year	-	-	-	24.186	-	**24.186**	(1)	**24.185**
Other comprehensive expenses for the year end	-	-	-	-	(4.530)	**(4.530)**	-	**(4.530)**
Transfer due to disposal of immovable property	-	-	-	842	(842)	**-**	-	**-**
Transfer of excess depreciation on revaluation surplus	-	-	-	116	(116)	**-**	-	**-**
	-	-	-	25.144	(5.488)	**19.656**	(1)	**19.655**
Transactions with shareholders								
Contributions and distributions								
Defence on deemed dividend distribution	-	-	-	(5.312)	-	**(5.312)**	-	**(5.312)**
	-	-	-	(5.312)	-	**(5.312)**	-	**(5.312)**
Balance 31 December 2022	206.403	260.269	553.414	48.264	52.148	**1.120.498**	13	**1.120.511**

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to shareholders of the parent company							
	Share capital (Note 38) €'000	Reduction of share capital reserve (Note 38) €'000	Share premium reserve (Note 38) €'000	Retained earnings (Note 39) €'000	Revaluation reserves (Note 40) €'000	Total attributable to shareholders of the parent company €'000	Non-controlling interests (Note 26) €'000	Total equity €'000
Balance 1 January 2021	206.403	260.269	553.414	46.167	61.600	**1.127.853**	12	**1.127.865**
Total comprehensive expenses for the year net of taxation								
(Loss)/profit for the year	-	-	-	(11.680)	-	**(11.680)**	2	**(11.678)**
Other comprehensive expenses for the year end	-	-	-	-	(3.452)	**(3.452)**	-	**(3.452)**
Transfer of excess depreciation on revaluation surplus	-	-	-	512	(512)	**-**	-	**-**
	-	-	-	(11.168)	(3.964)	**(15.132)**	2	**(15.130)**
Transactions with shareholders								
Contributions and distributions								
Defence on deemed dividend distribution	-	-	-	(6.567)	-	**(6.567)**	-	**(6.567)**
	-	-	-	(6.567)	-	**(6.567)**	-	**(6.567)**
Balance 31 December 2021	206.403	260.269	553.414	28.432	57.636	**1.106.154**	14	**1.106.168**

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Cash flow from operating activities			
Profit/(loss) for the year from continuing operations		**31.643**	(4.305)
Loss for the year from discontinued operations		**(7.458)**	(7.373)
Profit/(loss) for the year		**24.185**	(11.678)
Net gains/(losses) on derecognition of financial assets measured at amortised cost		**236**	(5.869)
Impairment losses on financial instruments	16	**18.506**	102.041
Impairment losses on non financial assets	16	**6.796**	6.316
Depreciation of property, plant and equipment and amortisation of intangible assets	18, 27, 29	**24.752**	24.636
Loss on disposal and write offs of property, plant and equipment and intangible assets		**649**	256
Loss on disposal and revaluation of investments in debt and equity securities and collective investment units		**11.482**	8.201
Interest expense on lease liability	7	**380**	376
Loss on derecognition of lease liability		**25**	145
Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings	14	**(474)**	(1.179)
Interest income from other financial assets	6	**(114)**	-
Net losses/(gains) from revaluation of investment properties	12	**390**	(183)
Interest income from indemnification assets	6	**(186)**	(184)
Net gain from the disposal of stock of property	12	**(6.650)**	(6.498)
Interest income from debt securities	6	**(61.445)**	(68.294)
Dividend income	12	**(2.261)**	(1.046)
Interest expense on loan capital	7	**7.703**	-
Negative goodwill	41	**(4.782)**	-
Negative interest on funding by Central Banks	6	**(19.643)**	(6.069)
Interest expense on funding by Central Banks		**4.089**	-
Taxation	17, 18	**10.827**	(2.397)
Net cash generated from operating activities before working capital changes		**14.465**	38.574
Decrease in loans and advances to customers		**61.519**	3.213
Decrease in loans and advances to customers held for sale		**23.195**	-
Increase in other assets and disposal group assets		**(2.854)**	(3.333)
Increase in customer deposits and other customer accounts		**964.572**	762.207
Increase/(decrease) in other liabilities and liabilities held for sale		**69.881**	(13.049)
Decrease/(increase) in placements with other banks		**111.620**	(15.214)
Increase in obligatory reserves with Central Banks		**(3.926)**	(6.801)
Decrease in deposits by banks		**(14.437)**	(20.296)
Proceeds from the disposal of loans and advances		**-**	8.698
Prepayment received from disposal of loans and advances		**8.125**	-
Proceeds from the disposal of stock of property		**43.597**	51.164
Proceeds from the disposal of stock of property held for sale		**3.992**	-
Net cash from operating activities before taxation		**1.279.749**	805.163
Tax paid		**(9.599)**	(16.206)
Net cash from operating activities		**1.270.150**	788.957
Cash flow from investing activities			
Payments for the acquisition of part of RCB Bank banking operations	41	**(318.087)**	-
Dividend received		**2.093**	1.046
Interest received from debt securities		**83.440**	98.349
Additions of investments in debt securities		**(1.112.178)**	(661.094)
Proceeds from the disposal/maturity/redemption of investments in debt securities		**1.131.053**	1.193.943
Additions of investments in equity securities and collective investment units		**(30.854)**	(14.845)
Proceeds from the disposal of investments in equity securities and collective investment units		**14.695**	10.674
Additions of property, plant and equipment	27	**(3.122)**	(8.638)
Additions of intangible assets	29	**(7.810)**	(8.548)
Proceeds from the disposal of property, plant and equipment		**100**	27
Net cash (used in)/from investing activities		**(240.670)**	610.914
Cash flow from financing activities			
Payments of lease liability	36	**(2.562)**	(2.979)
Net proceeds from the issue of loan capital		**98.250**	-
Net proceeds from the funding from Central Banks		**-**	2.300.000
Payment on defence on deemed dividend distribution		**(8.056)**	-
Interest paid on loan capital	7	**(3.272)**	-
Net cash from financing activities		**84.360**	2.297.021
Net increase in cash and cash equivalents		**1.113.840**	3.696.892
Effect of exchange rate fluctuations on cash and cash equivalents		**(36.540)**	(32.017)
Cash and cash equivalents at the beginning of the year	44	**7.459.643**	3.794.768
Cash and cash equivalents at the end of the year	44	**8.536.943**	7.459.643

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 €'000**	2021 €'000
Turnover	4.6	**453.590**	389.814
Interest income calculated using the effective interest method	6	**330.833**	288.199
Other interest income	6	**10.525**	1.990
Interest expense calculated using the effective interest method	7	**(36.238)**	(26.628)
Other interest expense	7	**(4.336)**	(7.257)
Net interest income		**300.784**	256.304
Fee and commission income	8	**81.602**	68.532
Fee and commission expense	9	**(8.168)**	(6.342)
Net fee and commission income		**73.434**	62.190
Net gains on disposal and revaluation of foreign currencies and financial instruments	10	**6.106**	5.227
Other income	12	**24.524**	25.866
Total net income		**404.848**	349.587
Staff costs	13	**(140.257)**	(126.806)
Restructuring costs	15	**(66.423)**	-
Depreciation and amortisation	27, 29	**(23.865)**	(24.107)
Administrative and other expenses	14	**(117.535)**	(114.872)
Total expenses		**(348.080)**	(265.785)
		56.768	83.802
Net (losses)/gains on derecognition of financial assets measured at amortised cost		**(236)**	5.869
Impairment losses on financial instruments	16	**(18.170)**	(102.361)
Impairment losses on non financial assets	16	**(6.796)**	(6.289)
		31.566	(18.979)
Negative goodwill	41	**4.782**	-
Profit/(loss) before taxation		**36.348**	(18.979)
Taxation	17	**(8.578)**	4.170
Profit/(loss) for the year		**27.770**	(14.809)
Earnings/(loss) per share (€cent)			
Basic earnings/(loss) per share (€cent)	19	**6,73**	(3,59)
Diluted earnings/(loss) per share (€cent)	19	**6,42**	(3,59)

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022** €'000	2021 €'000
Profit/(loss) for the year		**27.770**	(14.809)
Other comprehensive expenses			
Items that will not be reclassified in the income statement			
Taxation relating to components of other comprehensive income	40	**1.811**	(196)
Net revaluation gain of investments in equity securities at fair value through other comprehensive income	40	**2.304**	1.820
		4.115	1.624
Items that are or may be reclassified subsequently in the income statement			
Transfer to the income statement on disposal of investments in equity securities at fair value through other comprehrnsive income	40	**60**	-
Net revaluation loss of investments in debt securities at fair value through other comprehensive income	40	**(8.072)**	(5.117)
		(8.012)	(5.117)
Other comprehensive expenses for the year net of taxation		**(3.897)**	(3.493)
Total comprehensive income/(expenses) for the year		**23.873**	(18.302)

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	**2022 €'000**	2021 €'000
Assets			
Cash and balances with Central Banks	20,44	**8.468.074**	7.346.224
Placements with other banks	21,44	**272.126**	396.925
Loans and advances to customers	22	**6.033.270**	5.732.107
Debt securities	23	**4.417.175**	4.463.198
Equity securities	25	**30.610**	28.754
Investments in subsidiary companies	26	**98.881**	113.412
Property, plant and equipment	27	**154.736**	168.082
Stock of property	28	**75.796**	100.442
Intangible assets	29	**26.986**	30.188
Tax receivable		**4.952**	2.741
Assets and disposal group held for sale	18, 31	**217.000**	260.887
Other assets	32	**78.100**	92.341
Total assets		**19.877.706**	18.735.301
Liabilities			
Deposits by banks	33	**108.027**	122.464
Funding by Central Banks	34	**2.278.377**	2.293.931
Customer deposits and other customer accounts	35	**15.928.247**	14.941.933
Amounts due to subsidiary companies	26	**14.295**	14.097
Tax payable		**4.547**	2.386
Deferred tax liability	30	**8.852**	9.709
Liabilities and disposal group held for sale	18, 31	**792**	1.706
Other liabilities	36	**197.747**	133.495
Loan capital	37	**232.347**	129.666
Total liabilities		**18.773.231**	17.649.387
Equity			
Share capital	38	**206.403**	206.403
Reserves	38, 39, 40	**898.072**	879.511
Total equity		**1.104.475**	1.085.914
Total liabilities and equity		**19.877.706**	18.735.301

The Financial Statements have been approved by the Board of Directors on 13 April 2023.

Dr Evripides A. Polykarpou Chairman of the Board of Directors	Oliver Gatzke Chief Executive Officer	Christos Themistocleous Chairman of the Audit Committee of the Board	Antonis K. Rouvas Chief Financial Officer

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital (Note 38) €'000	Reduction of share capital reserve (Note 38) €'000	Share premium reserve (Note 38) €'000	Retained earnings (Note 39) €'000	Revaluation reserves (Note 40) €'000	Total equity €'000
Balance 1 January 2022	206.403	260.269	553.281	10.704	55.257	**1.085.914**
Total comprehensive income for the year net of taxation						
Profit for the year	-	-	-	27.770	-	**27.770**
Other comprehensive expenses	-	-	-	-	(3.897)	**(3.897)**
Transfer of excess depreciation on revaluation surplus	-	-	-	116	(116)	**-**
Transfer due to disposal of immovable property	-	-	-	975	(975)	**-**
	-	-	-	28.861	(4.988)	**23.873**
Transactions with shareholders						
Contributions and distributions						
Defence on deemed dividend distribution	-	-	-	(5.312)	-	**(5.312)**
	-	-	-	(5.312)	-	**(5.312)**
Balance 31 December 2022	206.403	260.269	553.281	34.253	50.269	**1.104.475**

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital (Note 38) €'000	Reduction of share capital reserve (Note 38) €'000	Share premium reserve (Note 38) €'000	Retained earnings (Note 39) €'000	Revaluation reserves (Note 40) €'000	Total equity €'000
Balance 1 January 2021	206.403	260.269	553.281	31.568	59.262	**1.110.783**
Total comprehensive expenses for the year net of taxation						
Loss for the year	-	-	-	(14.809)	-	**(14.809)**
Other comprehensive expenses	-	-	-	-	(3.493)	**(3.493)**
Transfer of excess depreciation on revaluation surplus	-	-	-	512	(512)	**-**
	-	-	-	(14.297)	(4.005)	**(18.302)**
Transactions with shareholders						
Contributions and distributions						
Defence on deemed dividend distribution	-	-	-	(6.567)	-	**(6.567)**
	-	-	-	(6.567)	-	**(6.567)**
Balance 31 December 2021	206.403	260.269	553.281	10.704	55.257	**1.085.914**

The notes on pages 45 to 212 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Cash flow from operating activities			
Profit/(loss) for the year		**27.770**	(14.809)
Net (losses)/gains on derecognition of financial assets measured at amortised cost		**236**	(5.869)
Impairment losses on financial instruments	16	**18.170**	102.361
Impairment losses on non financial assets	16	**5.173**	4.341
Impairment losses on the cost of investment of a subsidiary company	16	**1.623**	1.948
Depreciation of property, plant and equipment and amortisation of intangible assets	27, 29	**23.865**	24.107
Loss on disposal and write-offs of property, plant and equipment and intangible assets		**646**	238
Loss on disposal and revaluation of investments in debt and equity securities		**5.978**	8.760
Interest expense on lease liability	7	**379**	357
Net gains from revaluation of investment properties	12	**350**	(572)
Interest income from indemnification assets	6	**(186)**	(184)
Loss on derecognition of lease liability		**11**	144
Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings	14	**(297)**	(1.034)
Interest income from other financial assets	6	**(114)**	-
Negative interest on funding by Central Banks	6	**(19.643)**	(6.069)
Interest expense on funding by Central Banks		**4.089**	-
Interest income from debt securities	6	**(61.403)**	(68.294)
Dividend income	12	**(12.884)**	(8.909)
Net gain from the disposal of stock of property	12	**(5.580)**	(6.244)
Interest expense on loan capital	7	**7.703**	-
Negative goodwill	41	**(4.782)**	-
Gain from disposal of subsidiary	12	**(899)**	(799)
Taxation	17	**8.578**	(4.170)
Cash (used in)/generated from operating activities before working capital changes		**(1.217)**	25.303
Decrease in loans and advances to customers		**61.519**	3.241
Decrease in loans and advances to customers (classified as assets held for sale)		**23.195**	-
Increase in other assets		**(2.023)**	(1.198)
Increase in customer deposits and other customer accounts		**964.572**	762.210
Increase/(decrease) in other liabilities and liabilities held for sale		**56.209**	(10.223)
Decrease/(increase) in placements with other banks		**111.618**	(15.965)
Increase in obligatory reserves with Central Banks		**(2.958)**	(6.523)
Decrease in deposits by banks		**(14.437)**	(20.296)
Increase/(decrease) in amounts due to subsidiary companies		**198**	(5.065)
Proceeds from the disposal of loans and advances		**-**	8.698
Prepayment received from disposal of loans and advances		**8.125**	-
Proceeds from the disposal of stock of property		**28.865**	39.189
Proceeds from the disposal of stock of property (classified as assets held for sale)		**3.992**	-
Net cash from operating activities before taxation		**1.237.658**	779.371
Tax paid		**(8.216)**	(14.388)
Net cash from operating activities		**1.229.442**	764.983
Cash flow from investing activities			
Payments for the acquisition of part of RCB Bank banking operations		**(318.087)**	-
Net increase in investment in subsidiary companies	26	**(1.524)**	(1.124)
Net proceeds from the disposal of investment in subsidiary companies		**14.731**	11.974
Dividend received		**12.716**	8.909
Interest received from debt securities		**83.408**	98.349
Additions of investments in debt securities		**(1.085.997)**	(661.094)
Additions of investments in equity securities		**-**	(34)
Proceeds from the disposal/maturity/redemption of investments in debt securities		**1.111.764**	1.193.473
Proceeds from the disposal of equity securities		**162**	-
Additions of property, plant and equipment	27	**(2.794)**	(8.263)
Additions of intangible assets	29	**(7.055)**	(7.384)
Proceeds from the disposal of Investment properties		**526**	-
Proceeds from the disposal of property, plant and equipment		**100**	27
Net cash (used in)/from investing activities		**(192.050)**	634.833
Cash flow from financing activities			
Payments of lease liability	36	**(2.518)**	(2.980)
Net proceeds from the funding from Central Banks		**-**	2.300.000
Net proceeds from the issue of loan capital		**98.250**	-
Payment of defence on deemed dividend distribution		**(8.056)**	-
Interest paid on loan capital	7	**(3.272)**	-
Net cash from financing activities		**84.404**	2.297.020
Net increase in cash and cash equivalents		**1.121.796**	3.696.836
Foreign exchange difference		**(36.540)**	(32.017)
Cash and cash equivalents at the beginning of the year		**7.442.474**	3.777.655
Cash and cash equivalents at the end of the year	44	**8.527.730**	7.442.474

The notes on pages 45 to 212 form an integral part of the Financial Statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

Hellenic Bank Public Company Limited (the "Bank") was incorporated and is domiciled in Cyprus and is a public company in accordance with the provisions of the Cyprus Companies Law (Cap. 113), the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank's registered office is located 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 principal activity of the Group continued to be the provision of a wide range of banking and financial services, which include financial, investment and insurance services, custodian and factoring services and management and disposal of properties, predominantly acquired in debt satisfaction.

The Financial Statements have been prepared in both the English and the Greek language. In case of a difference or inconsistency between the two, the English version prevails.

2. GOING CONCERN

Management applied the going concern principle for the preparation of the Consolidated Financial Statements ("Financial Statements") as at for the year ended 31 December 2022. For assessing the appropriateness of the application of this principle, Management considered the Strategic Plan approved by the Board on 20 December 2022 which presented the Bank's business objectives and strategies for achieving those objectives as well as the Medium-Term financial targets of the Bank. Management also considered a wide range of information relating to current and future economic developments based on which adverse scenarios were formulated and the impact on profitability, cash flows, capital and liquidity requirements were assessed.

The main macroeconomic developments that could cause uncertainties regarding the application of this principle relate to the impact that the ongoing Russia/Ukraine conflict has on the global economy and on the increased inflation rates that accelerated in the second quarter of the year and the recent developments triggered by the collapse of US Banks. Management closely monitors the developments and the impact they may have on the Group's operations and financial performance.

Based on the above and taking into account (refer to Additional Risk and Capital Management information):

- the solid capital position with Capital adequacy ratio and CET 1 ratio of 20,57% and 18,28%, respectively, significantly above minimum capital requirements;
- the ample liquidity position of the Bank with LCR at 444%;
- the completion of the Project Starlight on 30 March 2023 (refer to Note 31) and the completion of the Transaction with RCB Bank for the acquisition of €346 million (fair value) performing loan portfolio (refer to Note 41) which led to an improvement of the NPL ratio;
- the comprehensive Transformation Plan in effect which aims at cost reduction, restructuring and rightsizing of the Bank whereas at the same time drive efficiency, enhance customer experience and increase revenues;
- the Bank's successful completion of a Voluntary Early Exit Scheme in November 2022 with c.16% of employees exiting the Group for a total cost of €70,9 million;
- the Bank's MREL issuance plan and the actual issuance of €100 million Senior Preferred Notes at 9% in July 2022 and of €200 million Tier 2 Subordinated Notes at 10,25% in March 2023, under the €1.500.000.000 Euro Medium Term Note Programme (EMTN);

2. GOING CONCERN (continued)

the Group concluded that there are no material uncertainties which could cast significant doubt over the Group's ability to continue as a going concern for at least the next 12 months from the date of approval of the Financial Statements for the year ended 31 December 2022.

3. REPORTING GROUP STRUCTURE

The Financial Statements for the year ended 31 December 2022 comprise of the Financial Statements of Hellenic Bank Public Company Limited and its subsidiary companies, which together are referred to as the Group.

On 21 March 2022, the Bank signed a Business Transfer Agreement to acquire part of the banking operations of RCB Bank. For more details on this transaction, refer to Note 41.

As part of Project Starlight in addition to the disposal of non-performing loans, the Bank is proceeding with the disposal of APS Debt Servicing Cyprus Ltd ("APS Cyprus"), the entity responsible for managing the Bank's Non-Performing Exposures and REOs. Additional information on the disposal group is presented in Note 18, Note 31 and 52.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements and the Bank's separate Financial Statements (throughout the document collectively refered to as "Financial Statements") and have been applied consistently by all companies of the Group.

4.1. Basis of preparation

(a) Going concern principle
The Financial Statements have been prepared on a going concern basis.

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

(c) Basis of measurement
The Financial Statements have been prepared on the historical cost basis, except from derivative financial instruments, financial assets at fair value through profit or loss (FVPL), investments at fair value through other comprehensive income (FVOCI), properties held for own use and investment properties which are measured at fair value and stock of property which is measured at the lower of cost and net realisable value. 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.

(d) Functional and presentation currency
The Financial Statements are presented in Euro (€), which is the functional currency of the Bank. All figures have been rounded to the nearest thousand, except where otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2. Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations

As from 1 January 2022, the Group adopted all the changes to International Financial Reporting Standards (IFRSs) as adopted by the EU which are relevant to its operations. These adoptions did not have a material effect on the Financial Statements of the Group.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

Standards, Amendments and Interpretation issued but not yet effective and not early adopted

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standards Board ("IASB") but are not yet effective for annual periods beginning on 1 January 2022. Those which may be relevant to the Group and the Bank are set out below. The Group and the Bank do not plan to adopt these Standards, Amendments and Interpretations early.

IFRS 17: Insurance Contracts

The standard is effective, for annual periods beginning on or after 1 January 2023. IFRS 17's, objective is to provide an accounting model for insurance and reinsurance contracts that is more useful and consistent for insurers. It establishes principles for the recognition, measurement, presentation and disclosure of all types of insurance and reinsurance contracts, as well as of certain guarantees and financial instruments with discretionary participation features. The main anticipated changes in the recognition and measurement of insurance contracts issued and reinsurance contracts held, the changes in presentation and disclosures, the transition approach followed, and the estimated impacts of its adoption are described below.

- Contracts in the scope of IFRS 17

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts are contracts under which the Insurance subsidiaries accept significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Insurance subsidiaries shall determine whether a contract transfers significant insurance risk, by assessing if an insured event could cause them to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance, even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. The Insurance subsidiaries do not expect any impact on the insurance contracts' classification arising from the application of IFRS 17.

In addition, the Insurance subsidiaries hold reinsurance contracts that transfer significant insurance risk or are deemed to transfer significant insurance risk since they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts. The Insurance subsidiaries do not expect any impact on the reinsurance contracts' classification arising from the application of IFRS 17.

- Level of aggregation

The Insurance subsidiaries shall identify portfolios by aggregating insurance contracts that are subject to similar risks and managed together. The Insurance subsidiaries expect that all contracts within each product line, as defined for management purposes, have similar risks and, therefore, would represent a portfolio of contracts when they are managed together. Each portfolio will be further sub-divided into groups of contracts to which the recognition and measurement requirements of IFRS 17 would be applied. At initial recognition, the Insurance subsidiaries will segregate contracts based on when they are issued (annual cohorts). An annual cohort of a portfolio will contain all contracts that are issued within a 12-month period. Each annual cohort of a portfolio will then be further disaggregated into three groups of contracts:

a) contracts that are onerous on initial recognition;

b) contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

c) any remaining contracts in the portfolio.

Reinsurance contracts held shall be assessed separately from underlying insurance contracts issued. The Insurance subsidiaries will divide portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

- Initial recognition

The Insurance subsidiaries will recognise groups of insurance contracts that they issue from the earliest of the following:

  - The beginning of the coverage period of the group of contracts;
  - The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date;
  - When the Insurance subsidiary determines that a group of contracts becomes onerous.

Groups of reinsurance contracts held that provide proportionate coverage will be recognized:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- At the start of the coverage period of that group of reinsurance contracts held
- At the initial recognition of any of the underlying insurance contracts, whichever is later

Groups of reinsurance contracts held that provide non-proportionate coverage will be recognized at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognized.

- Contract boundaries

All the future cash flows expected to arise within the boundary of each of the contracts in the group shall be included in the measurement of a group of insurance contracts. In determining which cash flows fall within a contract boundary, the Insurance subsidiaries will consider the substantive rights and obligations arising from the terms of the contract, and also from applicable laws and regulations. The Insurance subsidiaries will determine that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which they can compel the policyholder to pay the premiums or have a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide services ends when:

- The Insurance subsidiaries have the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - The Insurance subsidiaries have the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
  - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the cedant that exist during the reporting period in which the Insurance subsidiaries are compelled to pay amounts to the reinsurer or have a substantive right to receive insurance contract services from the reinsurer.

A substantive right to receive services from the reinsurer shall end when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The Insurance subsidiaries have assessed the contract boundary for their insurance and reinsurance contracts based on the above requirements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Measurement of Insurance contracts issued

The liability for remaining coverage ("LRC") shall represent the Insurance subsidiary's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the coverage period), comprising (a) fulfilment cash flows relating to future service and (b) the contractual service margin yet to be earned.

The liability for incurred claims ("LIC") shall include the Insurance subsidiary's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and it shall include its liability to pay amounts the Insurance subsidiary is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The estimate of LIC shall comprise the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

The carrying amount of a group of insurance contracts at each reporting date shall be the sum of the LRC and the LIC.

- Initial measurement for contracts measured using the general measurement model ("GMM") and the Variable fee approach ("VFA")

Under the GMM and VFA models the Insurance subsidiaries shall measure a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin ("CSM") representing the unearned profit in the contracts relating to services that will be provided under the contracts.

The fulfilment cashflows ("FCF") is an explicit, unbiased and probability-weighted estimate (i.e., expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk. The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The Insurance subsidiaries will use the Value at risk method in estimating the risk adjustment.

The Insurance subsidiaries shall adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not to be included in the estimates of cash flows. The Insurance subsidiaries will use the 'bottom-up approach' to estimate the discount rates.

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Insurance subsidiaries will recognise as it provides insurance contract services over the coverage period.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, the CSM will be measured as the equal and opposite amount of the net inflow, which would result in no gain no loss, arising on initial recognition. If the total is a net outflow, then the group is onerous. In this case, the net outflow shall be recognised as a loss in profit or loss.

The Insurance subsidiaries will determine, at initial recognition, the group's coverage units and allocate the group's CSM based on the coverage units provided in the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With respect to reinsurance contracts measured using the GMM, the same accounting policies will be applied as for insurance contracts issued to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

The life insurance subsidiary will apply both methods (i.e. GMM and VFA) for certain insurance portfolios.

The non-life insurance subsidiary will apply the GMM to one of its insurance portfolios (i.e. Engineering portfolio).

- Subsequent measurement for contracts measured using the GMM and the VFA

At the end of each reporting period, the Insurance subsidiaries will update the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables. Experience adjustments relating to current or past service will be recognized in profit or loss. Experience adjustments relating to future service will be included in the LRC by adjusting the CSM.

The carrying amount of the CSM, for contracts measured using the GMM, of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

The non-life subsidiary will disaggregate the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

- ◦ The effect of any new contracts added to the group in the reporting period
- ◦ Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- ◦ The changes in fulfilment cash flows relating to future service, except to the extent that:
    - ♦ Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
    - ♦ Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage
- ◦ The effect of any currency exchange differences on the CSM
- ◦ The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The carrying amount of the CSM, for contracts measured using the VFA, of the group at the end of the reporting period equals the carrying at the beginning of the reporting period adjusted, as follows:

- ◦ the CSM of any new contracts that are added to the group in the year;
- ◦ the change in the amount of the Insurance subsidiary's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ♦ a decrease in the amount of the Insurance subsidiary's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss and creating a loss component; or

- ♦ an increase in the amount of the Insurance subsidiaries' share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss;

- ◦ the effect of any currency exchange differences on the CSM; and

- ◦ the amount recognised as insurance revenue because of the services provided in the year.

With respect to onerous contracts, after the loss component will be recognised, the Insurance subsidiaries shall allocate any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between 'loss component' and 'LRC excluding the loss component'.

With respect to reinsurance contracts measured using the GMM, the same accounting policies will be applied as for insurance contracts issued to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

- Initial and subsequent measurement for contracts measured using the premium allocation approach "PAA"

The PAA is an optional simplified measurement model in IFRS 17 that is available to insurance contracts that meet certain eligibility criteria.

At initial recognition, for a group of contracts that is not onerous, the Insurance subsidiaries shall measure the carrying amount of the LRC as:

- ◦ the premiums, if any, received in cash;

- ◦ minus any insurance acquisition cash flows at that date considering that the Insurance subsidiaries have not elected to recognise such payments as an expense when incurred and

- ◦ plus or minus any amount arising from the de-recognition at that date of any asset for insurance acquisition cash flows and any other asset or liability previously recognised for cash flows related to the group of contracts that the Insurance subsidiaries pay or receive before the group of insurance contracts is recognised.

The carrying amount of the LRC at the end of each subsequent reporting period for a group of contracts that is not onerous, shall represent the carrying amount at the start of the reporting period:

- ◦ Plus premiums received in the period;

- ◦ Minus insurance acquisition cash flows paid in the period;

- ◦ Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period;

- ◦ Minus the amount recognised as insurance revenue for the services provided in the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The LRC will not be discounted to reflect the time value of money and the effect of financial risk since at initial recognition of each group of contracts, the expected time between providing each part of the services and the related premium due date is no more than a year.

Under the PAA, no contracts will be assumed as onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period facts and circumstances lead the Insurance subsidiaries to believe that a group of insurance contracts under PAA has become onerous, the Insurance subsidiaries would test it for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Insurance subsidiaries will establish a loss component and increases the LRC for the corresponding amount and recognise the loss in profit or loss.

Under IFRS 17, the LIC for groups of insurance contracts measured under the PAA will be estimated based on the general measurement model.

The same accounting policies will be applied as for insurance contracts issued to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

The life insurance subsidiary will apply the PAA for certain insurance portfolios.

The non-life insurance subsidiary will apply the PAA to all of its insurance portfolios except to the Engineering portfolio which is measured using the GMM.

- Significant judgements and estimates
  - Estimates of future cash flows

In estimating future cash flows, the Insurance subsidiaries will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

  - Discount rates

The Insurance subsidiaries will determine the risk-free discount rates based on the risk-free interest rate term structure published by the European Insurance and Occupational Pensions Authority (EIOPA) for the purposes of the Solvency II Directive. In addition to reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium.

The requirement to measure liabilities for insurance contracts using discount rates determined applying the IFRS17 requirements will be a change from current practice.

  - Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Insurance subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment will reflect an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

IFRS 17 does not prescribe a methodology for the determination of the risk adjustment, but instead provides some guidelines on the properties that the chosen methodology should satisfy.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- CSM

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the Insurance subsidiary, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

- Presentation

The adoption of the standard will significantly change how the insurance contracts issued and the reinsurance contracts held are presented and disclosed on the statutory financial statements of the Group's insurance subsidiaries. However, this is not expected to have a significant impact in the presentation of the Group's financial statements.

- Transition approach and impact

The Group's Non-Life insurance subsidiary applied the full retrospective approach to all contracts issued and reinsurance contracts held. For the full retrospective approach, the Non-Life subsidiary identified, recognized and measured each group of insurance contracts and any assets for insurance acquisition cash flows as if IFRS 17 had always applied, any previously reported balances that would not have existed if IFRS 17 had always been applied will be derecognised and the resulting net difference will be recognised in equity. The Non-Life subsidiary concluded that reasonable and supportable information that was necessary to apply the full retrospective approach was available.

The Group's Life Insurance subsidiary applied the full retrospective approach on transition for all groups of insurance and reinsurance contracts containing contracts with short-term coverage period not extending beyond one year. For these short-term contracts it was concluded that reasonable and supportable information that is necessary to apply the full retrospective approach is available.

For all groups of insurance and reinsurance contracts containing contracts with long-term coverage period extending beyond one year, the fair value transition approach has been applied as it was impracticable to apply the full retrospective approach. Under this method the groups of insurance contracts on transition date, 1 January 2022, were measured at fair value, any existing balances that would not exist had IFRS 17 applied have been derecognised and the resulting net difference will be recognised in equity.

The Group's Life Insurance subsidiary considers the full retrospective approach impracticable for its long-term groups of insurance and reinsurance contracts. Specifically, the effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. Such information includes:

- expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
- information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- information required to allocate fixed and variable overheads to groups of contracts, because of its current accounting policies that do not require such information; and
- information about certain changes in assumptions and estimates, because they were not documented on an ongoing basis.

The Group's insurance companies have assessed the impact that the initial application of IFRS 17 will have on their financial position. Based on the assessments undertaken to date, the total adjustment (after tax) to the Insurance subsidiaries' total equity as at 1 January 2022 amounts to an increase of c.€11,7 million., being an amount of c.€12,1 million positive impact from the Life-Insurance subsidiary and c.€0,4 million negative impact from the Non-Life insurance subsidiary. The actual impact of adopting IFRS 17 may change until the Group finalises testing and assessment of systems and implementation of internal control processes, which is expected until the Group finalises its first Financial Statements that include the date of initial application.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. As the Group does not currently have any associates or joint ventures, it does not expect any impact from adopting these amendments on its Consolidated Financial Statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The Group is currently evaluating the impact of adopting these amendments on its Consolidated Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have been endorsed by the EU. The Group is currently evaluating the impact of adopting these amendments on its Consolidated Financial Statements.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have been endorsed by the EU. The Group is currently evaluating the impact of adopting these amendments on its Consolidated Financial Statements.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments has been endorsed by the EU as at the date of the approval of these Financial Statements. The Group is currently evaluating the expected impact of adopting these amendments on its Consolidated Financial Statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after 1 January 1 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The Group is currently evaluating the expected impact of adopting these amendments on its Consolidated Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3. Basis of consolidation

4.3.1. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (Refer to Note 4.3.2.). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any negative goodwill is recognised in profit or loss immediately. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at the fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If the business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured at fair value and any resulting gain or loss,if any, is recognised in the consolidated income statement. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss.

4.3.2. Subsidiaries

The Group consolidates a subsidiary when it controls it, which is achieved when the Group has all of the following:

- Power over the relevant activities of the investee, for example through voting or other rights,
- exposure, or right to, variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its return.

When the Bank has less than 50% shareholding, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank’s voting rights in an investee are sufficient to give it power, including any contractual arrangements with other vote holders over the relevant activities and how decisions about those activities are made and whether the Bank can direct those activities, rights arising from other contractual arrangements such as call and put rights and potential voting rights held by the Bank, other vote holders or other parties.

The Group reassesses whether it has control if there are changes to any of the three elements of control.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases. Investment in subsidiaries are presented at cost in the Bank’s statement of financial position less provision for impairment, where applicable. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank’s accounting policies. All intra-group balances, equity, income, expenses and cash flows relating to intra-group transactions are eliminated in full on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group promotes the formation of special purpose vehicles (SPVs) for the purpose of asset securitisation transactions so as to accomplish defined objectives. The Group consolidates these SPVs if the substance of its relationship with them indicates that it has control over them.

4.3.3. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The non-controlling interests are presented separately in the consolidated income statement and within equity from the Company owners' equity.

4.3.4. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain (including goodwill) or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4.4. Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the translation of a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flows hedge, which are recognised directly in equity.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's presentation currency (Euro) at exchange rates at the statement of financial position date. The income and expenses of foreign operations are translated into Euro using the average exchange rates for the year. Exchange differences arising on translation of foreign operations are recognised directly in the translation reserve within equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in equity and relating to that foreign operation is reclassified to the income statement when the gain or loss on disposal is recognised.

The Group also hedges the foreign currency risk that derives from the translation to Euro of the net position of its foreign subsidiaries by maintaining an open foreign exchange position. All exchange differences resulting from the translation of the open foreign exchange position are recognised in the translation reserve. There was no movement in the translation reserve since the termination of the foreign operations.

4.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which is the Management Board of the Bank under the leadership of the Chief Executive Officer. The chief operating decision-maker is the person or group that is responsible for allocating resources to and assessing the performance of the operating segments of the Group. The Group's operations are mainly concentrated in Cyprus.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For management purposes, the Group is organised into two operating segments in Cyprus based on the provision of services, as follows:

- Banking and financial services segment - principally providing banking and financial services, including financing and investment services, custodian and factoring services as well as management and disposal of properties. Banking and financial services segment also includes the share of results of associate company,
- Insurance services segment - principally providing life and general insurance services.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before taxation which is measured in the same manner as in the Consolidated Financial Statements.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties. Balances and transactions between segments are eliminated on consolidation. Segmental information is presented in Note 48.

4.6. Turnover

Turnover comprises of interest income, fee and commission income, net gains or losses on disposal and revaluation of foreign currencies and financial instruments and other income. Group turnover also includes net insurance income.

4.7. Interest income and expense

Net interest income comprises of interest income and interest expense calculated using the effective interest method (EIR) and other methods. The EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Interest income on financial assets at amortised cost and on financial assets at fair value through other comprehensive income (FVOCI) is calculated by applying the EIR on the gross carrying amount of the asset, unless the asset is credit impaired. For financial assets that are credit-impaired, interest income is calculated by applying EIR to the amortised cost (i.e. gross carrying amount less credit loss allowance). For purchased or originated credit impaired (POCI) financial assets, interest income is recognised by applying a credit adjusted EIR (CAEIR) (based on an initial expectation of further credit losses) on the amortised cost of the financial asset.

Interest expense on financial liabilities held at amortised cost is calculated using the effective interest method (EIR) which allocates interest over the expected life of the financial liabilities.

Interest income from financial assets at amortised cost and financial assets at FVOCI is presented within "Interest income calculated using the effective interest method" in the income statement, which also includes negative interest on certain financial liabilities at amortised cost. Interest expense on financial liabilities held at amortised cost is presented within "Interest expense calculated using the effective interest method" which also includes negative interest on certain financial assets held at amortised cost. Interest income and expense on derivative financial instruments are included in "Other Interest Income" and "Other Interest Expense" respectively in the income statement.

Further details on interest income and interest expense are disclosed in Note 6 and Note 7 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8. Fee and commission income and expense

The Group earns fee and commission income from a diverse range of services it provides to its clients performed either at a point in time or over a certain period of time.

The Group applies a five-step revenue recognition model to recognise commissions and fee income, under which the performance obligations as well as the timing of their satisfaction are identified and income is recognised when control of goods and services is transferred, i.e. the contractual performance obligation to the client has been satisfied. The amount of income is measured on the basis of the contractually agreed transaction price and is allocated to the performance obligations defined in the contract.

Fee and commission expense is recognised in the income statement on an accruals basis, as the related services are performed.

Further details on fee and commission income and expense are disclosed in Note 8 and Note 9 respectively.

4.9. Dividend income

Dividend income is recognised when the Group's right to receive payment is established and is disclosed in the consolidated income statement in Other income.

4.10. Income from hire purchase

Income from hire purchase recognised in the income statement is calculated in a systematic manner on the basis of instalments falling due, in order to produce a constant periodic rate of return on the net investment outstanding.

Hire purchase debtors are included in loans and advances to customers in the consolidated statement of financial position, net of unearned charges attributable to future instalments.

Income from hire purchase is included in "Interest income from loans and advances to customer" in Note 6.

4.11. Investment properties rental income

Rental income is recognised, in Other income, on an accrual basis in accordance with the substance of the relevant agreements.

4.12. Leases

The Group leases land and building for its branches. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the branches or office premises.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term and recorded to the income statement within "Depreciation and amortisation". In addition, right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group presents right-of-use assets in Note 27 "Property, Plant and Equipment" in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method with interest charged to the income statement within "Interest expense". It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset and any remaining difference is recorded in the income statement within "Other income". The Group presents lease liabilities in "Other liabilities" in the statement of financial position.

For leases that at commencement date have a lease term of 12 months or less and leases for which the underlying asset is of low value, the Group applies either the short-term exemption or the low value asset exemption and such assets are not presented on the Group’s balance sheet. Instead, payments are recognised on a straight line basis over the lease term in Note 14 "Administrative and other expenses". Such exemptions were applied for lease contracts of vehicles and equipment.

In addition, where practicable/feasible, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options are exercisable by the Group companies and not the lessor. As a result, the Group applied judgement to determine whether it is reasonably certain that an extension option or termination option will be exercised which in effect impacts the determination of the lease term and hence, the determination of the discount rate and the amounts that the lease liability and right-of-use assets are recognised.

Group as lessor
When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

4.13. Employee retirement benefits
The Group participates in different defined contribution retirement plans.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The terms of employment of the majority of Group employees are in accordance with the provisions of the Collective Agreement (CA) between the Cyprus Bankers Employers' Association and the Cyprus Union of Bank Employees and/or between Hellenic Bank and the Cyprus Union of Bank Employees. Under these terms of employment, a defined contributions Provident Fund scheme for employees was set up.

The rules and regulations of the Provident Fund scheme is governed by the Cyprus legislation. The employer's contribution to the Provident Fund for the Hellenic Bank legacy employees is set at 9%. The employer's contribution to the Provident Fund for the majority of the ex-CCB transferred employees who have chosen to become members of the said Fund is set at 7% and different terms also apply for those ex-CCB transferred employees who have chosen to remain members of the different Provident Fund schemes which were in operation before the transfer. The different percentage and terms of Provident Fund schemes for the ex-CCB transferred employees which derived from CA, is attributed to the fact that Hellenic Bank is required, under TUPE, to observe the terms of any CA until the date of the termination, or expiry of the CA, or until the entry into force, or application of another CA, in each case for a minimum of one year.

The Bank also offers to employees whose employment contracts are not in accordance with the terms of employment of the CA, the option to become members of multi-employer defined contribution Provident Fund schemes of their choice to which the employer's contribution is set at 9%.

Group obligations towards the employees' retirement benefits are limited to payment of the contributions to each Provident Fund. Employer's contributions due for payment are recognised as staff costs (refer to Note 13).

Prepaid contributions are recognised as an asset to the extent that cash will be refunded or future payments will be reduced.

4.14. Income tax

Income tax comprises of current tax and deferred tax. It is recognised in the income statement unless it relates to items recognised directly in equity or in the statement of comprehensive income.

Current tax
Current tax represents the amount of current income tax payable on the taxable profit of a tax period, using tax rates prevailing as at the date of the statement of financial position as well as any adjustments to tax payable in respect of previous years' results. The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and adjusts the tax position accordingly. Additional disclosures are provided in Note 17.

Deferred tax
Deferred tax is recognised for deductible temporary differences and unused tax losses carried forward only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses can be utilised. Temporary differences arise from differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax base. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that/it is uncertain whether there will be sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is calculated at tax rates expected to be applicable in the period during which the asset will be utilised or the liability will be settled taking into consideration the tax rates and legislation enacted or substantially enacted at the reporting date. Detailed disclosures on the deferred tax asset and deferred tax liability are provided in Note 30.

Current and deferred tax assets and liabilities are offset if they relate to taxes imposed by the same tax authority provided it allows such settlements, and provided the intention of the Group is to either settle the net amount or realise the asset and settle the obligation simultaneously.

4.15. Special Levy

According to the “Special Levy on Credit Institutions Law of 2011 to 2017”, special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on qualifying deposits held by each credit institution on 31 December of the previous year for the quarter ending on 31 March, on 31 March of the same year for the quarter ending on 30 June, on 30 June of the same year for the quarter ending on 30 September and on 30 September of the same year for the quarter ending on 31 December. Based on an amendment to the Law effective as from 6 October 2017, an amount corresponding to the annual contribution of each credit institution to the Resolution Fund or to the Single Resolution Fund as the case may be, is deducted from the balance of special levy payable, up to the maximum amount of special levy for the same year.

Based on an amendment to the Law, as from 1 January 2015, 35/60 of the funds received were deposited to the Recapitalisation Fund incorporated pursuant to the Law 190(I) 2015. As from 1 January 2018 and for every subsequent year, 35/60 of the special levy paid in accordance with the Law, will be transferred to the Recapitalisation Fund within 45 days of their deposit in the Government General Account and the remaining 25/60 will remain in that Account. All transfers to the Recapitalisation Fund will cease upon accumulation of a total amount of €175 million in that Fund.

Special levy is recognised in the income statement in "Administrative and other expenses".

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16. Financial instruments

4.16.1. Recognition and initial measurement

The Group initially recognises loans and advances to customers, customers deposits and loan capital issued on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes party to the contractual provisions of the instrument.

A financial asset or a financial liability is initially measured at fair value plus, for an item measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price. Financial instruments without significant financing component are initially measured at the transaction price.

4.16.2. Classification and Measurement of financial assets and liabilities

The classification of financial assets is determined on the basis of the Bank's business model within which the financial assets are managed and the contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

Financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows (the "hold to collect" business model) and their contractual terms meet the SPPI criterion will be classified at amortised cost. Those debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling the asset (the 'hold to collect and sell' business model) and their contractual terms meet the SPPI criterion will be classified at FVOCI. Financial assets with contractual terms that do not meet the SPPI criterion are classified as FVTPL.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Business Model Assessment
The Group assessed the business model criteria at a portfolio level because this best reflects the way in which the business is managed, and information is provided to management. Information that is considered in determining the applicable business model includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice,
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's management,
- the risks that affect the performance of the business model and, in particular the way in which those risks are managed,
- the frequency, volume and timing of sales in prior periods, the reason for such sales and expectations about future sales activity, which should be considered as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are generated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessment whether contractual cash flows are solely payments of principal and interest
The contractual cash flow characteristics of financial assets are assessed, at product level, with reference to whether the cash flows represent SPPI. "Principal" is defined as the fair value of the financial asset on initial recognition. "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, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms that could change the contractual cash flows so that it would not meet the condition for SPPI, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Measurement categories of financial assets and liabilities

Financial Assets at amortised cost
Financial assets are classified and subsequently measured at amortised cost, unless designated under the fair value option, if the financial asset is held in a "Hold to Collect" business model and the contractual cash flows are SPPI.

At initial recognition, the financial asset is measured at fair value including any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. 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 amortised cost is also reduced with any expected credit loss. In the income statement, the amortisation is included in "Interest income calculated using the effective interest method", the foreign exchange gains and losses are included in "Net gains on disposal and revaluation of foreign currencies and financial instruments" and impairment losses are included in "Impairment losses on financial instruments". Any gain or loss on derecognition is recognised in the income statement in "Net gains on derecognition of financial assets measured at amortised cost".

The classification relates to cash and balances with Central Bank, placements with other banks, loans and advances to customers that pass the SPPI test, debt securities held under the "Hold to collect" business model and indemnification assets.

Financial Assets at Fair Value through Profit or Loss (FVTPL)
A financial asset that has been originated, acquired or incurred principally for the purpose of trading or that is not managed within a "hold to collect" or a "hold to collect and sell" business model is measured at FVTPL.

Additionally, instruments for which the contractual cash flows do not meet the SPPI assessment must be measured at FVTPL even if they are managed within a business model whose objective is "hold to collect" or "hold to collect and sell".

At initial recognition, the Bank may also choose to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. All financial assets at FVTPL were mandatorily classified as such.

Upon subsequent measurement of FVTPL a gain or loss on financial asset is recognised in the income statement in "Net gains on disposal and revaluation of foreign currencies and financial instruments".

Included in this classification are equity securities and derivatives held for trading.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Instruments at Fair Value through Other Comprehensive Income (FVOCI)
Debt Instruments are classified and measured at fair value through other comprehensive income (FVOCI), unless designated under the fair value option, if the financial asset is held in a "Hold to Collect and Sell" business model and the contractual cash flows are SPPI.

Upon subsequent measurement of FVOCI a gain or loss on debt instruments is recognised in other comprehensive income, except for interest revenue, foreign exchange gains and losses and impairment gains or losses, which are recognised in the income statement in "Interest income calculated using the effective interest method", "Net gains on disposal and revaluation of foreign currencies and financial instruments" and "Impairment losses on financial instruments" respectively. When the debt instrument is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement in "Net gains on disposal and revaluation of foreign currencies and financial instruments".

Included in this classification are debt securities held under the "Hold to collect and sell" business model.

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI)
An equity instrument is any instrument that meets the definition of equity when it meets the definition of Equity under IAS 32 Financial Instruments: Presentation. Equity instruments are measured at FVTPL, unless they are not held for trading purposes. For such instruments the Group has made an irrevocable election on initial recognition to measure them at FVOCI. The measurement of such instruments is determined on an instruments-by instrument basis. For equity securities at FVOCI, other net gains and losses are recognised in OCI and are never reclassified to the income statement. No impairment loss is recognised in the income statement.

Financial Liabilities
Financial liabilities include deposits by banks, funding by Central Banks, customer deposits and other customer accounts and are classified as measured at amortised cost.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the income statement in “Interest Expense calculated using the effective interest method”. Any gain or loss on derecognition is also recognised in the income statement in “Net gains on disposal and revaluation of foreign currencies and financial instruments”.

For financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk may be presented in other comprehensive income. All financial liabilities are classified at amortised cost.

Loan capital
On issuance of bonds an assessment is made to determine whether the instruments issued should be classified as financial liabilities or as compound financial instruments that contain both liability and equity elements, as these are accounted for separately, as financial liabilities and equity respectively. In addition, an assessment is made whether the instrument is a hybrid instrument containing a derivative and a financial liability host contract.

Bonds issued that represent contracts that will or may be settled in the entity's own equity instruments and they are non-derivative contracts that consist of an obligation for the entity to deliver a variable number of its own equity instruments are classified as financial liabilities. Furthermore, a single obligation to deliver a variable number of an entity's own equity instruments is a non-derivative obligation that meets the definition of a financial liability and cannot be subdivided into components for the purpose of evaluating whether the instrument contains a component that meets the definition of equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds issued that are classified as financial liabilities under loan capital are initially measured at the fair value of the consideration received minus transaction costs that are directly attributable to the issue of the loan capital. Subsequently these are measured at amortised cost using the effective interest method, in order to amortise the difference between the cost and the redemption value, over the period to the earliest date that the Bank has the right to redeem the loan capital.

Based on this assessment, the loan capital issued contains an embedded derivative, represented by the mandatory conversion feature. This assessment does not apply for Notes issued under the EMTN program.

Embedded derivatives
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. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Bank considers that the value of this embedded derivative, both at inception and as at the reporting date, is nil as it considers that the probability of conversion is remote.

Derivatives
Derivatives are recognised initially and are subsequently measured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument is assessed for classification in its entirety.

4.16.3. Reclassification of financial assets and liabilities
Financial assets subsequent to their initial recognition are not reclassified to other measurement category (as mentioned above), unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A change in the business model is made only in exceptional circumstances.

4.16.4. Derecognition of financial assets and financial liabilities
Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Derecognition of financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derecognition and contract modification
The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, change in interest rates, payment holidays, payment forgiveness or exchange of debt instruments.

A forborne exposure may be derecognised and the renegotiated loan recognised as a new loan at fair value when the new terms are substantially different to the original terms. The renegotiation date is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the "new" financial asset recognised is deemed to be credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences between the carrying amount of the original terms and the fair value at initial recognition of the "new" loan are recognised as a gain or loss in "Net gains on derecognition of financial assets measured at amortised cost" in the income statement.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statement in line "Impairment losses on financial instruments". The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets) and is compared to the gross carrying amount of the original loan.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.16.5. Impairment of financial assets
The "Expected Credit Loss (ECL)" approach applies to all financial assets that are measured at amortised cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees. Under the ECL model provisions are recognised upon initial recognition of the financial asset reflecting the expectation of potential credit losses at the time of initial recognition. The Group recognises a loss allowance for such losses at each reporting date in “Impairment losses on financial instruments” in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of ECL
The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group calculates ECL as the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Refer to the sections below for details on each of these components.

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

A loss allowance is recognised either at an amount equal to 12-month ECL or lifetime ECL. At initial recognition, an impairment allowance is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Facilities/customers are classified in three stages, according to the increases in credit risk level, considering certain criteria:

- Stage 1: Financial Instruments are classified as stage 1 when the credit risk has not increased significantly since initial recognition. The Group recognises a credit loss allowance at an amount equal to 12 month expected credit losses.
- Stage 2: Financial Instruments are classified as stage 2 when the credit risk has increased significantly since initial recognition but not to the point that the asset is credit impaired. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.
- Stage 3: Financial Instruments are classified as stage 3 when the credit quality of a financial asset deteriorates to the point that the asset is credit impaired. The Bank aligned Stage 3 classification with the NPE classification consistent with the definition used for internal credit risk management purposes. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.

Financial assets that are credit impaired upon initial recognition are categorized within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit impaired (POCI) assets is discussed further below.

For facilities/customers that meet the criteria to be individually assessed for provisions the Bank reviews and validates the Stage classification using a combination of backward looking, current and forward-looking indicators.

Loans and advances acquired as part of a business combination are initially recognised at fair value. The fair values on initial recognition form the gross amount of the loans irrespective of the principal amount of these loans and what constituted the gross carrying amount of these loans in the accounting records of the Seller. In cases where the acquired loans were credit impaired, the Bank includes the initial expected credit losses in the estimated cash flows when calculating the credit adjusted effective interest rate. Accordingly, the effective interest rate of a POCI would be the discount rate that equates the present value of the expected cash flows with the purchase price of the loan.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Probability of default (PD)
PD represents the likelihood of a borrower defaulting on their financial obligation in a specified time period, assuming it has not closed or defaulted since the reporting date. Projection of PDs is based on macroeconomic scenarios and are differentiated based on segment (e.g. Retail, SME and Corporate), and status (e.g. 0 dpd, Restructured). For the external rated exposures (e.g. Treasury and International lending), the historical default rates published by Moody's per segment are utilized. For the non-external rated facilities, i.e. local loan book, the PD is estimated based on the Bank's historical default rates.

Exposure at default (EAD)
EAD represents the amount expected to be owed if a default event was to occur. The EAD is determined by calculating the expected cash flows which vary depending on the product type (e.g. revolving products). By analyzing the behavior of the product types, the behavioral maturity of these products is estimated. The utilization of the off balance sheet amount of revolving facilities is also considered in determining Credit Conversion Factor (CCF) allocation.

Loss given default (LGD)
LGD represents an estimate of the loss arising on default. It is calculated as the expected loss at default divided by EAD. LGD is based on factors that impact the likelihood and value of any subsequent write off, in which case it takes into account property prices, liquidation haircuts due to forced sale or market conditions, liquidation periods and other factors.

Definition of default
IFRS 9 does not define default but requires the definition to be consistent with the definition of default used for internal credit risk management purposes. Under IFRS 9 default occurs when the borrower is unlikely to pay its credit obligations to the Group in full, and the borrower is more than 90 days past due on any material credit obligation to the Group. The Bank aligned Stage 3 classification with the European Banking Authority's (EBA) criteria for NPE classification.

Purchased or Originated Credit Impaired Financial assets (POCI)
Financial assets are considered purchased or originated credit impaired (POCI) if upon initial recognition they are purchased or originated at a deep discount that reflects evidence of impairment. Since the asset is originated credit impaired, the Bank only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance in profit or loss until the POCI is derecognised.

Significant increase in credit risk
An 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. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward looking information. The assessment of significant increase in credit risk is key in determining when to move from measuring an allowance based on 12 month ECLs to one that is based on lifetime ECLs.

The criteria for determining whether the exposure has experienced significant deterioration in credit risk since origination are in line with Stage 2 criteria and are as follows:

- Days in Arrears: Exposures with more than 30 days in arrears,
- Forbearance flag: A performing account with an active forbearance flag in line with the European Banking Authority (EBA) definition,

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Accounts managed by recovery units (before default),
- A pooling effect is applied at a customer level which classifies as Stage 2 accounts not meeting the above criteria but fall under the same customer whose other accounts exhibit credit triggers such as those above,
- Behavioural Score: Retail and SME exposures with low behavioural score resulting from models developed by the Bank for predicting defaults/delinquencies.
- PD comparisons: Exposures originated post IFRS9 implementation in 2018 who have experienced a 200% relative increase in the current lifetime PD relative to the origination PD.

Interest income recognition
Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 by applying the effective interest rate (EIR). For financial assets at Stage 3, interest income is calculated by applying EIR to the amortised cost (i.e. gross carrying amount less credit loss allowance). For POCI financial assets, interest income is recognised by applying a credit adjusted EIR (CAEIR) (based on an initial expectation of further credit losses) on the amortised cost of the financial asset.

Write-offs
The Group reduces, either partially or in full, the carrying amount of a financial asset when there is no reasonable expectation of recovery. Write-offs are recognised in "Impairment losses on financial instruments" in the income statement.

4.17. Impairment of Non financial assets
The carrying amounts of the Group's non financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The loss from impairment of goodwill is non-reversible. The loss from impairment of other non financial assets is reversible only to the extent that the carrying value does not exceed net carrying value that the non financial asset would have if the impairment loss was not recognised.

4.18. Financial guarantees and loan commitments
In a business combination, acquired off balance sheet exposures that were not previously recognised in the acquiree's financial statements, but have a fair value on acquisition date, are recognised on the acquirer's financial statements and are initially measured at fair value at the date of acquisition. Off balance sheet exposures acquired by the Bank as part of the Acquisition consist of financial guarantee contracts and loan commitments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantees contracts issued by the Bank are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. From the issuer's perspective, financial guarantee contracts fall in the scope of IFRS 9.

Loan commitments represent unused portions of authorisations to extend credit under pre-specified terms and conditions in the form of loans, guarantees or letters of credit.

Subsequent to initial recognition, issued financial guarantee contracts and commitments to provide loans at below-market rate are measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less the cumulative amount of income recognised in accordance with IFRS 15 (where applicable). Other loan commitments are subsequently measured at the amount of the loss determined in accordance with IFRS 9.

Liabilities arising from financial guarantees and loan commitments are included within provisions/other liabilities.

4.19. Hedge Accounting
The Bank ensures that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and applies a qualitative and forward looking approach to assess hedge effectiveness. IFRS 9 also introduced new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. The Bank designated certain interest rate swaps as hedging instruments in respect of interest rate risk in a fair value hedges. The hedged items are certain fixed rate Cyprus Government Bonds (CGBs).

The hedging derivatives are classified as assets when their fair value is positive or liabilities when their value is negative. For fair value hedges, the changes in the fair value of the hedged asset attributable to the risk being hedged, are recognized in the income statement along with changes in the entire fair value of the derivative. When hedging interest rate risk, any interest accrued or paid on both the derivative and the hedged item is reported in interest income or expense and the unrealized gains and losses from the hedge accounting fair value adjustments are reported in other income. Hedge ineffectiveness is reported in other income and is measured as the net effect of changes in the fair value of the hedging instrument.

If a fair value hedge of a debt instrument is discontinued prior to the instrument's maturity because the derivative is terminated, or the relationship is de-designated, any remaining interest rate-related fair value adjustments made to the carrying amount of the debt instrument (basis adjustments) are amortized to interest income or expense over the remaining term of the original hedging relationship. For other types of fair value adjustments and whenever a fair value hedged asset or liability is sold or otherwise derecognized, any basis adjustments are included in the calculation of the gain or loss on derecognition.

Additional information on hedge accounting is presented in Note 24.

4.20. Cash and cash equivalents
Cash and cash equivalents for the purpose of the statement of cash flows include cash and available for use balances with Central Banks, placements with other banks, funding by Central Banks and repurchase agreements, with original maturities of less than three months.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21. Insurance business
The Group undertakes both life insurance and non-life insurance business and issues insurance 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.

4.21.1. 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 received, 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. These are presented in Note 11 Net income from insurance operations.

Claims are recorded as an expense when they are incurred. These are presented in Note 11 Net income from insurance operations. 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.

4.21.2. Non-life insurance business
Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Group less an allowance for cancellations. These are presented in Note 11 Net income from insurance operations.

Unearned premiums relating to the period of risk after the reporting date are deferred to be earned in subsequent reporting periods.

Claims Provision is made for the estimated cost of Claims Incurred but not settled at the reporting date, including the cost of Claims Incurred But Not Reported (IBNR), the cost of Claims Incurred But Not Enough Reported (IBNER), Unexpired Risks Provision (UPR) and a provision for the Unallocated Loss Adjustment Expenses Reserve (ULAE), which represents expenses to be borne by the Group in processing and settling all outstanding and incurred but not yet reported claims. These are presented within "Insurance Liabilities" of Note 36 Other liabilities.

In calculating the estimated cost of unpaid claims, the Company, amongst other, uses estimation techniques, that are based upon statistical analyses of historical experience and claims development pattern. Allowance is made for changes or uncertainties that may create distortions in the estimates such as changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, changes in the legal environment, the effects of inflation, changes in the business mixture, the impact of large losses and movements in industry benchmarks.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

4.22. Repurchase agreements

Repurchase agreements represent agreements with Central Banks. Cash received under the agreements, including accrued interest, is recognised as a liability on the statement of financial position. The relevant debt securities disposed to be repurchased at a future date are not derecognised from the statement of financial position. The difference between the sales price and repurchase price is recognised as interest expense over the duration of the agreement using the effective interest rate method.

Accounting policies will be reassessed with the implementation of IFRS17.

4.23. Indemnification Asset

An indemnification asset arises when the seller in a business combination is contractually obliged to indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. In other words, the seller guarantees that the acquirer's losses will not exceed a specified amount.

The indemnification asset is recognised as an asset of the Group (as the acquirer in a business combination) at the same time and on the same basis as the indemnified item. Thus, an indemnification asset is recognised by the Group at the acquisition date if and only if it relates to an indemnified asset or liability that is recognised at the acquisition date.

The indemnification asset is initially recognised at fair value. Subsequent to initial recognition, the indemnification asset is measured at amortised cost using the effective interest method. It is also subject to impairment requirements (refer to Note 4.16). The Group derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

The Bank has recognised the following indemnification assets:

a) Indemnification asset – Asset Protection Scheme (APS)

The terms of the agreement relating to the acquisition of part of ex CCB's assets and liabilities, include an asset protection scheme (APS) provided by ex CCB, which has been recognised as an indemnification asset. Ex CCB's obligations under the APS are guaranteed by the Republic of Cyprus ("RoC") pursuant to a guarantee agreement entered into prior to the completion of the acquisition between the Bank and the RoC. The APS is a single contract providing credit protection to the Bank in respect of parts of the acquired loan portfolio ("covered assets") against future losses. There is no change in the recognition and measurement of the covered assets as a result of the APS, which are measured at amortised cost subsequent to the acquisition. Impairment on covered assets is assessed and recognised in accordance with the Group's accounting policy for financial assets recognised at amortised cost. There is no change in how gains and losses on the covered assets are recognised in the income statement or in other comprehensive income.

b) Indemnification asset – certain off-balance items acquired

Under the BTA, the Bank identified and recognised an indemnification asset in relation to the certain off balance sheet exposures acquired. Specifically, pursuant to the BTA, ex CCB shall on demand indemnify the Bank against all losses in respect of certain off balance sheet exposures.

Indemnification assets are presented in Other assets in Note 32.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24. Property, plant and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. The classification of property is assessed on a regular basis to account for any major changes in use. Owner occupied land and buildings are initially recognised at cost and are subsequently measured at fair value less accumulated depreciation and impairment losses. Fair value is determined from market-based valuations undertaken by professionally qualified valuers periodically between three to five years. Plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of the asset.

Depreciation for property, plant and equipment is recognised in the income statement on a straight line basis over the estimated useful lives of the assets. Land is not depreciated.

The depreciation rates used are as follows:

Buildings	2%
Leasehold improvements	20%
Plant and equipment	10% to 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment, that are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are included in the income statement when the item is derecognised.

When the use of a property changes, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in the Statement of Comprehensive Income and presented in the revaluation reserve. Any loss is recognised in income statement.

4.25. Property revaluation reserve

Any surplus arising on the revaluation of land and buildings is credited to the property revaluation reserve that is included in equity. If, after a revaluation, the depreciation charge is increased, then an amount equal to the increase (net of deferred taxation), is transferred annually from the property revaluation reserve to retained earnings. Upon disposal of revalued property, any relevant accumulated revaluation surplus which remains in the property revaluation reserve is also transferred to retained earnigs.

4.26. Investment properties

Investment properties, comprise properties which are not occupied by the Bank and are held for rental yields and/or capital appreciation.

Investment properties are initially measured at cost, including transaction costs, and subsequently at fair value with any change therein recognised in Net gains from revaluation of investment properties in the income statement. Fair value is determined from market based valuations undertaken by professionally qualified valuers annually. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment properties that were previously classified as property, plant and equipment are sold, any related amount included in the revaluation reserve is transferred to retained earnings. Transfers to or from the investment properties are made only when there is a change in use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27. Stock of property

Assets are classified as stock of property held for sale if their carrying amount will be recovered principally through a sale transaction rather than through own use. This category mainly includes properties acquired in satisfaction of debt.

The Group, in its normal course of business, repossesses properties through debt to asset swaps and/or through the foreclosure process. These properties are held either directly or by entities set up and controlled by the Bank (Special Purpose Vehicle(s) SPV) for liquidation optimisation purposes. The SPVs are mainly a single property owner. The initial measurement of the acquired property is based on the carrying amount of the debt settled.

Stock of property is initially measured at cost and subsequently is measured at the lower of cost and net realisable value (NRV). Any write down to NRV is recognised as an impairment charge in the period in which the write down occurs. Any reversal is recognised in the income statement in the period in which the reversal occurs.

Gain or loss from disposal of stock of property, is the difference between the net consideration amount and the carrying value of the asset and is recognised in Net gains from disposal of stock of properties in the income statement when the asset is disposed.

4.28. Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the non-current 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 sale will be made or that the decision to sell 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.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell, except for those assets and liabilities that are not in 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. Those assets and liabilities should continue to be measured in accordance with the Group's relevant accounting policies for the specific assets and liabilities despite their classification as held for sale.

Impairment losses on initial classification and gains or losses from subsequent measurement are recognised in the income statement. A gain is only recognised to the extent that it is not in excess of the cumulative impairment loss that has been recognised. An asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately on the face of the 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 coordinated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement. Intercompany transactions between continuing and discontinued operations are eliminated in the income statement in accordance with IFRS 10. Upon classification of a Group entity as a discontinued operation, the Group represents prior periods in the income statement.

4.29. Intangible assets

Goodwill
Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entities at the date of acquisition. When the excess is negative (negative goodwill) is recognised immediately in the income statement.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The carrying amount of goodwill is assessed for impairment at least on an annual basis.

Computer software
Computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software estimated at five years.

Other Intangible Assets
In accordance with IFRS 3, the acquirer shall recognise, separately from goodwill, the identifiable intangible assets acquired in a business combination at their acquisition date fair values. An intangible asset is recognised only if it is probable that the expected future economic benefits attributable to the asset will flow to the Bank and its cost can be measured reliably. Subsequently, amortisation is charged to profit or loss over the assets' estimated economic lives using methods that best reflect the pattern of economic benefits and is included in depreciation and amortisation.

Core deposits
As per the agreement for the acquisition of part of ex-CCB's banking operations in 2018, the Bank on-boarded some short-term deposits (e.g. current accounts) with credit balances over medium-to-long periods that carry lower interest rates compared to other medium-to-long term accounts. In such cases, an intangible asset was recognised since the Bank benefits from such lower interest expense, compared to the interest expense that would accrue to the bank should the borrowers have deposited the core amount in a term deposit.

Customer relationships (Purchased credit cards and overdrafts)
An additional intangible was recognised from the on-boarding of loans with revolving nature such as overdrafts and credit card accounts. Customers on-boarded by the Bank are expected to continue utilize their overdraft and credit card accounts in the future, creating an additional benefit to the Bank.

The estimated useful economic lives of the above mentioned intangible assets are as follows:

Core deposits	10 years
Purchased credit cards and overdrafts	5 years

Derecognition and impairment of Intangible assets
Intangible assets are derecognised from the statement of financial position at the time of disposal or when no economic benefits are expected from it.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets are assessed for impairment when events relating to changes to 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. Impairment charge is recognised in "Impairment losses on non financial assets" in the Income Statement.

4.30. Share capital

The difference between the issue price of share capital and its nominal value is recognised in the share premium reserve.

Expenses incurred from increase of authorised capital and issue of share capital are directly recognised in equity in the same year.

Any differences emerging from a reduction of the nominal value of share capital is transferred from share capital to a reduction of share capital reserve.

4.31. Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings

Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings are recognised when:
(a) the Group has a present obligation (legal or constructive) as a result of a past event,
(b) an outflow of resources embodying economic benefits to settle the obligation is probable and
(c) a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any litigation or arbitration proceedings. When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability.

Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Where the effect of the time value of money is material, the amount of the provision is the present value of the estimated future expenditures expected to be required to settle the obligation.

Where an outflow of resources embodying economic benefits to settle the obligation is possible, a contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.32. Provisions to cover credit risk resulting from commitments and guarantees

The Group enters into various contingent liabilities. These include acceptances and endorsements, guarantees, undrawn formal standby facilities, undisbursed loans amounts and other commitments. Although these liabilities are not recognised in the statement of financial position, they expose the Group to credit risk. To cover the credit risk a provision is calculated and recognised in other liabilities in the statement of financial position with a corresponding charge in the income statement under "Impairment losses on financial instruments".

4.33. Comparatives

Where considered necessary, changes in the comparative information included in the Financial Statements and the relevant notes were made to conform with the presentation of the current year as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Assets held to cover liabilities of unit linked funds, previously presented in "Other assets", include placements with other banks, investments in debt securities and investments in equity securities and collective investments. These have been reclassified from "Other assets" and now presented to each of their respective accounts, within the consolidated statement of financial position, including comparative figures (Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows Note 21, 23, 25 and 32 have been re-presented).

The above re-presentation did not have any impact on the Group's equity or profit/(loss) after tax.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Consolidated Financial Statements requires Management to make use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Therefore, they involve risks and uncertainties as they relate to events and depend on circumstances that will occur in the future. Actual results may differ from these estimates.

Estimates and underlying assumptions are assessed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

The significant estimates and judgments that are deemed critical to the Group's results and financial position are set our below:

5.1. Measurement of expected credit loss (ECL)

The measurement of the expected credit loss for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires management's judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The assumptions used are based, to the extent possible, on data and evidence. Whenever sufficient data is not available, the impairment calculation incorporates assumptions based on management judgement.

The Group evaluates individually loans, including loans of economic groups, that are individually significant based on certain thresholds set by the Bank. It collectively assesses loans that are not individually significant and loans which were individually assessed as Stage 1.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

Individually assessed loans (Stages 2 and 3)
The amount of impairment loss on the value of loans and advances to customers which are examined on an individual basis, is measured for a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive); b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows. In cases where the interest rate of the loan is variable, the original effective interest rate is measured with reference to the initial margin corresponding to the current base rate of the interest rate and the value of the current base rate at the reporting date. The estimated future cash flows are based on assumptions about a number of factors and therefore the actual losses may be different. To determine the amount of impairment loss on the value of loans and advances to customers, judgment is involved regarding the amount and timing of estimated future cash flows. The estimated future cash flows include any expected cash flows from the borrower's operations, any other sources of funds and the expected proceeds from the liquidation of collateral, where applicable. The timing of these cash flows is estimated on a case by case basis.

Collectively assessed loans (Stages 1 to 3)
For the calculation of impairment loss on a collective basis, loans and advances are grouped based on similar credit risk characteristics and appropriate models are applied that take into account the recent historical loss experience of each group with similar credit risk characteristics adjusted for current conditions using appropriate probabilities of default and loss given default. The grouping requires a number of judgements by management and considers factors such as the customer type, industry, product, days in arrears and restructuring status.

To measure ECL, the Group uses: (a) Exposure at default (EAD), (b) probability of default (PD), (c) Loss given default (LGD). These calculations include estimates and the use of judgment to supplement, assess and adjust accordingly the historical information and past experience events which determine the parameters and the measurement of ECL as at the reporting date. The main assumptions used to estimate loss given default relate to property collateral such as the time needed for collateral liquidation and the liquidation discount at the point of sale. In addition, management is required to exercise judgement in determining staging criteria for significant increase in credit risk as well as establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Forward looking information
In line with IFRS 9 impairment requirements, forward-looking information, including current conditions and projections of macroeconomic and other factors, are incorporated in a range of unbiased future economic scenarios for ECL purposes. Determination of the forward-looking information, to be used in the ECL estimate, requires judgement and estimates about the future economic outlook. The ECL estimate incorporates the expected impact of all reasonable and supportable forward-looking information, taking into consideration the macroeconomic factors. The Bank incorporated three forward-looking macroeconomic scenarios in its ECL calculations process: a baseline scenario, an optimistic scenario and a pessimistic scenario. Probability weights were attributed to each scenario.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

Macroeconomic input and weights per scenario are constructed by the Economic Research Department of the Bank through modern econometric techniques and are based on expert judgment based on market data.

The macroeconomic variables affecting the level of ECL are real GDP growth, the rate of unemployment and forward-looking prices of residential and commercial real estates. The Bank's Economic Research Department proceeded with updating the macroeconomic projections. The revised macroeconomic projections reflect the current economic conditions which indicate that the Cyprus economy is recovering from the coronavirus pandemic but negatively impacted by the ongoing Russia/Ukraine conflict. The revised macroeconomic projections reflect the current economic conditions which indicate that the Cyprus economy is recovering from the coronavirus pandemic but negatively impacted by the ongoing Russia/Ukraine conflict. For additional information on the economic environment refer to Note 49.

The tables below show the macroeconomic variables as per the Bank's Economic Research Department, for each scenario and the respective scenario weights used in estimating the ECL:

31 December 2022

Cyprus Economy - Macroeconomic Parameters

Scenarios		**2022**	**2023**	**2024**	**Probability – weight %**
Optimistic	Real GDP (% change)	**6,00**	3,25	3,00	20%
	Unemployment (%)	**6,25**	5,75	5,50	
	Inflation (% change)	**5,50**	2,00	1,00	
	Residential Price Index (% change)	**2,50**	3,00	3,00	
	Commercial Price Index (% change)	**2,50**	2,50	3,00	
Baseline	Real GDP (% change)	**5,00**	2,00	3,00	50%
	Unemployment (%)	**7,00**	6,50	6,00	
	Inflation (% change)	**7,50**	2,50	1,50	
	Residential Price Index (% change)	**1,50**	2,00	2,00	
	Commercial Price Index (% change)	**1,50**	2,00	2,00	
Pessimistic	Real GDP (% change)	**3,50**	1,50	1,00	30%
	Unemployment (%)	**9,50**	9,00	8,50	
	Inflation (% change)	**9,00**	5,50	3,00	
	Residential Price Index (% change)	**(1,00)**	0,50	1,00	
	Commercial Price Index (% change)	**(1,50)**	0,00	1,50	

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

31 December 2021

Cyprus Economy - Macroeconomic Parameters

Scenarios		**2021**	**2022**	**2023**	**Probability – weight %**
Optimistic	Real GDP (% change)	**4,80**	4,50	3,50	25%
	Unemployment (%)	**7,00**	6,00	5,60	
	Inflation (% change)	**0,80**	1,80	2,00	
	Residential Price Index (% change)	**0,00**	2,00	3,00	
	Commercial Price Index (% change)	**0,00**	3,00	3,00	
Baseline	Real GDP (% change)	**4,00**	4,20	3,20	50%
	Unemployment (%)	**7,50**	6,50	6,00	
	Inflation (% change)	**0,50**	1,00	1,40	
	Residential Price Index (% change)	**(1,00)**	1,50	2,50	
	Commercial Price Index (% change)	**(2,00)**	2,00	3,00	
Pessimistic	Real GDP (% change)	**3,00**	3,00	2,80	25%
	Unemployment (%)	**8,50**	7,50	6,80	
	Inflation (% change)	**0,00**	1,00	1,20	
	Residential Price Index (% change)	**(3,00)**	1,00	2,00	
	Commercial Price Index (% change)	**(2,50)**	2,00	2,80	

For the forward-looking information used in the calculation of ECL as at 31 December 2021, the Group has exercised judgement and applied adjustments to cater for COVID-19 related risk.

The Cyprus economy during 2022 showed its resilience to the external shock created by the Russian/Ukraine conflict, with economic growth continuing in a positive trend and the labour market improving further following the shock created by COVID-19. On the other hand, the Russia/Ukraine conflict puts the Cyprus economy at risk which will create some significant challenges going forward. This is particularly relevant for household finances and sentiment due to the elevated inflation rates and significant sectors of the economy such as the Hotel and Accommodation sector (which in the past years has exhibited increased reliance from inflow of Russian tourists) and the Services sector. In order to account for the increased uncertainty and recognize the downside risk that the conflict is posing to the Cyprus economy, the scenario weights used for IFRS9 purposes have been rebalanced during the first quarter of 2022 from 50%-25%-25% to 50%-20%-30% for Baseline, Optimistic and Pessimistic scenario respectively.

Significant increase in credit risk
Stage classification uses a combination of backward looking, current and forward-looking indicators. The Bank's staging classification rules, have incorporated since December 2021, PD comparisons. The threshold utilized for stage 2 classification is 200% relative increase in the current lifetime PD relation to the origination PD.

In addition to the above based on management judgment, the following adjustments were applied to the staging of the loan book as at 31 December 2022 to account for uncertainties following the outbreak of the Russia/Ukraine conflict:

- All collective Stage 1 exposures relating to Russia, Ukraine or Belarus nationals/residents/individuals (International Business and Retail Division) with source of income from abovementioned countries are classified as Stage 2 with lifetime expected credit losses assigned.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

- Following the outbreak of the Russia/Ukraine conflict, Individually Assessed Groups (IA Groups) were reviewed to assess the (a) the need for restaging in view of the conflict (b) changes in the parameters of S2 and S3 IA Groups. Following assessment of IA Groups and where necessary the underlying assumptions under which they are assessed for provisions were adjusted.

Exposure at default (EAD)
EAD represents the expected exposure in the event of default during the life of a financial instrument taking into account the amortisation of the exposure (i.e. anticipated repayments, interest payments, accruals) as well as the behavioural maturity and credit conversion factor.

For performing exposures, the projected EAD is the amortised carrying value plus the credit conversion factor applied on the undrawn amount over the residual maturity of the exposure. The credit conversion factor and behavioural maturity for revolving facilities is derived based on empirical data from 2011 onwards.

With regards to the credit-impaired exposures, the EAD is equal to the exposure at default as at the reporting date.

Probability of default (PD)
PD represents the likelihood of a borrower defaulting on their financial obligation in a specified time period, assuming it has not closed or defaulted since the reporting date. Projection of PDs is based on macro-economic scenarios and are differentiated based on segment (e.g. Retail, SME and Corporate), and status (e.g. 0 dpd, Restructured). For the externally rated exposures (e.g. Treasury and International lending), the historical default rates published by Moody's per segment are utilized. For the non externally rated facilities, i.e. local loan book, the PD is estimated based on the Bank's historical default rates.

Loss given default (LGD)
LGD represents an estimate of the loss in case of default and expressed as a percentage of the EAD. Two distinct possibilities are taken into consideration for the LGD parameter: 1) the probability to proceed with collateral liquidation and 2) the probability to resolve the exposure via other means (i.e. cure, disposal, settlement) with the associated loss assigned to each exposure.

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. The average liquidation period of the collateralised non-performing collectively assessed portfolio is currently on average 6,4 years (2021: on average 6,4 years) while for performing loans, the liquidation period assumption is on average 5 years (2021: on average 5 years).

Liquidation haircuts are also applied to the value of the collateral for the purposes of estimating expected loss. The collateral information which was incorporated both in collective and individual provisioning involves judgement and takes into account the specificities of the properties by segmenting them into various property types and sub types as well as by classifying them by district and location within each district. Different liquidation discounts are applied depending on the type and location of each collateral with the liquidation discount including cost ranging from 15% for a limited number of prime property types to 40% for non-prime properties. The resulting weighted average liquidation discount for the collectively assessed portfolio is 27,6% including costs (2021: 28,4%).

Collateral
On the basis of the Group's policy, the amount of credit facilities granted should be based on the repayment capacity of the relevant counterparties. Furthermore, policies are applied for the hedging and mitigation of credit risk through the holding of collateral. These policies define the types of collaterals held and the methods for estimating their fair value.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

The main collaterals held by the Group include mortgage interests over property, pledging of cash, government and bank guarantees, charges over business assets as well as personal and corporate guarantees.

The value of the real estate collateral involves, among others, judgements relating to the allocation of tangible security to each account and its indexation to today (based on latest available property prices if applicable). The value of the real estate collaterals is restricted up to the mortgaged amount or open market value for real estate.

Property collateral relates to immovable commercial, residential and land real estate collateral. The Bank maintains a Property Valuations Policy which provides a standardised approach for acceptable property valuations from independent professional valuers, the selection criteria and the processes to evaluate the performance of property valuers. Valuations are carried out by independent qualified valuers by applying valuation methodologies recommended by Royal Institute of Chartered Surveyors and International Valuation Standards Council. In arriving at their estimates of the fair value of properties, the valuers use their market knowledge and professional judgment and do not rely solely on historical transaction comparables, especially for asset classes where there is greater degree of uncertainty than would have existed in a more active market. The Policy outlines the frequency for revaluations, establish the criteria for monitoring collateral values and introduces the use of indexation. The open market value of property is indexed to present, using appropriate property indices (CBC and RICS). Indices are monitored, validated and back tested in order to accurately reflect the current market values of the property collaterals of the Bank.

Collaterals values are also indexed from the latest valuation date to the reporting date. The Bank is indexing the property collaterals to the reporting period using publicly available indices. With respect to collateral values applicable at the liquidation date, the Bank is applying zero forward indexation to its property price collaterals.

Other considerations
The Bank, as part of its deleveraging strategy examines various options. Accordingly, when measuring the ECL of the NPE portfolio, the scenario of selling the exposure is considered relevant in estimating the credit loss expected to occur. It therefore considers the possibility of recovery under a scenario involving the disposal of the exposure as one of the potential strategies used in the estimation of the ECL for its NPE portfolio. The assessment of the probability of a recovery through a sale depends on the facts and circumstances as of the reference date and involves management judgement.

Accumulated impairment losses of the Group's loans and advances are inherently uncertain due to their sensitivity to economic and credit conditions of the environment in which the Group operates. Conditions are affected by many factors with a high degree of interdependency and there is not one single factor to which these conditions are particularly sensitive. It is possible for the actual conditions in the next financial year to differ significantly from the assumptions made during the current period, so that the carrying amount of loans and advances to be adjusted significantly.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

For the purposes of providing an indication of the change in accumulated impairment losses as a result of changes in key loan impairment assumptions, the Bank utilised the collective models on the loan and advances portfolio, to carry out a sensitivity analysis. The simulated impact on the provisions for impairment of loans and advances is presented below:

31 December 2022

Change on key assumptions	**Increase/(decrease) on accumulated impairment losses on the total loan and advances portfolio €' million**
Increase the liquidation period by 1 year	26
Decrease the liquidation period by 1 year	(25)
Increase the liquidation discount (i.e. reduce the recoverable amount from collateral) by 5%	18
Decrease the liquidation discount (i.e. increase the recoverable amount from collateral) by 5%	(19)

31 December 2021

Change on key assumptions	**Increase/(decrease) on accumulated impairment losses on the total loan and advances portfolio €' million**
Increase the liquidation period by 1 year	32
Decrease the liquidation period by 1 year	(30)
Increase the liquidation discount (i.e. reduce the recoverable amount from collateral) by 5%	19
Decrease the liquidation discount (i.e. increase the recoverable amount from collateral) by 5%	(19)

5.2. Assessment of significant influence
Significant influence is presumed to exist when an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee. In cases where the Group's shareholding is less than 20%, judgement is required in determining whether it exercises significant influence on the investee. In performing this assessment, the Group considers its representation in the board of directors or other governing body of the investee which could impact its voting rights, its participation in policy-making processes, including participation in decisions about dividends and other distributions as well as any material transactions between the Bank and the investee value.

5.3. Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings
In order to assess whether a provision must be recognised, the Group examines whether there is a present obligation (legal or constructive) as a result of a past event, for which an outflow of resources embodying economic benefits is probable and a reliable estimate for the amount of the obligation can be made.

The amounts recognised as provisions are the best estimates of the expenditure required to settle the present obligation at the end of the reporting period. When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including external legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

5.4. Impairment of goodwill and investments in subsidiaries

The process of identifying and evaluating impairment of goodwill and investments in subsidiaries, is inherently uncertain because it requires Management to exercise judgement in making a series of estimates to determine their recoverable amount, the results of which are sensitive to the assumptions used.

To determine the recoverable amount of goodwill and investment in subsidiaries (other than SPVs), Management applies its judgment to determine future cash flows, which appropriately reflect Management's view of future business prospects, and the cost of capital used to discount these future cash flows. Any impairment of goodwill of the acquired entities affects the Group's results while any impairment of investments in subsidiaries affects the Bank's results.

For the Special Purpose Vehicles (SPVs), the principal indication of impairmentis a decrease in the carrying value of the underlying properties held. The carrying value is established using valuations carried out by independent qualified valuers who apply internationally accepted valuation methods, use their market knowledge and professional judgement.

5.5. Impairment of other intangible assets

Intangible assets are assessed 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. The determination of the recoverable amount in the impairment assessment requires Management to exercise judgement for the expectations of future cash flows, attrition rates, estimation of useful economic lives and the discount rate.

5.6. Fair value of investments

The best evidence of fair value of investments 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 thus 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.

The Group uses models with unobservable inputs only for the valuation of non-listed investments. In these cases, a higher degree of Group's management judgement and estimation in the determination of fair value is required, for the selection of the appropriate valuation model, determination of expected future cash flows of the instrument being valued, determination of the probability of counterparty default and other. Fair value estimates are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction, considering all available information in time. For unobservable inputs, there is limited available market information which can be used to determine the valuation of an arm's length transaction for the instrument being valued hence are determined based on the best information available.

5.7. Business Models and SPPI

Classification of financial assets is determined based on both the business model used for managing the financial assets and whether the contractual cash flows generated by an asset constitute solely payments of principal and interest (SPPI).

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

The assessment of the business model requires judgement based on the facts and circumstances at the date of the assessment. The Bank has considered both quantitative and qualitative factors in its assessment such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's management as well as the frequency, volume and timing of sales in prior periods.

If a financial asset is held in either a "hold to collect" or a "hold to collect and sell" business model, then an assessment to determine whether the contractual cash flows are SPPI is required. In making this assessment the Group exercises judgement in considering whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and profit margin.

The Group has established a framework to perform the necessary assessments in accordance with Group's policies in order to ensure appropriate classification of financial instruments, including evaluation for lending exposures and debt securities.

5.8. Negative goodwill

The Group accounted for the acquisition of a business from RCB using the acquisition method. In accordance with IFRS 3 (refer to Note 3), all identifiable assets and liabilities acquired have to be measured at their fair value at the time of acquisition. These fair values also represent the amounts upon initial consolidation. The difference between the purchase price and the balance of assets and liabilities acquired and measured at fair value is recognised as negative goodwill ("gain on bargain purchase" as per IFRS 3) in the income statement, and directly increases the equity of the Bank. The determination of the fair value for the assets acquired and liabilities assumed as well as the consideration given, is subject to judgements, specifically with regards to the determination to future cash flows, PDs, LGDs and discount rates.

5.9. Indemnification Asset

a) Recognition

The Bank exercised judgement to determine that the protection against future losses provided by ex-CCB and the Republic of Cyprus (RoC) through the APS Agreement and the BTA met the definition of an indemnification asset in accordance with IFRS 3.

b) Measurement

At the end of each reporting period, the Group measures the indemnification asset that was recognised at the acquisition date on the same basis as the indemnified asset, subject to any contractual limitations on its amount and management's assessment of the collectability of the indemnification asset. Estimates and judgements used for the measurement of the Indemnification asset are in line with the judgments and estimates management applies for the measurement of expected credit losses on loans and advances to customers.

5.10. Stock of property

Stock of property is measured at the lower of cost and Net Realisable Value ('NRV'), where cost is based on carrying amount of the debt settled and NRV the estimated selling price less the estimated cost to sell.

NRV 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. Estimated cost to sell is deducted from the estimated selling price and 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 degree of uncertainty due to the relatively low level of market activity.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

5.11. 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 methodologies 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. For properties of low marketability or with a limited number of transactions in recent years, valuers 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.

5.12. Taxation

Income Taxes

The Group is subject to income tax in the countries in which it operates. Significant judgement is required in determining the tax for the year and the recognition and measurement of deferred tax.

As per Cyprus's Tax Commissioner's ruling of 28 April 2020 the negative goodwill recognised on acquisition of assets and liabilities from ex-CCB was treated as unrealized and therefore no current tax liability was recognised. Tax is and will be recognised on realization of the gain depending on the nature and taxability of the items that compose it. Confirmation of acceptance of the methodology has been received by the Tax Commissioner on 14 June 2022.

On loans acquired the Bank opted to recognise current tax liability on their settlement date. The method followed is considered most appropriate, considering the complexity of other methods and also the fact that it captures the actual gain realized from each loan. On Cyprus Government Bonds acquired the gain realised on maturity is considered as gain from titles which as per Article 8 of the Cyprus Income Tax Law is exempted from Tax in Cyprus and therefore no current tax liability is recognised. The Group also applied this approach on the negative goodwill arising on these Bonds. Confirmation of acceptance of the methodology has been received by the Tax Commissioner on 14 June 2022.

Deferred tax assets are recognised to the extent that it is probable that the Group will generate future taxable profits against which the tax losses and the deductible temporary differences can be utilised. The recognition of deferred tax assets is sensitive to judgements made in relation to the probability, sufficiency and timing of future taxable profits as well as the applicability of future tax planning strategies. These judgements rely on historical available information and estimations regarding, among others, macroeconomic conditions, changes in interest rates, real estate prices and demand, the level of the nonperforming exposures and the expected results of operations based on the business model and the currently approved Strategic Plan of the Group. The parameters underlying the judgements made are subject to uncertainty and may result in changes in the measurement of deferred tax asset compared to initial estimates.

5. SIGNIFICANT JUDGMENTS AND ESTIMATES (continued)

5.13. Leases

5.13.1. Determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease. Where practicable/feasible, the Group seeks to include extension options in new leases to provide operational flexibility. As the extension options are exercisable by the Group companies, the Group applies judgement to determine whether it is reasonably certain that an extension option or termination option will be exercised which in effect impacts the determination of the lease term and the amounts that the lease liability and right of use assets are recognised.

5.13.2. Estimating the incremental borrowing rate

In determining the carrying amount of the right of use asset and lease liabilities, the Group is required to estimate the incremental borrowing rate since the interest rate implicit in the lease is not readily determined. The incremental borrowing rate therefore reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

6. INTEREST INCOME

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Interest income calculated using the effective interest method				
Financial assets at amortised cost:				
Interest income from cash and balances with Central Banks	**28.163**	6.069	**28.163**	6.069
Negative interest on funding by Central Banks	**19.643**	-	**19.643**	-
Interest income from placements with other banks	**5.995**	1.269	**5.941**	1.257
Interest income from loans and advances to customers	**207.066**	203.613	**207.066**	203.613
Interest income from debt securities	**57.619**	63.303	**57.619**	63.303
Interest income from indemnification assets	**186**	184	**186**	184
Interest income from negative interest rates on customer deposits	**8.282**	8.725	**8.316**	8.782
Interest income from other financial assets	**114**	-	**114**	-
Financial assets at fair value:				
Interest income from debt securities at fair value through other comprehensive income	**3.785**	4.991	**3.785**	4.991
	330.853	288.154	**330.833**	288.199
Other interest income				
Interest income from other financial instruments	**10.511**	1.837	**10.511**	1.990
Other interest income	**14**	-	**14**	-
	341.378	289.991	**341.358**	290.189

Interest income from loans and advances to customers includes interest on the net carrying amount of impaired loans and advances amounting to €23,8 million (31 December 2021: €39,6 million).

Other interest income relates mainly to interest on derivatives which are measured at fair value through profit and loss (FVTPL), mainly interest rate swaps and foreign currency forwards.

7. INTEREST EXPENSE

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Interest expense calculated using the effective interest method				
Interest expense on deposits by other banks	**576**	798	**534**	715
Interest expense on funding by Central Banks	**21.935**	20.994	**21.935**	20.994
Interest expense on customer deposits and other customer accounts	**5.687**	4.562	**5.687**	4.562
Interest expense on loan capital	**7.703**	-	**7.703**	-
Interest expense on lease liability	**380**	376	**379**	357
	36.281	26.730	**36.238**	26.628
Other interest expense				
Interest expense on other financial instruments	**4.336**	7.257	**4.336**	7.257
	40.617	33.987	**40.574**	33.885

8. FEE AND COMMISSION INCOME

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Banking fees and commissions	**76.953**	62.297	**81.277**	68.010
Commissions from insurance operations	**5.142**	4.532	**-**	-
Custodian services and asset management fees	**527**	646	**323**	522
Other fees and commissions	**2**	-	**2**	-
	82.624	67.475	**81.602**	68.532

Banking fees and commissions of the Group include credit related fees and commissions amounting to € 26.689 thousand (31 December 2021: €22.415 thousand) and other banking commissions amounting to €46.214 thousand (31 December 2021: €36.023 thousand).

The Bank's banking fees and commissions include commissions from insurance subsidiaries amounting to € 4.647 thousand (31 December 2021: €6.248 thousand) which is eliminated on consolidation.

Commissions from insurance operations relate to commissions received by the reinsurer at the year end for reinsurance treaties that were profitable for the year.

9. FEE AND COMMISSION EXPENSE

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Banking fees and commissions	**7.612**	5.825	**7.612**	5.824
Commissions for insurance operations	**2.708**	2.263	**-**	-
Other fees and commissions	**624**	1.213	**556**	518
	10.944	9.301	**8.168**	6.342

10. NET GAINS ON DISPOSAL AND REVALUATION OF FOREIGN CURRENCIES AND FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Net gain on foreign currency transactions	**8.178**	6.556	**8.178**	6.556
(Loss)/gain on disposal of financial instruments:				
Instruments at fair value through other comprehensive income	**(2)**	(42)	**-**	2
Loss on revaluation of financial instruments:				
Financial instruments at fair value through profit and loss	**(4.451)**	(1.005)	**(1.050)**	(749)
Instruments at fair value through profit and loss	**43**	101	**18**	-
Changes in the fair value of financial instruments in fair value hedges:				
Hedging relationship:				
Cyprus Government Bond (CGB) - Hedged item	**(4.764)**	(7.995)	**(4.764)**	(7.995)
Interest rate swap-Hedging instrument	**3.724**	7.413	**3.724**	7.413
	2.728	5.028	**6.106**	5.227

The gain on disposal and revaluation of foreign currencies of the Group and the Bank results from the translation of monetary assets denominated in foreign currency at the reporting date and the realised gains on foreign currency transactions that were settled during the year.

11. NET INCOME FROM INSURANCE OPERATIONS

	The Group					
	2022			2021		
	Life insurance	**Non-Life insurance**	**Total**	Life insurance	Non-Life insurance	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Gross insurance premiums	**39.704**	**38.139**	**77.843**	27.402	36.956	64.358
Change in unearned premium	**(51)**	**(754)**	**(805)**	3	(176)	(173)
Gross income from premiums	**39.653**	**37.385**	**77.038**	27.405	36.780	64.185
Reinsurance premiums	**(10.023)**	**(16.353)**	**(26.376)**	(10.803)	(15.672)	(26.475)
Reinsurers' share on the change of unearned premiums	-	**379**	**379**	-	-	-
Policy fees	**-**	**1.822**	**1.822**	-	1.784	1.784
Net insurance premiums earned	**29.630**	**23.233**	**52.863**	16.602	22.892	39.494
Insurance benefits	**(11.773)**	**-**	**(11.773)**	(4.703)	-	(4.703)
Gross insurance claims incurred	**(9.613)**	**(14.573)**	**(24.186)**	(10.963)	(12.745)	(23.708)
Reinsurance share on claims incurred	**8.147**	**2.678**	**10.825**	9.127	2.233	11.360
Net insurance claims and benefits	**(13.239)**	**(11.895)**	**(25.134)**	(6.539)	(10.512)	(17.051)
Net investment income	**(2.209)**	**-**	**(2.209)**	766	-	766
	14.182	**11.338**	**25.520**	10.829	12.380	23.209

12. OTHER INCOME

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Dividend income	**2.261**	1.046	**12.884**	8.909
Gain from the disposal of subsidiary company	**-**	-	**899**	799
Net gain from the disposal of stock of property	**6.650**	6.498	**5.579**	6.244
Net (losses)/gains from revaluation of investment properties	**(390)**	183	**(350)**	572
Sundry income	**4.915**	8.826	**5.512**	9.342
	13.436	16.553	**24.524**	25.866

Sundry income for the Group consists mainly of other banking related income.

13. STAFF COSTS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Salaries	**119.774**	108.562	**113.148**	102.458
Employer's contributions	**18.555**	17.019	**18.316**	16.399
Provident Fund contributions	**8.875**	8.163	**8.793**	7.949
	147.204	133.744	**140.257**	126.806

The Group contributes in two different defined contribution retirement plans. Details are disclosed in Note 4.13.

The Bank offers to employees whose employment contracts are not in accordance with the terms of employment of the Collective Agreement, the option to become members of multi-employer defined contribution Provident Fund schemes of their choice to which the employer's contribution is set at 9%. During 2022 an amount of €253 thousand (31 December 2021: €235 thousand) was charged to the income statement.

The Bank in January 2022, proceeded to pay the annual increments as per the Collective Agreement applicable for each employee and in October 2022 reinstate the salaries of affected ex-CCI employees retrospectively from 2019. The payment of the reinstated salaries took place in December 2022.

On 31 December 2022, the number of staff employed by the Group was 2.398 (31 December 2021: 2.760) employees and by the Bank 2.278 (31 December 2021: 2.617) employees. Out of the total number of staff employed by the Group, 2.349 employees were permanent staff and 49 were temporary staff (31 December 2021: 2.608 permanent staff, 152 temporary staff). The average number of staff employed by the Group and the Bank for 2022 was 2.609 and 2.478 respectively (2021: Group 2.816, Bank 2.670).

14. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Repairs, maintenance and other related costs	**24.851**	23.074	**24.743**	22.519
Other property expenses	**6.932**	6.210	**6.097**	5.784
Consultancy and other professional services fees	**9.697**	11.343	**8.636**	10.149
Insurance expenses	**4.884**	5.175	**4.712**	5.026
Advertising, PR and promotional expenses	**3.761**	3.407	**3.502**	3.158
Communication expenses	**6.396**	6.765	**6.266**	6.700
Staff training and other staff expenses	**2.816**	3.070	**2.611**	2.792
Release of provision for pending litigations or complaints and/or claims (refer to Note 36)	**(473)**	(1.179)	**(297)**	(1.034)
Cash transfer and management of documents costs	**2.309**	2.786	**2.270**	2.786
Servicer's administration fees	**-**	-	**15.571**	15.921
Regulatory Supervisory fees	**3.081**	3.711	**3.077**	3.707
Deposit Guarantee Scheme contribution (refer to Additional information, section 2)	**5.808**	4.518	**5.808**	4.518
Special Levy on Credit Institutions	**22.951**	21.607	**22.951**	21.607
Termination benefits (refer to Note 45)	**130**	680	**130**	680
Transformation costs	**6.669**	5.146	**6.669**	5.146
Other administrative expenses	**8.635**	8.861	**4.789**	5.413
	108.447	105.174	**117.535**	114.872

Fees of statutory auditors

The total fees for staturoty auditors included in the consultancy and other professional services fees are analysed as follows:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Audit of annual financial statements	**1.315**	896	**919**	761
Other assurance services	**66**	85	**36**	36
Tax advisory	**136**	15	**136**	15
Other non-audit services	**419**	320	**418**	320
	1.936	1.316	**1.509**	1.132

Deposit Guarantee Scheme contribution

The Bank is subject to the contribution to Deposit Guarantee Fund (DGF) on a semi-annual basis from 2020 and until 3 July 2024.

On March 2020, the Management Committee (MC) of the Deposit Guarantee and Resolution of Credit and other Institutions Scheme (DGS) introduced an approved new methodology on the calculation of the contributions to DGF paid by all the authorised credit institutions. The new Risk Based Methodology (RBM), which is publicly available on the CBC's website, provides for the calculation and payment of contributions on a semi-annual basis, aiming to reach the target level of the 0,8% of covered deposits of all authorised Credit Institutions in line with the relevant legislation and EU Directive, by 3 July 2024.

14. ADMINISTRATIVE AND OTHER EXPENSES (continued)

On the 21 February 2023 EBA has published its final report for revised guidelines on the method calculating DGSs contributions under the Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD) (the revised Guidelines). The revised Guidelines will repeal and replace the European Banking Authority's (EBA) previous Guidelines on the topic (EBA/GL/2015/10) (the original Guidelines), which were published in May 2015. This follows the EBA's Consultation Paper on the revised Guidelines published in July 2022. The EBA has decided to go ahead with the amendments in the earlier consultation and to provide additional guidance on the application of a stock-based approach to calculating contributions (which takes into account past contributions of member institutions). It has also refined the current requirement on the forward-looking approach to raising contributions on the delineation and reporting of available financial means of DGSs.

Transformation costs
Transformation costs comprise mainly fees to external advisors in relation to: (i) the prospective disposal of assets held for sale and the acquisition of part of the banking operations of RCB bank (ii) the Transformation of the Bank as a result of the Strategic Plan announced on 21 December 2021.

15. RESTRUCTURING COSTS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Restructuring costs	**70.860**	-	**66.423**	-

Restructuring costs represent the Group's and the Bank's Voluntary Early Exit Scheme (VEES) and other related costs.

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 to voluntary exit from the Group in consideration for an ex-gratia amount. The total number of employees of the Group that were approved to participate in the Scheme were 446 (c.16% of the Group's employees) of which 394 employees had their employment terminated during the fourth quarter 2022 while the remaining terminated their employment contract during the first quarter 2023.

16. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS AND NON FINANCIAL ASSETS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Impairment losses on loans and advances to customers				
12 month expected credit losses (refer to Note 22)	**18.881**	13.046	**18.881**	13.046
Lifetime expected credit losses (Stage 2)	**16.036**	4.761	**16.036**	4.761
Lifetime expected credit losses (Stage 3)	**(29.129)**	(113.477)	**(29.129)**	(113.477)
Impact of net modification and cash flows re- estimation	**8.600**	4.926	**8.600**	4.926
Lifetime expected credit losses on the value of purchased or originated credit impaired (POCI) loan portfolio	**(5.358)**	(8.748)	**(5.358)**	(8.748)
	9.030	(99.492)	**9.030**	(99.492)
Impairment losses on financial guarantees and loan commitments issued				
12 month expected credit losses (refer to Note 36)	**1.816**	2.137	**1.816**	2.137
Lifetime expected credit losses (Stage 2) (refer to Note 36)	**616**	(272)	**616**	(272)
Lifetime expected credit losses (Stage 3) (refer to Note 36)	**(6.550)**	(104)	**(6.550)**	(104)
Lifetime expected credit losses on the value of purchased or originated credit impaired (POCI) financial guarantees issued and loan commitments issued (refer to Note 36)	**131**	614	**131**	614
	(3.987)	2.375	**(3.987)**	2.375
Impairment losses on other financial assets				
12 month expected credit losses of other receivables	**(408)**	320	**(70)**	-
12 month expected credit losses on indemnification asset	**(4)**	1	**(4)**	1
Cash flows re-estimation of indemnification asset (refer to Note 32)	**(14.585)**	344	**(14.585)**	344
12 month expected credit losses on debt securities (refer to Note 23)	**(72)**	478	**(72)**	478
12 month expected credit losses on Balances with Central Banks and Placements with other banks (refer to Note 20 and 21)	**(25)**	(143)	**(27)**	(143)
Impairment losses on other receivables	**(8.455)**	(5.924)	**(8.455)**	(5.924)
	(23.549)	(4.924)	**(23.213)**	(5.244)
Impairment losses on financial instruments	**(18.506)**	(102.041)	**(18.170)**	(102.361)
Impairment losses on non financial assets				
Intangible assets (refer to Note 29)	**-**	(299)	**-**	-
Stock of property(refer to Note 28 and 31)	**(6.796)**	(4.642)	**(5.173)**	(2.966)
Property plant and equipment (refer to Note 27)	**-**	(1.375)	**-**	(1.375)
Impairment losses on the cost of investment of a subsidiary company (refer to Note 26)	**-**	-	**(1.623)**	(1.948)
	(6.796)	(6.316)	**(6.796)**	(6.289)

17. TAXATION

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Income tax	**(10.031)**	(7.326)	**(8.102)**	(5.868)
Taxes withheld at source	**(79)**	(73)	**(64)**	(56)
Deferred tax	**(412)**	10.094	**(412)**	10.094
	(10.522)	2.695	**(8.578)**	4.170

According to the Income Tax Law 118(I)/2002 as amended, the Bank's taxable profit and that of its subsidiaries in Cyprus, is subject to income tax at the rate of 12,5%. Tax losses of group companies in Cyprus, other than companies affected by article 13(8)(d)(i) of the Income Tax Law, can be offset against taxable profits of other group companies in Cyprus of the same year and any tax losses not utilised can be carried forward and offset against the same entity's taxable profits of the next five years. Article 13(8)(d)(i) of the Income Tax Law provides that in the case where the disposal of shares held by one company in another company member of the same group is taxed as a trading transaction then the two companies are not considered group companies for loss relief purposes.

17. TAXATION (continued)

Profits earned by subsidiary companies abroad or/and permanent establishments outside Cyprus are subject to taxation at the rates applicable in the country in which the operations are carried out.

Tax exemptions, allowances, deductions and offsets pursuant to Articles 8, 9, 10 and 13 of the Income Tax Law 118(I)/2002 are taken into consideration for the calculation of the tax liability.

Reconciliation of taxation based on taxable income and taxation based on accounting profits

The Group	**2022**	2021
	€'000	€'000
Group profit/(loss) before taxation	**42.165**	(7.000)
Taxation based on applicable tax rates	**5.271**	(875)
Expenses non-tax deductible	**21.541**	13.057
Non-taxable income	**(15.137)**	(23.381)
Effect of tax losses for the year	**(1.232)**	2.562
Adjustment in respect of income tax of prior years	**-**	5.868
Taxes withheld at source	**79**	73
Tax debit/(credit) for the year	**10.522**	(2.696)

The Bank	**2022**	2021
	€'000	€'000
Bank profit/(loss) before taxation	**36.348**	(18.979)
Taxation based on applicable tax rates	**4.544**	(2.372)
Expenses non-tax deductible	**20.013**	12.175
Non-taxable income	**(14.333)**	(21.828)
Effect of tax losses for the year	**(2.122)**	1.931
Adjustment in respect of income tax of prior years	**-**	5.868
Taxes withheld at source	**-**	56
Special defence contribution	**64**	-
Deferred tax	**412**	-
Tax debit/(credit) for the year	**8.578**	(4.170)

Taxation recognised in other comprehensive income:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Deferred taxation on property revaluation	**1.590**	(196)	**1.811**	(196)

18. DISCONTINUED OPERATIONS

As part of project Starlight, in addition to the disposal of non-performing loans, the Bank has also agreed the disposal of APS Debt Servicing Cyprus Ltd ("APS Cyprus"), the entity responsible for managing the Bank’s Non-Performing Exposures and REOs. The Transaction is expected to be completed in early 2023 and as such the disposal group was classified as held for sale and as discontinued operations.

In accordance with IFRS 5, discontinued operations are presented separately from the results of continuing operations in the income statement, as the Group does not intend to be involved in the debt servicing industry, subject to the completion of the project Starlight.

18. DISCONTINUED OPERATIONS (continued)

The results of APS Debt Servicing Cyprus Ltd for the year are presented below:

	Note	2022 €'000	2021 €'000
Discontinued Operations			
Fee and commission income		**218**	406
Net fee and commission income		**218**	406
Other income		**90**	110
Total net income		**308**	516
Staff costs		**(6.434)**	(6.447)
Depreciation and amortisation		**(59)**	(74)
Administrative and other expenses		**(968)**	(1.070)
Loss before taxation		**(7.153)**	(7.075)
Taxation		**(305)**	(298)
Loss for the year		**(7.458)**	(7.373)
Basic loss per share (cent)	19	**(1,81)**	(1,79)
Diluted loss per share (cent) - restricted to basic loss per share	19	**(1,81)**	(1,79)

The earnings per share of APS Debt Servicing Cyprus Ltd for the year are presented below:

	The Group	
	2022 €'000	2021 €'000
Basic and diluted loss per share from discontinued operations		
Loss attributable to owners of the parent company (€ thousand) from discontinued operations	**(7.458)**	(7.373)
Basic earnings per share from discontinued operations		
Weighted average number of ordinary shares for Basic EPS during the year (thousand) from discontinued operations	**412.805**	412.805
Basic loss per share (cent €) from discontinued operations	**(1,81)**	(1,79)
Diluted earnings per share from discontinued operations		
Weighted average number of ordinary shares for Basic EPS during the year (thousand)	**412.805**	412.805
Effect of dilution from the potential conversion of Convertible Capital Securities 1 and 2 (thousand)	**19.949**	19.949
Weighted average number of ordinary shares adjusted for the effect of dilution	**432.754**	432.754
Diluted loss per share (€ cent) from discontinued operations - restricted to basic loss per share	**(1,81)**	(1,79)

18. DISCONTINUED OPERATIONS (continued)

The assets and liabilities of APS Debt Servicing Cyprus Ltd classified as held for sale as at 31 December 2022 and as at 31 December 2021 are, as follows:

	2022	2021
	€'000	€'000
Assets		
Property, plant and equipment	137	177
Intangible assets	2.365	2.383
Tax receivable	-	83
Deferred tax asset	711	617
Other assets	41	147
Disposal group assets (refer to Note 31)	**3.254**	**3.407**
Tax payable	181	66
Other liabilities	658	1.113
Disposal group liabilities (refer to Note 31)	**839**	**1.179**

The net cash flows incurred by APS Debt Servicing Cyprus Ltd are, as follows:

	2022	2021
	€'000	€'000
Cash flow from discontinued operations		
Net cash flow used in operating activities	**(7.359)**	(7.876)
Net cash flow used in investing activities	**(2)**	(108)
Net cash flow for the year	**(7.361)**	(7.984)

19. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	The Group		The Bank	
	2022	2021	**2022**	2021
Profit/(loss) attributable to owners of the parent company (€ thousand)	**24.186**	(11.680)	**27.770**	(14.809)
Basic earnings per share				
Weighted average number of ordinary shares for Basic EPS during the year (thousand)	**412.805**	412.805	**412.805**	412.805
Basic earnings/(loss) per share (€ cent)	**5,86**	(2,83)	**6,73**	(3,59)
Diluted earnings per share				
Weighted average number of ordinary shares for Basic EPS during the year (thousand)	**412.805**	412.805	**412.805**	412.805
Effect of dilution from the potential conversion of Convertible Capital Securities 1 and 2 (thousand)	**19.949**	19.949	**19.949**	19.949
Weighted average number of ordinary shares adjusted for the effect of dilution	**432.754**	432.754	**432.754**	432.754
Diluted earnings/(loss) per share (€ cent) - restricted to basic loss per share	**5,59**	(2,83)	**6,42**	(3,59)

19. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (continued)

	The Group	
	2022	2021
	€'000	€'000
Profit/(loss) attributable to owners of the parent company from continuing operations	**31.644**	(4.307)
Basic earnings per share from continuing operations		
Weighted average number of ordinary shares for Basic EPS during the year (thousand) from continuing operations	**412.805**	412.805
Basic earnings/(loss) per share (cent €) from continuing operations	**7,67**	(1,04)
Diluted earnings per share from continuing operations		
Weighted average number of ordinary shares for Basic EPS during the year (thousand)	**412.805**	412.805
Effect of dilution from the potential conversion of Convertible Capital Securities 1 and 2 (thousand)	**19.949**	19.949
Weighted average number of ordinary shares adjusted for the effect of dilution	**432.754**	432.754
Diluted earnings/(loss) per share (€ cent) from continuing operations - restricted to basic loss per share	**7,31**	(1,04)

Basic EPS is calculated by dividing the profit for the year attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares adjusted for the effect of dilution.

20. CASH AND BALANCES WITH CENTRAL BANKS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash	**92.045**	141.688	**92.045**	141.688
Balances with Central Banks	**8.376.029**	7.204.536	**8.376.029**	7.204.536
	8.468.074	7.346.224	**8.468.074**	7.346.224

The cash and balances with Central Banks mainly consist of €8.376.029 thousand (31 December 2021: €7.204.536 thousand) out of which, deposit with ECB represent 99% of the total balance (2021 98% of total), ECB is rated AAA, based on the main three rating agencies (Moody's, Fitch and S&P).

Total cash and balances with Central Banks is analysed to:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash and balances with Central Banks available for use	**8.319.140**	7.200.254	**8.319.140**	7.200.254
Restricted balances with Central Banks	**149.058**	145.979	**149.058**	145.979
	8.468.198	7.346.233	**8.468.198**	7.346.233
Accumulated Expected Credit Losses	**(124)**	(9)	**(124)**	(9)
Total cash and balances with Central Banks	**8.468.074**	7.346.224	**8.468.074**	7.346.224

20. CASH AND BALANCES WITH CENTRAL BANKS (continued)

Movement of Accumulated Expected Credit Losses:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Balance 1 January	**9**	4	**9**	4
Movement of the year (refer to Note 16)	**115**	5	**115**	5
Closing balance	**124**	9	**124**	9

Cash and balances with Central Banks are classified as Stage 1, for ECL calculation purposes.

21. PLACEMENTS WITH OTHER BANKS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Other placements with Banks	**107.502**	134.376	**98.286**	119.721
Interbank accounts	**173.837**	279.718	**173.840**	277.204
	281.339	414.094	**272.126**	396.925

The analysis of placements with other banks based on their remaining contractual maturity is as follows:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
On demand	**164.949**	253.831	**160.736**	241.575
Within three months	**52.825**	15.188	**47.825**	10.275
Between three months and one year	**7.756**	74.392	**7.756**	74.392
Between one year and five years	**54.272**	70.683	**54.272**	70.683
Over five years	**1.537**	-	**1.537**	-
	281.339	414.094	**272.126**	396.925

At 31 December 2022, an amount of €64.241 thousand (2021: €114.984 thousand) is pledged as collateral with other banks, being common practice among financial institutions.

Amounts held with financial institutions are mainly with A+ to A- institutions.

Total placements with other banks is analysed to:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Placement with other banks with original maturity less than 3 months	**217.590**	257.484	**208.379**	241.807
Other placements with other banks	**64.087**	157.038	**64.081**	155.540
	281.677	414.522	**272.460**	397.347
Accumulated Expected Credit Losses	**(338)**	(428)	**(334)**	(422)
Total placements with other banks	**281.339**	414.094	**272.126**	396.925

21. PLACEMENTS WITH OTHER BANKS (continued)

Movement of Accumulated Expected Credit Losses:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Balance 1 January	**428**	290	**422**	284
Movement of the year (refer to Note 16)	**(90)**	138	**(88)**	138
Closing balance	**338**	428	**334**	422

Placements with other banks are classified as Stage 1, for ECL calculation purposes.

22. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers as per industry sector they operate, as at 31 December, is as follows:

	The Group and the Bank	
	2022	2021
	€'000	€'000
Trade	**526.219**	456.410
Construction and Real Estate	**366.795**	398.780
Manufacturing	**460.332**	376.794
Tourism	**499.839**	409.070
Retail	**3.433.599**	3.435.118
Other sectors	**936.145**	876.054
	6.222.929	5.952.226
Accumulated impairment losses	**(189.659)**	(220.119)
	6.033.270	5.732.107

Analysis of loans and advances to customers based on their remaining contractual maturity as at 31 December, is as follows:

	The Group and the Bank	
	2022	2021
	€'000	€'000
On demand	**755.741**	699.070
Within three months	**36.785**	33.999
Between three months and one year	**38.369**	47.510
Between one year and five years	**936.708**	853.895
Over five years	**4.455.326**	4.317.752
	6.222.929	5.952.226
Accumulated impairment losses	**(189.659)**	(220.119)
	6.033.270	5.732.107

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Movement of gross loans between stages according to the increase in credit risk level as at 31 December is analysed in the table below. Net movement mainly includes new lending, capitalised interest, repayments and write offs made during the period.

	The Group and the Bank - 2022				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Purchased or originated credit impaired €'000	**Total** **€'000**
1 January	4.296.047	918.971	394.175	343.033	**5.952.226**
Transfer from Stage 1 to Stage 2	(115.411)	115.411	-	-	**-**
Transfer from Stage 1 to Stage 3	(29.824)	-	29.824	-	**-**
Transfer from Stage 2 to Stage 3	-	(54.249)	54.249	-	**-**
Transfer from Stage 3 to Stage 2	-	33.415	(33.415)	-	**-**
Transfer from Stage 2 to Stage 1	337.647	(337.647)	-	-	**-**
Transfer from Stage 3 to Stage 1	12.359	-	(12.359)	-	**-**
Net movement during the year	87.277	(104.803)	(55.075)	(21.946)	**(94.547)**
Exchange difference	15.466	290	3.161	(4)	**18.913**
Acquisition of RCB loans	346.337	-	-	-	**346.337**
31 December	4.949.898	571.388	380.560	321.083	**6.222.929**

	The Group and the Bank - 2021				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Purchased or originated credit impaired €'000	**Total** **€'000**
1 January	4.224.355	964.819	1.239.081	373.431	**6.801.686**
Transfer from Stage 1 to Stage 2	(218.488)	218.488	-	-	**-**
Transfer from Stage 1 to Stage 3	(45.909)	-	45.909	-	**-**
Transfer from Stage 2 to Stage 3	-	(70.295)	70.295	-	**-**
Transfer from Stage 3 to Stage 2	-	98.120	(98.120)	-	**-**
Transfer from Stage 2 to Stage 1	206.623	(206.623)	-	-	**-**
Transfer from Stage 3 to Stage 1	4.621	-	(4.621)	-	**-**
Net movement during the year	109.854	(76.350)	(107.153)	(20.805)	**(94.454)**
Exchange difference	17.041	755	2.881	9	**20.686**
Transfer from assets held for sale (refer to Note 31)	-	7	420	-	**427**
Transfer to assets held for sale (refer to Note 31)	(2.050)	(9.950)	(754.517)	(9.602)	**(776.119)**
31 December	4.296.047	918.971	394.175	343.033	**5.952.226**

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

The table below discloses the accumulated impairment losses on the value of loans and advances:

	The Group and the Bank - 2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
1 January	33.204	51.526	142.843	(7.454)	**220.119**
Transfer from Stage 1 to Stage 2	(1.771)	1.771	-	-	**-**
Transfer from Stage 1 to Stage 3	(641)	-	641	-	**-**
Transfer from Stage 2 to Stage 3	-	(6.505)	6.505	-	**-**
Transfer from Stage 3 to Stage 2	-	7.349	(7.349)	-	**-**
Transfer from Stage 2 to Stage 1	10.515	(10.515)	-	-	**-**
Transfer from Stage 3 to Stage 1	2.343	-	(2.343)	-	**-**
Write offs net of recoveries of loan impairment losses	(239)	(100)	(33.151)	(3.688)	**(37.178)**
Contractual interest on impaired loans	294	703	19.188	13.568	**33.753**
Unwinding of discount	(227)	(567)	(9.612)	(13.439)	**(23.845)**
Decrease due to derecognition	(101)	(705)	(921)	(401)	**(2.128)**
Charge/(reversal) for the year	(18.881)	(15.948)	27.195	4.763	**(2.871)**
Exchange difference	47	(51)	1.813	-	**1.809**
31 December	24.543	26.958	144.809	(6.651)	**189.659**

	The Group and the Bank - 2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
1 January	40.370	49.349	620.927	(5.881)	**704.765**
Transfer from Stage 1 to Stage 2	(2.466)	2.466	-	-	**-**
Transfer from Stage 1 to Stage 3	(1.026)	-	1.026	-	**-**
Transfer from Stage 2 to Stage 3	-	(5.565)	5.565	-	**-**
Transfer from Stage 3 to Stage 2	-	24.344	(24.344)	-	**-**
Transfer from Stage 2 to Stage 1	9.105	(9.105)	-	-	**-**
Transfer from Stage 3 to Stage 1	1.215	-	(1.215)	-	**-**
Write offs net of recoveries of loan impairment losses	(401)	(2.270)	(99.151)	(5.057)	**(106.879)**
Contractual interest on impaired loans	275	2.750	78.700	14.272	**95.997**
Unwinding of discount	(203)	(1.993)	(23.634)	(13.724)	**(39.554)**
Decrease due to derecognition	(86)	(610)	(335)	(2.568)	**(3.599)**
Charge/(reversal) for the year	(13.046)	(4.761)	113.477	8.748	**104.418**
Exchange difference	61	34	(273)	2	**(176)**
Transfer from assets held for sale (refer to Note 31)	-	-	378	-	**378**
Transfer to assets held for sale (refer to Note 31)	(594)	(3.113)	(528.278)	(3.246)	**(535.231)**
31 December	33.204	51.526	142.843	(7.454)	**220.119**

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

As at 31 December 2022 Net Loan and Advances amounting to €191.662 thousand (2021: €240.888 thousand) were classified as Held for Sale. For details refer to Note 31.

Unwinding of discount amounting to €23,8 million 2021: €39,6 million) relates to interest income on impaired loans and advances to customers and is recognised in the income statement.

The corresponding contractual amount outstanding that was written off which relate to non contractual write offs for 2022 amounted to €16,3 million (2021: €74,7 million).

Risk categories
The loans and advances, are presented in risk categories based on the credit risk assessment system of the Group. The risk categories are as follows:

Grade 1 (Low Risk):
An immediate ability to repay the credit facility is assumed.

Grade 2 (Medium Risk):
The probability of indirect recovery of the credit facility is assumed.

Grade 3 (High Risk):
The debtor presents a higher risk compared to Grade 1 and 2 on the existence of direct and indirect recovery of the credit facility.

Past due loans and advances
Represent loans and advances for which the contractual interest or principal repayments are past due.

Based on the above categories, loans and advances to customers are presented below:

	The Group and the Bank - 2022				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Purchased or originated credit impaired €'000	**Total €'000**
Grade 1 (low risk)	4.795.772	403.794	5.542	41.914	**5.247.022**
Grade 2 (medium risk)	150.733	161.665	173.927	179.195	**665.520**
Grade 3 (high risk)	3.393	5.929	201.091	99.974	**310.387**
Gross amount	4.949.898	571.388	380.560	321.083	**6.222.929**
Accumulated Impairment losses	(24.543)	(26.958)	(144.809)	6.651	**(189.659)**
Carrying amount	4.925.355	544.430	235.751	327.734	**6.033.270**
Past due exposures					
0+ up to 30 days	104.723	26.736	12.319	12.736	**156.514**
30+ up to 60 days	1.513	20.176	11.608	5.996	**39.293**
60+ up to 90 days	243	8.249	6.397	2.850	**17.739**
90 days+	11	2.865	266.838	182.396	**452.110**
Gross amount	106.490	58.026	297.162	203.978	**665.656**
Accumulated Impairment losses	(3.618)	(4.758)	(117.043)	(25.844)	**(151.263)**
Carrying amount	102.872	53.268	180.119	178.134	**514.393**
Forborne exposures					
Carrying amount	2.490	225.807	91.725	186.591	**506.613**

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

	The Group and the Bank - 2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
Grade 1 (low risk)	4.160.139	638.452	4.497	48.902	**4.851.990**
Grade 2 (medium risk)	131.208	259.757	185.197	193.990	**770.152**
Grade 3 (high risk)	4.700	20.762	204.481	100.141	**330.084**
Gross amount	4.296.047	918.971	394.175	343.033	**5.952.226**
Accumulated Impairment losses	(33.204)	(51.526)	(142.843)	7.454	**(220.119)**
Carrying amount	4.262.843	867.445	251.332	350.487	**5.732.107**
Past due exposures					
0+ up to 30 days	80.430	41.098	7.178	13.623	**142.329**
30+ up to 60 days	2.160	18.654	11.126	5.507	**37.447**
60+ up to 90 days	303	7.986	10.686	4.225	**23.200**
90 days+	3	5.837	281.264	205.930	**493.034**
Gross amount	82.896	73.575	310.254	229.285	**696.010**
Accumulated Impairment losses	(1.851)	(6.546)	(117.405)	(21.050)	**(146.852)**
Carrying amount	81.045	67.029	192.849	208.235	**549.158**
Forborne exposures					
Carrying amount	4.613	339.203	102.981	208.175	**654.972**

Movement of carrying amount of loans and advances classified as Stage 3 and purchased or originated credit impaired (POCI):

	The Group and the Bank - 2022		
	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	**€'000**
1 January	251.332	350.487	**601.819**
Transfer from Stage 1 to Stage 3	29.183	-	**29.183**
Transfer from Stage 2 to Stage 3	47.744	-	**47.744**
Transfer from Stage 3 to Stage 2	(26.066)	-	**(26.066)**
Transfer from Stage 3 to Stage 1	(10.016)	-	**(10.016)**
Net movement during the year	(57.774)	(22.749)	**(80.523)**
Exchange difference	1.348	(4)	**1.344**
31 December	235.751	327.734	**563.485**

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

	The Group and the Bank - 2021		
	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	**€'000**
1 January	618.154	379.312	**997.466**
Transfer from Stage 1 to Stage 3	44.883	-	**44.883**
Transfer from Stage 2 to Stage 3	64.730	-	**64.730**
Transfer from Stage 3 to Stage 2	(73.776)	-	**(73.776)**
Transfer from Stage 3 to Stage 1	(3.406)	-	**(3.406)**
Net movement during the year	(176.210)	(22.476)	**(198.686)**
Exchange difference	3.154	7	**3.161**
Transfer from assets held for sale	42	-	42
Transfer to assets held for sale	(226.239)	(6.356)	**(232.595)**
31 December	251.332	350.487	**601.819**

The value of collaterals of total loans and advances to customers is analysed as below:

	2022	2021
	€'000	€'000
Residential property	**8.889.597**	8.600.495
Commercial property	**4.824.282**	3.575.895
Land	**2.284.040**	2.151.212
Total property collaterals	**15.997.919**	14.327.602
Other collaterals	**2.363.145**	2.011.719
	18.361.064	16.339.321

The value of collaterals of loans and advances to customers classified as Stage 3 and purchased or originated credit impaired is analysed as below:

	2022	2021
	€'000	€'000
Residential property	**931.631**	952.013
Commercial property	**349.750**	322.072
Land	**262.449**	269.977
Total property collaterals	**1.543.830**	1.544.062
Other collaterals	**67.550**	22.916
	1.611.380	1.566.978

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Forborne Exposures
Consistent with the European Banking Authority's (EBA) technical standards the Group and the Bank consider forbone exposures to be (i) exposures which involve changes in their terms and/or conditions and (ii) the forbearance measures consist of concessions towards a debtor which aim to address existing or anticipated difficulties on the part of the borrower to service debt in accordance with the current repayment schedule. Changes in the terms and conditions of a contract that do not occur because the customer is not able to meet the terms and conditions of the contract due to financial difficulties do not constitute forbearance measures."

Loans and advances with forbearance measures are analysed, by industry sector, below:

	Gross Loans		Carrying amount	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Trade	**59.379**	66.244	**43.774**	53.911
Construction and Real Estate	**33.246**	99.966	**26.384**	80.477
Manufacturing	**11.650**	18.129	**9.826**	15.691
Tourism	**144.910**	160.126	**137.035**	150.352
Retail	**282.604**	321.893	**246.318**	289.606
Other sectors	**52.247**	75.068	**43.276**	64.935
	584.036	741.426	**506.613**	654.972

The value of collaterals of loans and advances to customers with forbearance measures is analysed below:

	2022	2021
	€'000	€'000
Residential property	**477.801**	543.605
Commercial property	**599.073**	662.174
Land	**171.298**	194.052
Total property collaterals	**1.248.172**	1.399.831
Other collaterals	**41.822**	45.261
	1.289.994	1.445.092

23. DEBT SECURITIES

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Securities classified at fair value through other comprehensive income				
Listed	**81.351**	182.770	**81.351**	182.770
Non listed	**6.595**	-	**-**	-
Accumulated expected credit losses	**(83)**	(16)	**(83)**	(16)
	87.863	182.754	**81.268**	182.754
Securities classified at amortised cost				
Listed	**4.324.958**	4.257.400	**4.324.958**	4.257.400
Non listed	**12.278**	24.368	**12.278**	24.368
Accumulated expected credit losses	**(1.329)**	(1.324)	**(1.329)**	(1.324)
	4.335.907	4.280.444	**4.335.907**	4.280.444
Securities classified at fair value through profit and loss				
Assets held to cover liabilities of unit linked funds - Government bonds	**179**	293	**-**	-
	179	293	**-**	-
	4.423.949	4.463.491	**4.417.175**	4.463.198

The analysis of Debt securities is based on their remaining contractual maturity as at 31 December:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Within three months	**280.005**	124.567	**280.005**	124.567
Between three months and one year	**491.345**	929.180	**491.345**	928.887
Between one year and five years	**2.745.809**	2.622.674	**2.739.035**	2.622.674
Over five years	**906.790**	787.070	**906.790**	787.070
	4.423.949	4.463.491	**4.417.175**	4.463.198

Analysis of Debt securities by sector:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Concentration by sector:				
Governments	**1.031.327**	1.485.126	**1.031.148**	1.484.833
Banks	**2.056.611**	1.861.590	**2.050.016**	1.861.590
Other sectors	**1.336.011**	1.116.775	**1.336.011**	1.116.775
	4.423.949	4.463.491	**4.417.175**	4.463.198

As at 31 December 2022 the Group's exposure in Cyprus Government Bonds amounted to €790 million (31 December 2021: €1,5 billion), rated at Baa3 Moody's equivalent credit rating (2021: Baa3).

The category "Other sectors" mainly consists of, 57%, €762 million securitisations, (31 December 2021: 53%, €593 million) 36%, €483 million Supranational organisations, (31 December 2021: 38%, €429 million) and 7%, €91 million Corporates, (31 December 2021: 9%, €95 million).

The Group closely monitors developments in the international markets so that any measures needed are promptly taken to reduce credit risk.

23. DEBT SECURITIES (continued)

Debt securities are classified as Stage 1, for ECL calculation purposes.

Movement of Accumulated Expected Credit Losses:

	The Group and the Bank	
	2022	2021
	€'000	€'000
Balance 1 January	**1.340**	1.818
Movement for the year (refer to Note 16)	**72**	(478)
Closing Balance	**1.412**	1.340

The Group's investment portfolio mainly consists of investments in debt securities. The following tables analyse the Group's debt securities' portfolio per type and Moody's credit ratings equivalents

	2022			2021		
Credit Rating Band (in €million)	**Total**	**Amortised cost**	**FVOCI**	Total	Amortised cost	FVOCI
Aaa to Aa3	**3.216**	**3.216**	**-**	2.490	2.450	40
A1 to A3	**302**	**302**	**-**	364	364	-
Baa1 to Baa3	**799**	**718**	**81**	1.492	1.349	143
Ba1 to Ba3	**75**	**75**	**-**	76	76	-
<B1	**13**	**13**	**-**	17	17	-
Unrated	**19**	**12**	**7**	24	24	-
	4.424	**4.336**	**88**	4.463	4.280	183

	2022			2021		
Issuer Type (in €million)	**Total**	**Amortised cost**	**FVOCI**	Total	Amortised cost	FVOCI
Governments	**1.031**	**950**	**81**	1.556	1.413	143
Supranationals	**483**	**483**	**-**	429	389	40
Banks	**1.031**	**1.024**	**7**	1.161	1.161	-
Covered Bonds	**1.026**	**1.026**	**-**	630	630	-
Securitisations	**761**	**761**	**-**	593	593	-
Corporates	**92**	**92**	**-**	94	94	-
	4.424	**4.336**	**88**	4.463	4.280	183

24. HEDGE ACCOUNTING

The Group may from time to time enter into fair value hedges, using interest rate swaps, in order to protect itself against movements in the fair value of fixed-rate financial instruments due to movements in market interest rates. The Bank designated interest rate swaps as hedging instruments in a fair value hedge of the risk free rate component of certain fixed rate Cyprus Government Bonds (CGBs) coupon that were onboarded as a result of the ex-CCB Acquisition, in 2018.

The risk component being hedged was determined by using the Euro swap curve as a proxy for the benchmark risk-free rate curve, which is commonly used to price Euro denominated debt instruments and is reliably measured.

The economic relationship between the hedging instrument and the hedged item was determined through comparison of their main terms, such as the nominal amount, currency and the time to maturity, as well as through regression analysis. The relevant hedge ratio was established by comparing the nominal amount of the hedged item and the hedging instruments.

On 15 December 2022, the hedged CGBs held by the Bank were matured. As a result the Group did not utilised hedge accounting as at 31 December 2022.

Both the hedged item and the hedged instrument matured on this date. For the impact from the hedging relationship on the Group's consolidated income statement up to the maturity date, refer to Note 10.

The Group applies IFRS 9 for its hedge accounting.

The amounts relating to items designated as hedging instruments and hedged items at 31 December 2021 were as follows:

24. HEDGE ACCOUNTING (continued)

2021	Notional amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2021	Line item in profit or loss that includes change in fair value
		Asset	Liabilities			
	€'000	€'000	€'000		€'000	
Hedging instruments						
Interest rate swaps - hedge of Cyprus Government Bonds	610.000	-	4.823	Other liabilities (Derivatives)	7.413	Net gains on disposal and revaluation of foreign currencies and financial instruments

2021	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge effectiveness for 2021	Line item in profit or loss that includes change in fair value
	Asset	Liabilities				
	€'000	€'000	€'000		€'000	€'000
Hedged item						
Cyprus Government Bonds -risk free rate component coupons	628.074	-	4.764	Debt securities	(7.995)	Net gains on disposal and revaluation of foreign currencies and financial instruments

25. EQUITY SECURITIES AND COLLECTIVE INVESTMENT UNITS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Equity securities at fair value through profit or loss				
Non listed securities	**18.851**	19.197	**18.851**	19.197
Collective investment units	**51.127**	51.072	**-**	-
Assets held to cover liabilities of unit linked funds	**25.430**	14.659	**-**	-
	95.408	84.928	**18.851**	19.197
Equity securities classified at fair value through other comprehensive income				
Listed securities	**1.392**	1.668	**1.392**	1.668
Non listed securities	**10.367**	7.889	**10.367**	7.889
	11.759	9.557	**11.759**	9.557
	107.167	94.485	**30.610**	28.754

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Concentration by sector excluding assets held to cover liabilities of unit linked funds:				
Equity securities at fair value through profit or loss				
Other financial service activities, except insurance funds	**13.028**	11.103	**13.028**	11.103
Insurance	**5.823**	8.095	**5.823**	8.095
Collective investment units	**51.127**	51.072	**-**	-
Assets held to cover liabilities of unit linked funds	**25.430**	14.659	**-**	-
	95.408	84.929	**18.851**	19.198
Equity securities classified at fair value through other comprehensive income				
Other financial service activities, except insurance funds	**10.367**	7.889	**10.367**	7.889
Manufacture of bakery and farinaceous products	**1.149**	1.329	**1.149**	1.329
Manufacture of cement, lime and plaster	**5**	4	**5**	4
Hotels and similar accommodation	**233**	227	**233**	227
Sawmilling and planing of wood	**-**	102	**-**	102
Other specialised wholesale	**5**	5	**5**	5
	11.759	9.556	**11.759**	9.556
	107.167	94.485	**30.610**	28.754

Equity securities classified at fair value through profit or loss
Equity securities at fair value through profit or loss include the Bank's participation in Visa Inc. through the holding of Series C and Series A Convertible Preferred Stock into Class A Common Stock which as at 31 December 2022 amounted to €13,0 million (31 December 2021: €11,1 million), the Bank's 18,6% participation in Universal Life Insurance Public Company Limited ("Universal Life") which as at 31 December 2022 amounted to €5,8 million (31 December 2021: €8,1 million) and the Group's participation in collective investment units.

The Group's investments in collective investments units represent shares/units in exchange traded funds (ETFs), Money Market Funds (MMFs) and Mutual Funds (MFs).

25. EQUITY SECURITIES AND COLLECTIVE INVESTMENT UNITS (continued)

Equity securities classified at fair value through other comprehensive income
Unlisted equity securities classified at fair value through other comprehensive income include the Bank’s investment in JCC Payment Systems Ltd of €10.053 thousand (31 December 2021: €7.575 thousand).

Listed equity securities classified at fair value through other comprehensive income include the Bank's investment in securities listed in the Cyprus Stock Exchange, that are measured by reference to their quoted price as at 31 December 2022 and as at 31 December 2021 respectively.

26. INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiary companies represent the cost of acquisition of shares or the cost of incorporation/investment net of any impairment of the investment, where applicable, in the following subsidiary companies:

					The Bank	
	Line of Business	Country of operation and registration	Ownership %	Number of shares	**2022 €'000**	2021 €'000
Hellenic Bank (Investments) Ltd	Inactive	Cyprus	100	3.750.000	**4.127**	4.127
Hellenic Bank Trust and Finance Corporation Ltd	Financing Services	Cyprus	100	50.000	**94**	94
Pancyprian Insurance Ltd	General Insurance	Cyprus	99,96	15.700.000	**32.423**	32.423
Hellenic Life Insurance Company Ltd	Life Insurance	Cyprus	100	1.000.000	**7.179**	7.179
Hellenic Bank Insurance Holding Ltd	Insurance services	Cyprus	100	1.000	**1**	1
Marrero Ltd	Inactive	Cyprus	100	600.000	**-**	600
HB Data Analytics Ltd	Auxiliary services	Cyprus	100	110	**15**	-
Kohira Holdings Ltd	Credit Acquisition Company	Cyprus	100	60.000.000	**600**	-
Hellenic Insurance Agency Ltd	Insurance Intermediation	Cyprus	100	50.000	**86**	86
Ezmero Holdings Ltd	SPV	Cyprus	100	180/160*	**11.060**	11.636
Alira Holdings Ltd	SPV	Cyprus	100	110	**-**	3.391
Krolo Holdings Ltd	SPV	Cyprus	100	210/190*	**3.982**	4.090
Anolia Industrial Ltd	SPV	Cyprus	100	200/180*	**3.764**	3.714
Abverma Holdings Ltd	SPV	Cyprus	100	150/140*	**-**	4.484
Chrisblo Holdings Ltd	SPV	Cyprus	100	150	**-**	3.043
Drypto Holdings Ltd	SPV	Cyprus	100	190/170*	**13.850**	14.270
Vevedli Limited	SPV	Cyprus	100	140/130*	**-**	2.855
Arzetio Holdings Ltd	SPV	Cyprus	100	140/120*	**4.244**	4.204
Malpax Holding Ltd	SPV	Cyprus	100	110	**1.854**	1.854
Ezelco Holdings Ltd	SPV	Cyprus	100	140/120*	**3.958**	3.858
Katlero Holdings Ltd	SPV	Cyprus	100	140/120*	**11.599**	11.458
Prunelox Holdings Ltd	SPV	Cyprus	100	110	**15**	15
Shanlo Holdings Ltd	SPV	Cyprus	100	110	**15**	15
Torki Holdings Ltd	SPV	Cyprus	100	110	**15**	15
					98.881	113.412

*as at 31 December 2021

26. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The Bank's movement of the carrying amount of the investment in subsidiaries:

	The Bank	
	2022	2021
	€'000	€'000
1 January	**113.412**	135.799
Impairment losses on the cost of investment in SPV subsidiaries (refer to Note 16)	**(1.623)**	(1.948)
Reclassification to investment in subsidiary held for sale (refer to Note 31)	**-**	(10.388)
Subsidiary stricken off	**(600)**	-
Disposal of SPVs	**(13.832)**	(11.417)
Increase of investment in subsidiaries	**1.524**	1.366
31 December	**98.881**	113.412

Investment banking, asset management and brokerage
On 28 November 2016 the Board of Directors of Hellenic Bank (Investments) Ltd decided to discontinue all of its business activities, which primarily related to retail brokerage services. As at 31 December 2022 the Company remains inactive.

On 30 June 2021 the Board of Directors of Hellenic Bank Trust and Finance Corporation Ltd decided the liquidation of the company. The liquidation process has commenced the liquidator has been appointed and the relevant publication of the commencement of liquidation and appointment of the liquidator of the Company was made in the Official Gazette.

Regarding the Bank's investment in Marrero Ltd, on 11 October 2021 an application for striking off the company was filed with the Company's Registrar and took place during 2022. The Company has been inactive since its incorporation.

During 2022 the Bank incorporated the new wholly owned subsidiary HB Data Analytics Ltd with the purpose of providing auxiliary services via a business intelligence tool developed by the Bank. The data analytics services will be offered to the Bank's clients. Also, the Bank incorporated the new wholly owned subsidiary Kohira Holdings Ltd to act a credit acquisition company. On 10 February 2023, Kohira Holdings Ltd was renamed Themis Portfolio (S1) Management Holdings Limited.

SPVs
The Bank, as part of its non-performing exposures management, is entering into a number of debt-to-asset swap transactions. Assets acquired in satisfaction of debt are acquired either directly or indirectly through wholly owned Special Purpose Vehicles (SPVs).

During 2022, Alira Holdings Ltd, Abverma Holdings Ltd, Chrisblo Holdings Ltd, Vevedli Limited were disposed for a net consideration of €14.892 thousand, all settled in cash. In addition, during 2022 there was an increase in the investment in some of the SPVs via the issue of new shares.

During 2021, Idith Holdings Ltd, Dallastia Holdings Ltd and Boulmo Holdings Ltd were disposed for a net consideration of €11.974 thousand, all settled in cash. In addition, during 2021 there was an increase in the investment in some of the SPVs via the issue of new shares.

The cost of investment of the SPVs was assessed at year end for impairment based on the fair valuation of the property held by each entity and an impairment loss on the cost of investment of the SPVs of €1.623 thousand was recognised in the income statement for the year (31 December 2021: €1.948 thousand).

Where necessary, the Bank provides financial support to it's SPVs, through the issuance of additional share capital.

26. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

Asset Management Services
In January 2017, the Bank signed an agreement with APS Holding a.s (APS Holding) for the management of real estate assets and servicing of the NPEs portfolio. The agreement entailed the disposal of the operations of the Bank's Arrears Management Division (AMD) to APS Cyprus, including the necessary resources to independently carry out the servicing of NPLs and REO portfolio, while the ownership of the real estate and loan portfolio remained with the Bank. Simultaneously, the Bank has executed a 10 year service level agreement with APS Cyprus for the management of the Bank's NPLs and REO Portfolio.

As of 30 June 2017, APS Cyprus was owned 51% by APS Holding and 49% by the Bank and was therefore recognised as an investment in associate.

On 7 August 2020, the Bank and APS Holding Cyprus Ltd reached an agreement to restructure the agreements entered into in January 2017 in relation to the establishment of APS Cyprus, allowing the Bank to take over the governance and operational control of the Company. The agreement was completed on the 30 November 2020.

In October 2021 the Bank acquired the remaining 51% stake in APS Cyprus share capital resulting to APS Cyprus becoming a wholly owned subsidiary of the Group.

As part of project Starlight, the Bank is proceeding with the disposal of APS Cyprus and as such the Bank's cost of the investment in APS Cyprus amounting to €10.388 thousand has been reclassified as held for sale and discontinued operations.

On 30 March 2023, the Bank announced the completion of Project Starlight that also includes the disposal of APS Debt Servicing Cyprus Ltd (refer to Note 52).

There are no restrictions on the Bank's ability to access or use assets and settle liabilities of the Group.

26. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The following analysis refers to intercompany balances between the Bank and its subsidiary companies:

	Interest received	Interest paid	Fees and Commission paid	Net income from insurance operations	Other income	Total expenses	Other assets	Other liabilities	Deposits	Dividend paid
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Hellenic Bank (Investments) Ltd	16	-	-	-	-	-	-	-	3.684	-
Hellenic Bank Trust and Finance Corporation Ltd	-	-	-	-	-	-	-	-	809	-
Pancyprian Insurance Ltd	22	9	1.316	28	12	71	222	1.358	947	3.299
Hellenic Life Insurance Company Ltd	-	4	3.062	-	172	108	6	49	914	2.600
Hellenic Insurance Agency Ltd	-	-	-	-	-	-	-	4	188	-
Hellenic Bank Insurance Holding Ltd	-	-	-	-	-	-	414	-	-	-
APS Debt Servicing Cyprus Ltd*	17	-	2	-	890	13.827	540	2.430	6.427	4.425
Kohira Holdings Ltd	-	-	-	-	-	-	-	-	600	-
HB Data Analytics Ltd	-	-	-	-	19	-	19	-	32	-
Ezmero Holdings Ltd	-	-	-	-	(410)	-	-	-	81	-
Alira Holdings Ltd	-	-	-	-	(231)	-	-	-	-	435
Krolo Holdings Ltd	-	-	-	-	(381)	-	-	-	60	-
Anolia Industrial Ltd	-	-	-	-	72	-	-	-	33	-
Abverma Holdings Ltd	-	-	-	-	(81)	-	-	-	-	-
Chrisblo Holdings Ltd	-	-	-	-	(78)	-	-	-	-	-
Drypto Holdings Ltd	-	-	-	-	941	-	-	-	166	-
Vevedli Limited	-	-	-	-	(62)	-	-	-	-	-
Arzetio Holdings Ltd	-	-	-	-	(170)	-	-	-	27	-
Malpax Holdings Ltd	-	-	-	-	-	-	-	-	116	-
Ezelco Holdings Ltd	-	-	-	-	-	-	-	-	97	-
Katlero Holdings Ltd	-	-	-	-	(1.550)	-	-	-	102	-
Prunelox Holdings Ltd	-	-	-	-	-	-	-	-	4	-
Shanlo Holdings Ltd	-	-	-	-	-	-	-	-	4	-
Torki Holdings Ltd	-	-	-	-	-	-	-	-	4	-
	55	**13**	**4.380**	**28**	**(857)**	**14.006**	**1.201**	**3.841**	**14.295**	**10.759**

*APS Debt Servicing Cyprus Ltd has been reclassified to Investment in subsidiary held for sale.

26. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

	Interest received	Interest paid	Fees and Commission paid	Net income from insurance operations	Other income	Total expenses	Other assets	Other liabilities	Deposits	Dividend paid
	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Hellenic Bank (Investments) Ltd	22	-	-	-	-	-	-	3	3.707	-
Hellenic Bank Trust and Finance Corporation Ltd	-	-	-	-	-	-	-	-	809	-
Pancyprian Insurance Ltd	-	9	1.093	57	191	(68)	3.127	14	4.915	1.999
Hellenic Life Insurance Company Ltd	-	14	4.660	-	130	(77)	32	753	786	1.550
Hellenic Insurance Agency Ltd	-	-	-	-	-	-	200	10	199	-
Hellenic Bank Insurance Holding Ltd	-	-	-	-	-	-	-	200	-	-
APS Debt Servicing Cyprus Ltd*	190	-	2	-	1.461	14.031	11	2.122	1.929	4.200
Dallastia Holdings Ltd	-	6	-	-	438	26	-	-	-	-
Marrero Ltd	-	-	-	-	-	-	-	592	-	-
Idith Ltd	-	-	-	-	105	-	-	-	-	-
Ezmero Holdings Ltd	-	-	-	-	-	-	-	-	40	-
Boulmo Holdings Ltd	-	-	-	-	(25)	-	-	-	-	230
Alira Holdings Ltd	-	-	-	-	(551)	-	-	-	349	-
Krolo Holdings Ltd	-	-	-	-	-	-	-	-	6	-
Anolia Industrial Ltd	-	-	-	-	-	-	-	-	15	-
Abverma Holdings Ltd	-	-	-	-	(400)	-	-	-	25	-
Chrisblo Holdings Ltd	-	-	-	-	-	-	-	-	924	-
Drypto Holdings Ltd	-	-	-	-	-	-	-	-	86	-
Vededli Ltd	-	-	-	-	(600)	-	-	-	8	-
Arzetio Holdings Ltd	-	-	-	-	(35)	-	-	-	23	-
Malpax Holdings Ltd	-	-	-	-	-	-	-	-	146	-
Ezelco Holdings Ltd	-	-	-	-	-	-	-	-	50	-
Katlero Holdings Ltd	-	-	-	-	(1.197)	-	-	-	55	-
Prunelox Holdings Ltd	-	-	-	-	-	-	-	-	9	-
Shanlo Holdings Ltd	-	-	-	-	-	-	-	-	8	-
Torki Holdings Ltd	-	-	-	-	-	-	-	-	8	-
	212	**29**	**5.755**	**57**	**(483)**	**13.912**	**3.370**	**3.694**	**14.097**	**7.979**

*APS Debt Servicing Cyprus Ltd has been reclassified to Investment in subsidiary held for sale.

27. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings 2022 €'000	Right of use asset 2022 €'000	Plant and equipment 2022 €'000	**Total 2022 €'000**
Net book value 1 January	141.970	10.168	28.228	**180.366**
Additions	107	-	3.015	**3.122**
Contract modifications	-	(575)	-	**(575)**
Disposals/transfers	6	-	(755)	**(749)**
Transfer to stock of property (refer to Note 28)	(2.213)	-	-	**(2.213)**
Transfer from investment properties	360	-	-	**360**
Charge for the year	(1.805)	(2.200)	(9.129)	**(13.134)**
Net book value 31 December	138.425	7.393	21.359	**167.177**
1 January 2022				
Cost or valuation	144.145	16.572	101.944	**262.661**
Accumulated depreciation	(2.175)	(6.404)	(73.716)	**(82.295)**
Net book value	141.970	10.168	28.228	**180.366**
31 December 2022				
Cost or valuation	142.377	14.240	99.746	**256.363**
Accumulated depreciation	(3.952)	(6.847)	(78.387)	**(89.186)**
Net book value	138.425	7.393	21.359	**167.177**

The Group	Land and buildings 2021 €'000	Right of use asset 2021 €'000	Plant and equipment 2021 €'000	**Total 2021 €'000**
Net book value 1 January	143.011	9.568	30.783	**183.362**
Additions	-	1.222	8.639	**9.861**
Contract modifications	-	1.975	-	**1.975**
Disposals/transfers/write offs	(5)	-	(1.022)	**(1.027)**
Transfer to stock of properties held for sale	(779)	-	-	**(779)**
Impairment	-	-	(559)	**(559)**
Transfer from investment properties (refer to Note 32)	1.698	-	-	**1.698**
Transfer to disposal group	(45)	-	(167)	**(212)**
Charge for the year	(1.910)	(2.597)	(9.446)	**(13.953)**
Net book value 31 December	141.970	10.168	28.228	**180.366**
1 January 2021				
Cost or valuation	143.289	15.203	99.752	**258.244**
Accumulated depreciation	(278)	(5.635)	(68.969)	**(74.882)**
Net book value	143.011	9.568	30.783	**183.362**
31 December 2021				
Cost or valuation	144.145	16.572	101.944	**262.661**
Accumulated depreciation	(2.175)	(6.404)	(73.716)	**(82.295)**
Net book value	141.970	10.168	28.228	**180.366**

27. PROPERTY, PLANT AND EQUIPMENT (continued)

The Bank	Land and buildings 2022 €'000	Right of use asset 2022 €'000	Plant and equipment 2022 €'000	**Total 2022 €'000**
Net book value 1 January	130.100	10.206	27.776	**168.082**
Additions	-	-	2.794	**2.794**
Contract modifications	-	(710)	-	**(710)**
Disposals/transfers	5	-	(751)	**(746)**
Transfer to stock of property (refer to Note 28)	(2.213)	-	-	**(2.213)**
Transfers from investment property	360	-	-	**360**
Charge for the year	(1.679)	(2.174)	(8.978)	**(12.831)**
Net book value 31 December	126.573	7.322	20.841	**154.736**
1 January 2022				
Cost or valuation	131.955	16.614	98.930	**247.499**
Accumulated depreciation	(1.855)	(6.408)	(71.154)	**(79.417)**
Net book value	130.100	10.206	27.776	**168.082**
31 December 2022				
Cost or valuation	130.067	14.080	96.634	**240.781**
Accumulated depreciation	(3.494)	(6.758)	(75.793)	**(86.045)**
Net book value	126.573	7.322	20.841	**154.736**

The Bank	Land and buildings 2021 €'000	Right of use asset 2021 €'000	Plant and equipment 2021 €'000	**Total 2021 €'000**
Net book value at 1 January	130.878	9.571	30.429	**170.878**
Additions	-	1.244	8.262	**9.506**
Contract modifications	-	1.988	-	**1.988**
Disposals/transfers/write offs	-	-	(1.025)	**(1.025)**
Transfer to stock of property (refer to Note 28)	(779)	-	-	**(779)**
Transfers from investment property	1.698	-	-	**1.698**
Impairment	-	-	(559)	**(559)**
Charge for the year	(1.697)	(2.597)	(9.331)	**(13.625)**
Net book value at 31 December	130.100	10.206	27.776	**168.082**
1 January 2021				
Cost or valuation	131.039	15.223	96.850	**243.112**
Accumulated depreciation	(161)	(5.652)	(66.421)	**(72.234)**
Net book value	130.878	9.571	30.429	**170.878**
31 December 2021				
Cost or valuation	131.955	16.614	98.930	**247.499**
Accumulated depreciation	(1.855)	(6.408)	(71.154)	**(79.417)**
Net book value	130.100	10.206	27.776	**168.082**

27. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings
Land and buildings were revalued at 31 December 2020, by independent qualified valuers on a market value basis for their existing use. The impact of the property revaluation as at 31 December 2020 amounted to impairment losses in the profit and loss of €3.056 thousand (Bank: €2.777 thousand) and a net increase in the revaluation reserve of €5.487 thousand (Bank: €5.986 thousand).

As at 31 December 2022 the value of the revalued freehold land, not subject to depreciation, amounted to €42.594 thousand (31 December 2021: €45.446 thousand) for the Group and €41.701 thousand (31 December 2021: €44.552 thousand) for the Bank.

The fair value of land and buildings is categorised as Level 3 of the fair value hierarchy.

The cost and net book value on a historic cost basis of the freehold land and buildings as at 31 December 2022 amounted to €129.992 thousand (31 December 2021: €129.065 thousand) and €115.633 thousand (31 December 2021: €114.651 thousand) respectively for the Group, and to €119.671 thousand (31 December 2021: €119.902 thousand) and €105.560 thousand (31 December 2021: €106.839 thousand) respectively for the Bank.

Plant and equipment
As at 31 December 2022, the renovation cost for branches, which is included under plant and equipment, amounted to €182 thousand for the Group and the Bank (31 December 2021: €141 thousand).

As at 31 December 2021 an amount of €1.375 thousand for the Group and the Bank being impairment was charged to the income statement. As at 31 December 2022 no impairment was charged to the income statement.

28. STOCK OF PROPERTY

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
1 January	**169.414**	208.414	**100.442**	126.493
Additions	**2.629**	8.006	**2.628**	7.979
Disposals	**(36.939)**	(43.143)	**(24.328)**	(31.843)
Transfer from own-use property (refer to Note 27)	**2.213**	779	**2.213**	779
Impairment losses (refer to Note 16)	**(6.782)**	(4.642)	**(5.159)**	(2.966)
Closing balance	**130.535**	169.414	**75.796**	100.442

28. STOCK OF PROPERTY (continued)

The above table excludes stock of properties held for sale as at 31 December 2022. Stock of property includes houses, flats, offices and other commercial properties, industrial buildings and land (fields and plots). These properties were either acquired in satisfaction of debt or were previously used by the Group, which now intends to sell.

The Bank, as part of its non performing exposures management, is entering into a number of debt to asset swap transactions or repossess assets through the foreclosure process. Repossessed assets are acquired either directly or indirectly through wholly owned Special Purpose Vehicles (SPVs) which are formed with the purpose of holding and managing these immovable properties. Until title deeds are issued in the name of the Bank/SPVs, the ownership is ensured via filing of the acquisition agreement in the Land Registry. As at 31 December 2022, stock of property owned by the Bank indirectly through SPVs amounted to €53.353 thousand (31 December 2021: €67.586 thousand).

As at 31 December 2022, stock of property comprised stock of property acquired in satisfaction of debt amounting to €128.609 thousand (31 December 2021: €167.493 thousand) and owner occupied properties which are no longer in use and the Group intends to sell amounting to €1.925 thousand (31 December 2021: €1.921 thousand).

Movement on the value of stock of property acquired in satisfaction of debt:

	Banking & Financial services €'000	Insurance Services €'000	**Total €'000**
1 January 2022	167.393	100	**167.493**
Additions	2.675	-	**2.675**
Disposals	(35.141)	-	**(35.141)**
Impairment losses	(6.418)	-	**(6.418)**
31 December 2022	128.509	100	**128.609**

	Banking & Financial services €'000	Insurance Services €'000	**Total €'000**
1 January 2021	207.172	100	**207.272**
Additions	8.006	-	**8.006**
Disposals	(43.143)	-	**(43.143)**
Impairment losses	(4.642)	-	**(4.642)**
31 December 2021	167.393	100	**167.493**

The table below shows the result on the disposal of stock of property in the year, excluding stock of property held by subsidiaries disposed of:

	2022 €'000	2021 €'000
Net proceeds	**28.865**	39.189
Carrying value of stock of property disposed of	**(24.328)**	(32.945)
Net gains on disposal of stock of property	**4.537**	6.244

During the year ended 31 December 2022, net proceeds amounting to €14.732 thousand (31 December 2021: €11.974 thousand) were received for the disposal of group property companies with stock of property amounting to €12.611 thousand (31 December 2021: €11.301 thousand).

29. INTANGIBLE ASSETS

The Group

	Computer software 2022 €'000	Goodwill 2022 €'000	Core deposits 2022 €'000	Customer relationships (Purchased credit cards and overdrafts) 2022 €'000	**Total 2022 €'000**
Net book value 1 January	28.977	14.120	1.208	2.319	**46.624**
Additions	7.810	-	-	-	**7.810**
Acquisition (refer to Note 41)	-	-	-	777	**777**
Charge for the year	(9.869)	-	(181)	(1.509)	**(11.559)**
Net book value 31 December	26.918	14.120	1.027	1.587	**43.652**
1 January 2022					
Cost	71.642	25.263	2.801	6.956	**106.662**
Accumulated amortisation and impairment	(42.665)	(11.143)	(1.593)	(4.638)	**(60.039)**
Net book value	28.977	14.120	1.208	2.318	**46.623**
31 December 2022					
Cost	79.597	25.263	2.801	7.731	**115.392**
Accumulated amortisation and impairment	(52.679)	(11.143)	(1.774)	(6.144)	**(71.740)**
Net book value	26.918	14.120	1.027	1.587	**43.652**

The Group

	Computer software 2021 €'000	Goodwill 2021 €'000	Core deposits 2021 €'000	Customer relationships (Purchased credit cards and overdrafts) 2021 €'000	**Total 2021 €'000**
Net book value 1 January	29.595	16.783	1.389	3.710	**51.477**
Additions	8.548	-	-	-	**8.548**
Disposals/transfers	(71)	-	-	-	**(71)**
Transfer to disposal group	(58)	(2.364)	-	-	**(2.422)**
Charge for the year	(9.037)	-	(181)	(1.391)	**(10.609)**
Impairment (refer to Note 16)	-	(299)	-	-	**(299)**
Net book value 31 December	28.977	14.120	1.208	2.319	**46.624**
1 January 2021					
Cost	63.533	27.627	2.801	6.956	**100.917**
Accumulated amortisation and impairment	(33.938)	(10.844)	(1.412)	(3.246)	**(49.440)**
Net book value	29.595	16.783	1.389	3.710	**51.477**
31 December 2021					
Cost	71.642	25.263	2.801	6.956	**106.662**
Accumulated amortisation and impairment	(42.665)	(11.143)	(1.593)	(4.637)	**(60.038)**
Net book value	28.977	14.120	1.208	2.319	**46.624**

29. INTANGIBLE ASSETS (continued)

On 31 December 2021, the Group assessed whether there is any impairment of goodwill arising on the acquisition of Pancyprian Insurance Ltd, by calculating the estimated fair value of the company, based on the future cash flows discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the investments. As a result of this assessment, no impairment of goodwill arose. Five years of forecasted profits before tax were included in the discounted cash flow model considering an increase in revenues driven from the acquired portfolio resulted from the Acquisition as assumed by Management. A long term growth rate into perpetuity has been used to calculate the terminal value. The key assumptions described above may change as economic and market conditions change and actual results differ from management expectations. The Group estimated that reasonably possible changes in the input parameters of the assumptions used would not cause the amount of goodwill to decline below the carrying amount.

Goodwill includes the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entities at the date of acquisition of Pancyprian Insurance Ltd (PIL) as well as Present value of acquired in force business (PVIF) owned by PIL.

The Bank

	Computer software 2022 €'000	Core deposits 2022 €'000	Customer relationships (Purchased credit cards and overdrafts) 2022 €'000	**Total 2022 €'000**
Net book value 1 January	26.661	1.208	2.319	**30.188**
Additions	7.055	-	-	**7.055**
Acquisition (refer to Note 41)	-	-	777	**777**
Charge for the year	(9.344)	(181)	(1.509)	**(11.034)**
Net book value 31 December	24.372	1.027	1.587	**26.986**
1 January 2022				
Cost	68.678	2.801	6.956	**78.435**
Accumulated amortisation and impairment	(42.017)	(1.593)	(4.637)	**(48.247)**
Net book value	26.661	1.208	2.319	**30.188**
31 December 2022				
Cost	75.876	2.801	7.731	**86.408**
Accumulated amortisation and impairment	(51.504)	(1.774)	(6.144)	**(59.422)**
Net book value	24.372	1.027	1.587	**26.986**

29. INTANGIBLE ASSETS (continued)

The Bank

	Computer software 2021 €'000	Core deposits 2021 €'000	Customer relationships (Purchased credit cards and overdrafts) 2021 €'000	**Total 2021 €'000**
Net book value 1 January	28.243	1.389	3.710	**33.342**
Additions	7.384	-	-	**7.384**
Disposals/transfers	(56)	-	-	**(56)**
Amortisation charge for the year	(8.910)	(181)	(1.391)	**(10.482)**
Net book value 31 December	26.661	1.208	2.319	**30.188**
1 January 2021				
Cost	61.600	2.801	6.956	**71.357**
Accumulated amortisation and impairment	(33.357)	(1.412)	(3.246)	**(38.015)**
Net book value	28.243	1.389	3.710	**33.342**
31 December 2021				
Cost	68.678	2.801	6.956	**78.435**
Accumulated amortisation and impairment	(42.017)	(1.593)	(4.637)	**(48.247)**
Net book value	26.661	1.208	2.319	**30.188**

Core deposits
For the year ended 31 December 2022 and 31 December 2021, the Bank assessed that there was no indication for impairment on core deposits intangible and its remaining expected life is six years.

Customer relationships (Purchased credit cards and overdrafts)
For the year ended 31 December 2022 and 31 December 2021, the Bank assessed that there was no indication for impairment on customer relationships intangible and its remaining expected life is one year.

30. DEFERRED TAX LIABILITY

	The Group **2022 €'000**	The Group 2021 €'000	The Bank **2022 €'000**	The Bank 2021 €'000
Deferred tax asset	**(11.564)**	(12.168)	**(11.564)**	(12.168)
Deferred tax liability	**20.818**	22.058	**20.416**	21.877
	9.254	9.890	**8.852**	9.709

Deferred tax asset that arose as a result of:

	The Group **2022 €'000**	The Group 2021 €'000	The Bank **2022 €'000**	The Bank 2021 €'000
Tax losses carried forward	**-**	1.292	**-**	1.292
Expected credit losses	**4.343**	4.754	**4.343**	4.754
Stock of property	**4.684**	4.821	**4.684**	4.821
Property revaluation	**2.537**	1.301	**2.537**	1.301
	11.564	12.168	**11.564**	12.168

30. DEFERRED TAX LIABILITY (continued)

Movement of Deferred tax asset:

The Group

2022	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Balance 31 December €'000
Tax losses carried forward	1.292	(1.292)	-	-
Expected credit losses	4.754	(411)	-	4.343
Stock of property	4.821	(137)	-	4.684
Property revaluation	1.301	-	1.236	2.537
	12.168	(1.840)	1.236	11.564

2021	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Acquisition of control in subsidiary €'000	Balance 31 December €'000
Assets acquired in business combination	345	(345)	-	-	-
Tax losses carried forward	-	1.292	-	-	1.292
Exclusive right of servicing	446	-	-	(446)	-
Expected credit losses	8.818	(4.064)	-	-	4.754
Stock of property	-	4.821	-	-	4.821
Property revaluation	-	-	1.301	-	1.301
	9.609	1.704	1.301	(446)	12.168

The Bank

2022	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Balance 31 December €'000
Tax losses carried forward	1.292	(1.292)	-	-
Expected credit losses	4.754	(411)	-	4.343
Stock of property	4.821	(137)	-	4.684
Property revaluation	1.301	-	1.236	2.537
	12.168	(1.840)	1.236	11.564

2021	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Balance 31 December €'000
Assets acquired in business combination	345	(345)	-	-
Tax losses carried forward	-	1.292	-	1.292
Expected credit losses	8.818	(4.064)	-	4.754
Stock of property	-	4.821	-	4.821
Property revaluation	-	-	1.301	1.301
	9.163	1.704	1.301	12.168

30. DEFERRED TAX LIABILITY (continued)

The difference between the amortisation charge and tax amortisation on exclusive right of servicing comprises temporary differences attributable to the exclusive right for servicing intangible asset relating to the Group's subsidiary company which as at 31 December 2021 was classified as held for sale. The exclusive right of servicing was acquired as part of a business combination. It was recognised at fair value at the date of acquisition and subsequently amortised on a straight-line, based on the timing of projected cash flows of the contracts over their estimated useful lives. Following classification as held for sale, deferred tax asset on this intangible was transferred to "Non-current assets and disposal groups held for sale".

Given the legally enforceable right to offset deferred tax assets and liabilities relating to the same tax authorities, the Group recognised deferred tax asset only to the extent that this could be offset with the corresponding deferred tax liability relating to the negative goodwill on loans acquired as part of the business combination. This was due to the fact it is probable that taxable profit will be available against which a deductible temporary difference can be utilised, as there are sufficient taxable temporary differences relating to the same taxable entity, which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. As at 31 December 2022, an amount of €8,3 million (31 December 2021: €9,2 million) related to unrecognised deferred tax asset with no expiry date.

The applicable tax rate is 12,5%.The tax losses relate to the same jurisdiction with the deferred tax asset.

Deferred tax liability under assets acquired in business combination includes an amount of €542 thousand that was recognised on the temporary difference that arose between the acquisition price and the estimated fair value on acquisition date (refer to Note 41).

Deferred tax liability that arose as a result of:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Property revaluation differences and temporary difference between depreciation and capital allowances	**7.771**	7.225	**7.369**	7.044
Assets acquired in business combination	**12.995**	14.786	**12.995**	14.786
Other temporary differences	**52**	47	**52**	47
	20.818	22.058	**20.416**	21.877

Movement of Deferred tax liability:

2022

	The Group				
	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Acquisition of deferred tax liability €'000	Balance 31 December €'000
Property revaluation differences and temporary difference between depreciation and capital allowances	7.225	900	(354)	-	7.771
Assets acquired in business combination	14.786	(2.333)	-	542	12.995
Other temporary differences	47	5	-	-	52
	22.058	(1.428)	(354)	542	20.818

30. DEFERRED TAX LIABILITY (continued)

2021	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Balance 31 December €'000
Property revaluation differences and temporary difference between depreciation and capital allowances	3.068	2.660	1.497	7.225
Assets acquired in business combination	25.882	(11.096)	-	14.786
Other temporary differences	-	47	-	47
	28.950	(8.389)	1.497	22.058

The Bank

2022	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Acquisition of deferred tax liability €'000	Balance 31 December €'000
Property revaluation differences and temporary difference between depreciation and capital allowances	7.044	900	(575)	-	7.369
Assets acquired in business combination	14.786	(2.333)	-	542	12.995
Other temporary differences	47	5	-	-	52
	21.877	(1.428)	(575)	542	20.416

2021	Balance 1 January €'000	Effect on income statement €'000	Effect on revaluation reserve €'000	Balance 31 December €'000
Property revaluation differences and temporary difference between depreciation and capital allowances	2.888	2.659	1.497	7.044
Assets acquired in business combination	25.882	(11.096)	-	14.786
Other temporary differences	-	47	-	47
	28.770	(8.390)	1.497	21.877

31. ASSETS / LIABILITIES AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As part of its ongoing NPE deleveraging efforts, the Bank has been working towards the disposal of a non-performing portfolio with gross carrying amount €0,7 billion (project Starlight). The said transaction also includes the disposal of APS Cyprus, (refer to Note 18) a small portfolio of REOs amounting to c. €15,0 million which have been repossessed from the cut off date (31 December 2020) until the reporting date of the Financial Statements, and financial guarantees and loan commitments associated with the loan portfolio in the perimeter amounting to €792 thousand.

During 2022 loans and advances of net book value €15.146 thousand were disposed following the successful completion of another portfolio sale transactions.

Loans and advances to customers held for sale are measured at amortised cost and are stated net of impairment provisions in the statement of financial position.

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Assets held for sale				
Gross loans	**740.289**	776.119	**740.289**	776.119
Accumulated impairment losses	**(548.627)**	(535.231)	**(548.627)**	(535.231)
Loans and advances to customers (refer to Note 22)	**191.662**	240.888	**191.662**	240.888
Stock of property	**14.950**	9.611	**14.950**	9.611
	206.612	250.499	**206.612**	250.499
Investment in subsidiary company held for sale	**-**	-	**10.388**	10.388
Disposal group assets (refer to Note 18)	**3.254**	3.407	**-**	-
	209.866	253.906	**217.000**	260.887
Liabilities held for sale				
Financial guarantees and loan commitments issued	**(792)**	(1.706)	**(792)**	(1.706)
Disposal group liabilities (refer to Note 18)	**(839)**	(1.179)	**-**	-
	(1.631)	(2.885)	**(792)**	(1.706)

The movement analysis of loans and advances to customers classified as held for sale for the year ended 31 December 2022 is presented as follows:

	Gross loans	Accumulated impairment losses	**Total**
	€'000	€'000	**€'000**
1 January 2022	776.119	(535.231)	**240.888**
Disposal	(49.049)	33.903	**(15.146)**
Net movement during the year	13.219	(47.299)	**(34.080)**
31 December 2022	740.289	(548.627)	**191.662**

31. ASSETS / LIABILITIES AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

	Gross loans	Accumulated impairment losses	**Total**
	€'000	€'000	**€'000**
1 January 2021	50.460	(41.741)	**8.719**
Disposal	(40.809)	32.316	**(8.493)**
Net movement during the year	(9.224)	9.047	**(177)**
Transfer to loans and advances to customers (refer to Note 22)	(427)	378	**(49)**
Transfer from loans and advances to customers (refer to Note 22)	776.119	(535.231)	**240.888**
31 December 2021	776.119	(535.231)	**240.888**

During 2022 loans and advances to customers of net book value €15.146 thousand (2021: €8.493 thousand) were disposed following the successful completion of the corresponding transaction.

Loans and advances to customers held for sale as per industry are analysed by sector below:

	The Group and the Bank	
	2022	2021
	€'000	€'000
Trade	**125.890**	127.171
Construction and Real Estate	**213.156**	216.752
Manufacturing	**44.844**	43.935
Tourism	**41.216**	47.268
Retail	**239.563**	259.622
Other sectors	**75.620**	81.371
	740.289	776.119
Accumulated impairment losses	**(548.627)**	(535.231)
	191.662	240.888

31. ASSETS / LIABILITIES AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

Loans and advances to customers held for sale based on risk categories analysed in Note 22, are presented below:

	2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
Grade 1 (low risk)	-	3.719	5.386	41	**9.146**
Grade 2 (medium risk)	-	9.363	200.393	7.501	**217.257**
Grade 3 (high risk)	-	84	512.966	836	**513.886**
Gross amount	-	13.166	718.745	8.378	**740.289**
Accumulated Impairment losses	-	(4.825)	(541.287)	(2.515)	**(548.627)**
Carrying amount	-	8.341	177.458	5.863	**191.662**
Past due exposures					
0+ up to 30 days	-	1.024	1.185	-	**2.209**
30+ up to 60 days	-	328	1.249	222	**1.799**
60+ up to 90 days	-	16	421	11	**448**
90 days+	-	100	682.212	4.273	**686.585**
Gross amount	-	1.468	685.067	4.506	**691.041**
Accumulated Impairment losses	-	(564)	(521.211)	(1.240)	**(523.015)**
Carrying amount	-	904	163.856	3.266	**168.026**
Forborne exposures					
Carrying amount	-	1.970	78.704	4.915	**85.589**

	2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
Grade 1 (low risk)	1.280	3.598	4.994	-	**9.872**
Grade 2 (medium risk)	767	6.156	216.528	5.781	**229.232**
Grade 3 (high risk)	3	196	532.995	3.821	**537.015**
Gross amount (refer to Note 22)	2.050	9.950	754.517	9.602	**776.119**
Accumulated Impairment losses (refer to Note 22)	(594)	(3.113)	(528.278)	(3.246)	**(535.231)**
Carrying amount	1.456	6.837	226.239	6.356	**240.888**
Past due exposures					
0+ up to 30 days	7	345	1.031	-	**1.383**
30+ up to 60 days	-	250	4.207	-	**4.457**
60+ up to 90 days	-	149	1.190	202	**1.541**
90 days+	-	6	708.911	5.795	**714.712**
Gross amount	7	750	715.339	5.997	**722.093**
Accumulated Impairment losses	(2)	(242)	(507.527)	(2.110)	**(509.881)**
Carrying amount	5	508	207.812	3.887	**212.212**
Forborne exposures					
Carrying amount	-	1.108	102.034	5.367	**108.509**

31. ASSETS / LIABILITIES AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The Group's and the Bank's loans and advances to customers held for sale with forbearance measures are analysed by sector below:

	Gross Loans		Carrying amount	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Trade	**27.147**	26.942	**7.014**	8.416
Construction and Real Estate	**134.341**	132.610	**42.734**	48.579
Manufacturing	**17.286**	15.994	**5.604**	5.584
Tourism	**6.687**	13.578	**588**	4.363
Retail	**59.427**	68.590	**19.810**	28.618
Other sectors	**29.757**	31.663	**9.839**	12.949
	274.645	289.377	**85.589**	108.509

The value of collaterals of loans and advances to customers held for sale is analysed as below:

	2022	2021
	€'000	€'000
Residential property	**292.963**	324.291
Commercial property	**240.807**	239.941
Land	**104.829**	123.201
Total property collaterals	**638.599**	687.433
Other collaterals	**2.832**	2.807
	641.431	690.240

The value of collaterals of loans and advances to customers held for sale classified as Stage 3 and purchased or originated credit impaired is analysed as below:

	2022	2021
	€'000	€'000
Residential property	**277.835**	310.528
Commercial property	**226.988**	230.855
Land	**100.066**	118.347
Total property collaterals	**604.889**	659.730
Other collaterals	**2.443**	2.411
	607.332	662.141

The value of collaterals of loans and advances to customers held for sale with forebearance measures is analysed below:

	2022	2021
	€'000	€'000
Residential property	**116.084**	124.548
Commercial property	**115.161**	116.299
Land	**53.414**	59.999
Total property collaterals	**284.659**	300.846
Other collaterals	**905**	873
	285.564	301.719

31. ASSETS / LIABILITIES AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

Movement on the value of stock of property held for sale:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
1 January	**9.611**	-	**9.611**	-
Additions	**8.302**	10.713	**8.302**	10.713
Disposals	**(2.949)**	(1.102)	**(2.949)**	(1.102)
Impairment losses	**(14)**	-	**(14)**	-
31 December	**14.950**	9.611	**14.950**	9.611

The table below shows the result on the disposal of stock of property held for sale disposed of:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Net proceeds	**3.992**	-	**3.992**	-
Carrying value of stock of property disposed of	**(2.949)**	-	**(2.949)**	-
Net gains on disposal of stock of property held for sale	**1.043**	-	**1.043**	-

There were no such gains/(losses) on disposal of stock of property held for sale for the comparative period for the year ended 31 December 2021.

32. OTHER ASSETS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Derivatives (refer to Note 43)	**177**	1.010	**177**	1.010
Prepaid expenses	**7.434**	4.903	**8.278**	5.868
Indemnification assets	**10.930**	17.946	**10.930**	17.946
Investment properties	**5.527**	6.277	**11.728**	12.964
Debtors and other receivables	**95.216**	102.390	**46.987**	54.553
	119.284	132.526	**78.100**	92.341

32. OTHER ASSETS (continued)

As at 31 December 2022, other assets amounting to €119.284 thousand (2021: €132.526 thousand) included among others:

Indemnification Assets
Indemnification assets were recognised as a result of the Acquisition. The movement of the carrying amount of the indemnification assets is analysed below:

	The Group and the Bank	
	2022	2021
	€'000	€'000
1 January	**17.948**	20.345
Claims reclassified to Debtors and other receivables	**6.387**	(25.774)
Fees paid	**1.000**	22.849
Unwinding of discount	**186**	184
Cash flows re-estimation (refer to Note 16)	**(14.585)**	344
	10.936	17.948
Accumulated Expected Credit Losses	**(6)**	(2)
31 December	**10.930**	17.946
Estimated undiscounted amount	**12.621**	21.591

a) Indemnification asset – APS

As at 31 December 2022, the Indemnification Asset with respect to the APS amounted to €10.103 thousand (31 December 2021: €15.828 thousand) and is measured at amortised cost, reflecting the net present value of the estimated future cash flows arising from claims to be made by the Bank in the event of APS losses and the fees payable to the RoC, both discounted at the original effective interest rate.

Assets covered under the scheme
The APS agreement signed between the Bank and ex-CCB was for the protection of €2.300 million of the acquired loan portfolio (fair value) against future losses, classified into two pools:

1. APS Pool 1 (APS1): Assets with fair value of €1.385 million and a 12 year duration coverage from the Completion Date with an option to extend by a fixed 2 year period; and

2. APS Pool 2 (APS2): Assets with a fair value of €915 million and a 10-year duration coverage from the Completion Date with an option to extend by a fixed 2-year period. The gross value of APS Assets in APS2 (€985 million) is already within the prescribed ceiling, as determined in the APS Agreement. These ceilings require the gross exposure of assets under Pool 2 to not exceed:

i. €1.100 million by the third anniversary of the Completion

ii. €750 million by the fourth anniversary of the Completion

iii. €500 million by the fifth anniversary of the Completion

Up to 31 December 2022, assets with reference value €186,3 million have been withdrawn.

32. OTHER ASSETS (continued)

Guarantee fee payable
The Bank must pay certain fees to the RoC in connection with the APS Agreement. An admission fee of €15 million was paid on the first anniversary of Completion. On the second anniversary, the Bank had the option to elect to either withdraw €250 million of APS Assets or pay a guarantee fee of €17 million. The Bank elected to withdraw assets with reference value of €184 million and proceeded with a payment of €4,5 million. On the third anniversary of Completion, the Bank had the option to elect to either withdraw €350 million of APS Assets or pay a guarantee fee of €23 million. The Bank elected to withdraw assets with reference value of €2,3 million and proceeded with a payment of €22,8 million. The fees saved due to withdrawal amounting to €0,2 million in 2021 and €12,5 million in 2020 are presented within "Cash flows re-estimation" in the table above. For each subsequent anniversary of Completion until the eleventh anniversary, the Bank must pay a guarantee fee of €1 million (8 payments in total).

Claims submitted
In accordance with the terms of the APS agreement the claims process entails submission by the Bank of a calculation data file and payments should be made within 30 calendar days unless there is a dispute in respect of the calculation data, in which case the two parties may engage a jointly appointed verification agent. The Monitoring Committee, a non-executive joint committee which oversees the application of the APS, with a representative from both parties as well as an independent member and an observer from the RoC, discusses disputed items and facilitates their resolution. Disputes may arise mainly in relation to interpretation, calculation and data quality matters. Parties are engaging in discussions for the resolution of the disputed matters and once such process is concluded if any adjustment is required on both the APS Indemnification Asset and the amount receivable (“Debtors and other receivables”) is recognized.

Up to 31 December 2022, and in accordance with the terms of the APS agreement, the Bank has submitted 14 claims including clawbacks in relation to APS Net Losses, the cumulative net amount of which is €105,8 million (covering the period up to 30 September 2022) and has been deducted from the indemnification asset. Following negotiations with SEDIPES, most of the disputes have been resolved and part of the APS Net Losses claimed for the period 03 September 2018 up to 30 June 2021 were paid to the Bank (€55,6 million paid in 2020, €22,6 million paid in 2021). The remaining €27,6 million, which includes the claims from the date of Completion and until 30 September 2022, have been recognized in Other Assets as a receivable. As at 31 December 2022, based on the solution discussed with KEDIPES for resolving the disputes consensually, the Bank has recognised an additional provision for impairment losses of €8,5 million in relation to the APS claims receivable (cumulative as at 31 December 2022: €11,3 million). The Parties are in consultation for the resolution of the remaining disputes and an in-principle agreement has been reached thus the required adjustments have been made on both the APS Indemnification Asset and the amount receivable as applicable.

The estimated undiscounted amount of the APS indemnification asset as at 31 December 2022 amounted to €11.748 thousand (31 December 2021: €19.384 thousand).

b) Indemnification asset – certain off-balance items acquired

As at 31 December 2022, the indemnification asset relating to the off-balance sheet exposures amounted to €827 thousand (31 December 2021: €2.118 thousand). The estimated undiscounted amount of the indemnified off balance sheet assets as at 31 December 2022 amounted to €873 thousand (31 December 2021: €2.207 thousand).

Investment properties
Investment properties comprise of properties which are no longer or cannot be occupied by the Bank and are held for rental yields. In 2019, pursuant to the BTA (Business Transfer Agreement) entered into between the Bank, ex-CCB and the RoC, the Bank acquired some properties from ex-CCB where, by virtue of the law, it became lessor for parts of these properties and hence also form part of investment properties.

32. OTHER ASSETS (continued)

Movement on the value of investment properties for the Group:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
1 January	**6.277**	7.792	**12.964**	14.090
Transfer to property, plant and equipment (refer to Note 27)	**(360)**	(1.698)	**(360)**	(1.698)
Disposals	**-**	-	**(526)**	-
Net gains from revaluation of investment properties (refer to Note 12)	**(390)**	183	**(350)**	572
31 December	**5.527**	6.277	**11.728**	12.964

The transfer to property, plant and equipment during the year ended 31 December 2022 relate to properties that are no longer held to earn rental yields. During the year ended 31 December 2022, an amount of €296 thousand was recognised as rental income in the income statement in "Other income" (31 December 2021: €318 thousand).

Debtors and other receivables
As at 31 December 2022, debtors and other receivables include an amount of €48,7 million (31 December 2021: €49,9 million) relating to insurance operations of the Group's subsidiaries.

33. DEPOSITS BY BANKS

	The Group and the Bank	
	2022	2021
	€'000	€'000
Interbank accounts	**14.221**	21.346
Cheque clearing	**31.598**	26.595
Money Market deposits	**62.208**	74.523
	108.027	122.464

The below analysis of deposits by banks is based on their remaining contractual maturity as at 31 December.

	The Group and the Bank	
	2022	2021
	€'000	€'000
On demand	**46.465**	48.727
Within three months	**2.927**	2.944
Between three months and one year	**9.259**	9.334
Between one year and five years	**40.302**	44.433
Over five years	**9.074**	17.026
	108.027	122.464

On 31 December 2022, an amount of €27 thousand (31 December 2021: €4.343 thousand) is pledged as collateral by banks, being common practice among financial institutions.

34. FUNDING BY CENTRAL BANKS

	The Group and the Bank	
	2022	2021
	€'000	€'000
Funding by Central Banks	**2.278.377**	2.293.931

The targeted longer-term refinancing operations (TLTROs) are Eurosystem operations that provide financing to credit institutions. By offering banks long-term funding at attractive conditions, the ECB preserves favourable borrowing conditions for banks and stimulates bank lending to the real economy.

In view of the continuous negative impacts of the pandemic on the Eurozone's economies, the ECB decided on 10 December 2020 to perform three additional TLTRO III operations in 2021 and further ease their terms and conditions including the extension of the pandemic-related low interest rate period by 12 months (June 2021- June 2022) subject to fulfilment of certain net lending targets by 31 December 2021.

In June 2021, the Bank participated in the 8th series of the TLTRO III by borrowing an amount of €2,3 billion. The borrowing is for a 3 years duration (26 June 2024) and the Bank has the option to repay (partially or fully) on a quarterly basis starting from June 2022 onwards. The eligible loans under TLTRO are loans to euro area non-financial corporations and households (including non-profit institutions serving households) except loans to households for house purchases. Taking into account that the Bank exceeded the Net Eligible Lending (NEL) threshold of zero during the "additional special reference period" between 1 October 2020 to 31 December 2021, the applicable interest rate for the period 24 June 2021 to 23 June 2022 was 0,5% lower than the average deposit facility rate prevailing over the same period, i.e. -1.00% and for the remaining period until 24 June 2024 was the average deposit facility rate over the life of the respective TLTRO III. It is noted that the European Central Bank (ECB) decided to amend the favourable borrowing terms of the TLTRO effective from 23 November 2022 by setting the borrowing rate equal to the average applicable ECB Deposit Facility Rate from that date onward.

The benefit to the Bank for the period 24 June 2021 to 23 June 2022 was €11,6 million and for the period 24 June 2022 to 23 November 2022 was €5,8 million, based on the prevailing ECB rates and CBC confirmation received in June 2022, and was recognised over the reporting period.

In calculating the interest, the Group followed a discrete approach by applying the relevant interest rate applicable for each period.

The Bank has assessed that the rate offered is a market rate as the ECB has provided it to all credit institutions under its supervision. For this borrowing the Bank has placed as collaterals equivalent amount of eligible securities taking into account the respective haircuts imposed by the ECB.

35. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	The Group and the Bank	
	2022	2021
	€'000	€'000
Demand deposits	**5.645.119**	5.085.114
Savings deposits	**5.274.541**	4.577.113
Notice deposits	**993.819**	1.015.939
Time deposits	**4.014.768**	4.263.767
	15.928.247	14.941.933

35. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS (continued)

The below analysis of customer deposits and other customer accounts is based on their remaining contractual maturity as at 31 December:

	The Group and the Bank	
	2022	2021
	€'000	€'000
On demand	**11.911.317**	10.674.175
Within three months	**1.508.248**	1.530.320
Between three months and one year	**2.472.925**	2.720.646
Between one year and five years	**34.128**	14.721
Over five years	**1.629**	2.071
	15.928.247	14.941.933

36. OTHER LIABILITIES

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Derivatives (refer to Note 43)	**2.709**	5.416	**2.709**	5.416
Accrued expenses	**36.588**	41.187	**33.627**	39.518
Accruals for restructuring costs (refer to Note 15)	**8.055**	-	**8.055**	-
Insurance liabilities	**107.986**	99.581	**-**	-
Financial guarantees and loan commitments	**18.889**	13.744	**18.889**	13.744
Provisions for pending litigations or complaints and/or claims	**5.052**	5.525	**5.052**	5.349
Lease liability	**7.817**	10.549	**7.746**	10.584
Other accounts payable	**118.479**	50.601	**121.669**	58.884
	305.575	226.603	**197.747**	133.495

Financial guarantees and loan commitments:
The table below discloses the movement of the value of financial guarantees and loan commitments acquired and issued:

	Stage 1	Stage 2	Stage 3	Purchased Credit Impaired	**Total**
	€'000	€'000	€'000	€'000	**€'000**
1 January 2022	6.817	4.074	2.663	190	**13.744**
Transfer from Stage 1 to Stage 2	(135)	135	-	-	**-**
Transfer from Stage 1 to Stage 3	(36)	-	36	-	**-**
Transfer from Stage 2 to Stage 3	-	(1.169)	1.169	-	**-**
Transfer from Stage 3 to Stage 2	-	120	(120)	-	**-**
Transfer from Stage 2 to Stage 1	1.445	(1.445)	-	-	**-**
Transfer from Stage 3 to Stage 1	85	-	(85)	-	**-**
Acquisition of RCB loans	723	-	-	-	**723**
Release for the year (refer to Note 16)	(1.816)	(616)	6.550	(131)	**3.987**
Exchange difference	(10)	1	913	-	**904**
Gain on derecognition of financial guarantees and loan commitments	(382)	(3)	(84)	-	**(469)**
2022	**6.691**	**1.097**	**11.042**	**59**	**18.889**

36. OTHER LIABILITIES (continued)

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Purchased Credit Impaired €'000	**Total €'000**
1 January 2021	9.121	3.266	5.123	804	**18.314**
Transfer from Stage 1 to Stage 2	(458)	458	-	-	**-**
Transfer from Stage 1 to Stage 3	(37)	-	37	-	**-**
Transfer from Stage 2 to Stage 3	-	(49)	49	-	**-**
Transfer from Stage 3 to Stage 2	-	929	(929)	-	**-**
Transfer from Stage 2 to Stage 1	720	(720)	-	-	**-**
Transfer from Stage 3 to Stage 1	57	-	(57)	-	**-**
Held for Sale	(6)	(68)	(1.632)	-	**(1.706)**
Release for the year	(2.137)	272	104	(614)	**(2.375)**
Exchange difference	1	-	-	-	**1**
Gain on derecognition of financial guarantees and loan commitments	(444)	(14)	(32)	-	**(490)**
31 December 2021	**6.817**	**4.074**	**2.663**	**190**	**13.744**

Insurance liabilities
The table below analyses insurance liabilities:

	The Group					
	31 December 2022			31 December 2021		
	Life insurance €'000	**Non-Life insurance €'000**	**Total €'000**	Life insurance €'000	Non-Life insurance €'000	Total €'000
Insurance liabilities						
Liabilities of unit linked funds	**32.244**	**-**	**32.244**	21.100	-	21.100
Claims Outstanding	**23.910**	**26.260**	**50.170**	28.750	25.574	54.324
Unearned premium reserve	**-**	**18.197**	**18.197**	-	17.443	17.443
Unexpired Risk Reserve	**71**	**193**	**264**	52	-	52
Reinsurance balances payable	**874**	**3.654**	**4.528**	122	4.057	4.179
Commission payable	**-**	**1.231**	**1.231**	-	1.607	1.607
Other insurance liabilities	**569**	**783**	**1.352**	169	707	876
	57.668	**50.318**	**107.986**	50.193	49.388	99.581

Provisions for pending litigations or complaints and/or claims:

	The Group		The Bank	
	2022 €'000	2021 €'000	**2022 €'000**	2021 €'000
1 January	**5.525**	6.717	**5.349**	6.380
Release for the year (refer to Note 14)	**(473)**	(1.179)	**(297)**	(1.034)
Provision utilised	**-**	(13)	**-**	3
31 December	**5.052**	5.525	**5.052**	5.349

The amounts recognised as provisions are the best estimates of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any pending litigations or complaints and/or claims. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

36. OTHER LIABILITIES (continued)

Commission for the Protection of Competition
On 22 May 2017 the Commission for the Protection of Competition (CPC) announced its final decision in respect of the report submitted on 4 January 2010 by FBME Card Services Limited against the Bank and other banks as well as JCC Payment Systems Limited. In its decision CPC decided, among other, to impose a fine on the Bank of €1,6 million (which is included in provisions for pending litigations or complains and/or claims) for contravening section 6(1)(a) of the Protection of Competition Law 2014 and the corresponding article 102 of the Treaty on the Functioning of the European Union. In July 2017, the Bank filed a recourse before the Administrative Court in Cyprus for the annulment of the aforementioned CPC decision and on 16 May 2019 the Administrative Court issued judgment in favour of the Bank, that is annulling the CPC decision and payment of the fine. CPC filed an appeal to the Administrative Court judgment, on 24 June 2019, which is still pending.

Lease liability

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
1 January	**10.549**	9.810	**10.584**	9.831
Additions	**-**	1.243	**-**	1.243
Payments	**(2.562)**	(2.979)	**(2.518)**	(2.980)
Interest expense (refer to Note 7)	**380**	376	**379**	357
Contract modifications	**(550)**	2.099	**(699)**	2.133
31 December	**7.817**	10.549	**7.746**	10.584

Other accounts payable
Other accounts payable, which relate to the Group's banking operations, include an amount of €8,1 million that relates to a deposit for the Securitization by Oxalis Holding S.A.R.L, in line with the relevant Notes Purchase Agreement signed (refer to Note 52).

37. LOAN CAPITAL

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Tier 1 Capital				
Convertible Capital Securities 1	**1.597**	1.597	**1.597**	1.597
Convertible Capital Securities 2	**128.069**	128.069	**128.069**	128.069
	129.666	129.666	**129.666**	129.666
Senior Preferred Notes	**102.681**	-	**102.681**	-
Closing balance	**232.347**	129.666	**232.347**	129.666

Tier 1 Capital

Tier 1 Capital consists of Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2) which are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 11% and 10%, respectively, payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31 March, 30 June, 30 September and 31 December. CCS1 and CCS 2 are unsecured and subordinated obligations and the Bank may, at its sole discretion, redeem, following a notification of CCS holders and the Trustee, at par including accrued interest.

37. LOAN CAPITAL (continued)

On 9 December 2013, in accordance with the provisions the relevant Prospectus, and at its sole discretion, the Bank announced the mandatory cancellation of the interest payment on CCS1 and CCS2 as a result of the inexistence of the required Available Distributable Items for such interest payment. On 9 April 2021, the Bank announced that, as per the audited financial results for the year ended 31 December 2020, the Bank had Available Distributable Items (amounts) as at 31 December 2020 and therefore the mandatory cancellation of the interest payment for the CCS1 and CCS2 was no longer applicable. In accordance with the terms and conditions of the Prospectus dated 30 September 2013 (Paragraph 8 of Part IV/B/III), the Bank has, at its sole discretion, decided to continue the interest payment cancellation until the Bank notifies the holders of CCS1 and CCS2 otherwise.

On 29 November 2022 the Bank announced that it has decided the commencement of coupon payments of the Contingent Capital Securities CCS 1 and CCS 2 as from the interest payment period 1 October 2022 – 31 December 2022. As a result of this decision the Bank recognised an interest expense of an amount of €3,3 million, in the income statement for the year ended 31 December 2022.

As per the terms and conditions of the Prospectus dated 30 September 2013 for the relevant securities, the interest is payable on a quarterly basis at the end of each interest payment period. Holders entitled to interest will be those registered in the Registry of Holders on the Record Date, which will be 5 working days prior to the interest payment date.

Pursuant to the terms of the Prospectus dated 30 September 2013, CCS1/CCS2 holders may exercise the right to convert the CCS1/CCS2 into ordinary shares, during the periods between 15-31 January and 15-31 July of each year (“the Conversion Period”) with the first Conversion Period commencing on 15 January 2016 and the last Conversion Period commencing on 15 July 2023. During the most recent conversion period (between 15 January 2023 and on 31 January 2023), the Bank did not receive any Voluntary Applications from CCS1/CCS2 holders.

The CCS1 and CCS 2 are listed on the Cyprus Stock Exchange.

For the fair value of the Loan Capital refer to Note 47.

Senior Preferred Notes

The Bank established a Euro Medium Term Note (EMTN) Programme (Notes) of a €1,5 billion size, in order to issue MREL (refer to Additional Risk and Capital Management Information section). 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. The Notes comply with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contribute towards the Bank’s MREL requirements. As at 31 December 2022 the Notes were not recognised as regulatory capital.

For the year ended 31 December 2022 an amount of €4,4 million has been recognised in the Bank's income statement relating to the interest payable on the Notes.

Tier 2 Subordinated Notes

Regarding the issue of additional €200 million Tier 2 subordinated Notes in March 2023 refer to Note 52 of the Financial Statements.

37. LOAN CAPITAL (continued)

Full details/terms of issue of the Bonds and Securities of the Bank are included in the Prospectus and the Supplementary Prospectuses of each issue.

38. SHARE CAPITAL

	The Group and the Bank			
	2022 €'000	**Number of shares (thousand)**	2021 €'000	Number of shares (thousand)
Authorised				
1.032 million shares €0,50 each	**516.000**	**1.032.000**	516.000	1.032.000

	The Group and the Bank			
	2022 €'000	**Number of shares (thousand)**	2021 €'000	Number of shares (thousand)
Issued				
Fully paid shares				
1 January	**206.403**	**412.805**	206.403	412.805
Issued share capital	**206.403**	**412.805**	206.403	412.805

At 31 December 2022, 412.805.230 fully paid shares were in issue, with a nominal value of €0,50 each (31 December 2021: 412.805.230 shares with a nominal value €0,50 each).

There are no restrictions on the transfer of the Bank's ordinary shares, other than the provisions of the Business of Credit Institutions Law of the Republic of Cyprus (RoC) which require the approval of the Central Bank of Cyprus (CBC) prior to acquiring shares of the Bank above certain thresholds and the requirements of the EU Market Abuse Regulation. Additionally, the Bank does not have any shares in issue which carry special control rights.

Reduction of share capital Reserve
The difference that emerged from the reduction of the nominal value of every ordinary share in 2013 (from €0,43 each to €0,01 each) was transferred from share capital to a reserve under the name "Reduction of share capital reserve" pursuant to the provisions of article 64(1)(e) of the Companies' Law (Chapter 113). There was no change in the balance of this reserve since then.

Share premium reserve
The difference between the issue price of share capital and its nominal value is recognised in the share premium reserve. As at 31 December 2022 and as at 31 December 2021 there was no movement to the share premium reserve.

39. RETAINED EARNINGS

The balance of the retained earnings of the Bank is available for distribution to shareholders.

Based on the SREP decisions of prior years, the Bank was refrained from making distributions to its shareholders. Therefore, no dividends were paid or declared during the years 2022 and 2021.

39. RETAINED EARNINGS (continued)

Special Contribution for the Defence
According to the provisions of the Special Contribution for the Defence of the Republic Law, Companies that do not distribute 70% of their profits after tax, as these profits are defined by this Law, during the two years following the end of the year to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the fiscal year to which the profits refer, are Cyprus residents and in the case of individuals, Cyprus domiciled as well. In addition General Health System (GHS) contribution will be payable on such deemed dividends at the rate of 2,65% (1March 2019 to 29 February 2020 and 1 April 2020 to 30 June 2020 at the rate of 1,70%) to the extend that the shareholders are Cyprus Tax resident Individuals.

The amount of the deemed dividend distribution is reduced by any actual dividend already distributed in respect of the year to which the profits refer.

The special contribution for defence and GHS Contribution is paid by the Bank on account of the shareholders.

40. REVALUATION RESERVES

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Property revaluation reserve				
1 January	**40.506**	41.214	**38.206**	38.914
Deferred taxation on property revaluation	**1.590**	(196)	**1.811**	(196)
Transfer to retained earnings due to excess depreciation	**(116)**	(512)	**(116)**	(512)
Transfer to retained earnigs due to disposal of immovable property	**(842)**	-	**(975)**	-
	41.138	40.506	**38.926**	38.206
Revaluation reserve of investments at fair value through Other Comprehensive income				
1 January	**17.130**	20.386	**17.051**	20.348
Net revaluation gain of investments in equity securities and collective investment units at fair value through other comprehensive income	**2.304**	1.820	**2.304**	1.820
Net revaluation loss of investments in debt securities at fair value through other comprehensive income	**(8.484)**	(5.120)	**(8.072)**	(5.117)
Transfer to the income statement on disposal of investments in equity securities at fair value through other comprehensive income	**60**	44	**60**	-
	11.010	17.130	**11.343**	17.051
Total revaluation reserves	**52.148**	57.636	**50.269**	55.257

Any gains arising on the revaluation of land and buildings is credited to the property revaluation reserve that is included in equity. If, after a revaluation, the depreciation charge is increased, then an amount equal to the increase (net of deferred taxation), is transferred annually from the property revaluation reserve to retained earnings. Upon disposal of revalued property, any relevant accumulated revaluation gains which remains in the property revaluation reserve is also transferred to retained earnings. The balance of the revaluation reserves is not available for distribution to shareholders.

41. SUMMARY OF THE KEY TERMS OF THE ACQUISITION AND THE RESPECTIVE ASSETS ACQUIRED AND ASSUMED LIABILITIES

41.1. Business Transfer Agreement (BTA)

On 21 March 2022, the Bank signed a Business Transfer Agreement ("BTA") to acquire part of 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 is considered to be Completion Date A whereby Completion A occurred through the settlement of Consideration A as described below, the transfer of physical possession of all the Tranche A Loans and Liabilities together with all relevant documents of title, collateral and other records, as well as the economic effect of the assets and assumed liabilities.

The BTA entailed the following:

- Acquisition of Tranche A Loans and Liabilities comprising the loans and liabilities having a maximum Gross Obligors Exposure of €292.075.124.
- Acquisition Tranche B Loans and Liabilities comprising the loans and liabilities having a maximum Gross Obligors Exposure of €263.833.778.
- Transferring of Employees who are wholly or mainly assigned to the Business acquired by the Bank and actively involved on a day to day basis with the Business. The transferring of 14 employees to the Bank was completed on 1 April 2022.

Under the terms of the BTA, the consideration was as follows:

- Total consideration for Tranche A ('Consideration A') was estimated at 95% of the loan and advances to customers carrying amount as at Completion Date A
- Total consideration for Tranche B ('Consideration B') was estimated at 95% of the carrying amount of the loan and advances to customers selected following the due diligence as at Completion Date B. Part of the consideration for Tranche B is deferred for 25 months.

Following the completion of the Transaction, the management of the Bank assessed whether the business acquired satisfies the definition of a business combination in accordance with IFRS 3 requirements. The Bank concluded that the Transaction represents a transfer of business and hence performed a Purchase Price Allocation (PPA) assessment which is detailed in Note 41.4.

41.2. Purchase price

The following table summarises the acquisition date fair value of each major class of the agreed purchase price:

	Acquisition date fair value €'000
Cash	318.087
Contingent consideration	1.237
	319.324

41. SUMMARY OF THE KEY TERMS OF THE ACQUISITION AND THE RESPECTIVE ASSETS ACQUIRED AND ASSUMED LIABILITIES (continued)

The cash payments relating to Tranche A and B were made on different dates during the year ended 31 December 2022. Part of the consideration for Tranche B is deferred for 25 months and will be adjusted with the cumulative ECL of any Tranche A and/or Tranche B loans that are classified as Stage 3 up to and including the 31 December 2023. This consideration adjustment reflects the performance in terms of credit risk therefore this deferred price was considered a contingent consideration and was measured at fair value on the acquisition date as the difference between the present value of the deferred consideration adjustment and the present value of the deferred consideration fair value on the date of acquisition. For the estimation of contingent consideration, the cost of equity of the Bank was used as the discount rate.

41.3. Acquisition related costs

The Group incurred €2,3 million on consultancy and other professional services in respect to the acquisition of assets and liabilities of RCB. These costs have been included in "administrative expenses".

41.4. Identifiable assets acquired and liabilities assumed

In accordance with IFRS 3, all identifiable assets and liabilities acquired have to be measured at their acquisition-date fair value. These fair values also represent the amounts upon initial consolidation. The difference between the purchase price and the balance of assets and liabilities acquired and measured at fair value is recognised as negative goodwill in the income statement, and directly increases the equity of the Bank.

Following the Completion of the Acquisition, the Bank, with the assistance of independent advisers, performed a purchase price allocation assessment in accordance with IFRS 3. The following overview shows the PPA as at the time of Acquisition. For the allocation of the acquisition cost, the Group applied the rules of IFRS 3, adjusting the assets and assumed liabilities of the acquired business at their fair values.

	24 March 2022 €'000
Assets	
Loans and advances to customers	346.337
Intangible assets (refer to Note 29)	777
Total assets on boarded	**347.114**
Customer deposits and other customer accounts	21.742
Deferred tax liability	542
Other liabilities	724
Total liabilities on boarded	**23.008**
Net assets	**324.106**
Purchase price	(319.324)
Negative goodwill	**4.782**

Assets and liabilities on boarded as at acquisition date
Loans and Advances to customers and customer deposits and other accounts comprise of Tranche A and Tranche B loans and deposits with outstanding amounts of c. €361 million and c. €22 million respectively. Other liabilities represent off balance sheet exposures whereas as intangible assets represent customer relations acquired in relation to loan portfolios.

From the date of the acquisition until the end of the reporting period, the contribution of the business acquired to the Groups' profit amounted to €5,4 million whereas its turnover as at 31 December 2022 amounted c.€8,9 million.

41. SUMMARY OF THE KEY TERMS OF THE ACQUISITION AND THE RESPECTIVE ASSETS ACQUIRED AND ASSUMED LIABILITIES (continued)

41.5. Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation Techniques
Loans and advances to customers	The fair value of the loans and advances to customers was estimated using the Income Approach in accordance with IFRS 13. More specifically, the present value of expected cash flows was estimated using PDs and LGDs taking into account the profile of the portfolio. The expected cash flows have been discounted with a required rate of return comprising of cost of capital, funding cost and servicing cost.
Intangible assets	The fair value has been estimated by applying the income approach, and more specifically the multi-period excess earning methods, whereby cash flows (equal to the future economic benefit) are discounted to PV using the cost of equity of the average market participant.
Customer deposits & other customer accounts	Term deposits: The Fair Value of Term Deposits has been estimated using the income approach where the future cash outflows that a market participant would expect to incur were discounted using a market participant discount rate reflecting the participant's risk adjusted return. The outcome of the valuation carried out was then compared to the contractual balance of the deposits. Since the difference between the results of the valuation technique and the contractual balance was insignificant, the contractual balance of the deposits was used. Current accounts: Given the on-demand feature of current accounts these were assumed to be payable immediately and thus no fair value calculation was performed.
Off Balance Sheet Exposures	The fair value of the off-balance sheet exposures was estimated using the Income Approach in accordance with IFRS 13. More specifically, a collective assessment approach was adopted estimating the present value of cash flows based on homogeneous pools of loans (in terms of credit risk characteristics). Expected cash flows of these loans have been discounted with a required rate of return comprised of cost of capital, cost of borrowing and servicing cost of the average market participant (as per IFRS13 Fair Value Measurement).

42. CONTINGENT LIABILITIES AND COMMITMENTS

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Contingent liabilities				
Acceptances and endorsements	**66**	334	**66**	334
Guarantees	**251.486**	255.006	**251.508**	255.027
	251.552	255.340	**251.574**	255.361
Commitments				
Undrawn formal standby facilities	**746.002**	737.029	**746.081**	737.408
Undisbursed loan amounts	**388.784**	286.933	**388.784**	286.933
Other commitments	**2.249**	4.431	**2.249**	4.431
	1.137.035	1.028.393	**1.137.114**	1.028.772
	1.388.587	1.283.733	**1.388.688**	1.284.133

Contingent liabilities and commitments as at 31 December 2022 include an amount of €7.421 thousand that relate to the assets held for sale (31 December 2021: €12.383 thousand).

42. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Capital Commitments
At 31 December 2022, the Group's and the Bank's commitments for capital expenditure, not recognised in the consolidated statement of financial position, amounted to €1.869 thousand for the Group and €1.641 thousand for the Bank (Group 2021: €8.185 thousand and the Bank 2021:€6.493 thousand).

Contingent liabilities for pending litigations or complaints and/or claims
The Group is engaged in various legal proceedings and regulatory matters arising out of its normal business operations, where an obligation may be created for which an outflow of resources embodying economic benefits is possible. The existence of these obligations will be confirmed only by the occurrence, or non occurrence, of one or more uncertain future events not wholly within the control of the Group.

Hence the effect of the outcome of these matters cannot be predicted with certainty but may impact the Group's financial results. The Group is of the opinion that there are adequate defences in place for a successful outcome, in the course of the relevant proceedings. It is not practicable to provide an aggregate estimate of potential liability for such legal proceedings to be disclosed as a class of contingent liabilities.

Consumer Protection Service
On 12 October 2017, the Consumer Protection Service (the "CPS") of the Ministry of Energy Commerce and Industry has issued, following a complaint from certain borrowers, a decision in relation to certain terms of the Bank's housing loan agreements regarding two housing loans granted in 2007 and in 2008. The CPS took the view that these agreements contain certain unfair/non transparent terms and has invited the Bank to inform the CPS of any actions it intends to take in relation to its findings. Although the Bank does not share the views of the CPS and/or disputes the interpretation given by the CPS to the agreements, it has nevertheless discussed in good faith with the CPS and provided a list of certain actions that addressed certain of the CPS's concerns. Notwithstanding the above, in August 2020 the CPS filed an application to the competent court seeking a court order ordering the Bank to immediately stop using certain terms which had been considered unfair by the CPS. The possible outcomes depend on various factors and the resulting financial impact of each such outcome cannot be quantified.

Also, in February 2021, a first instance court judgement was issued against another bank in Cyprus, regarding unfair terms in a consumer housing loan agreement. The said judgement has been appealed. The application by the CPS against the Bank includes certain terms which were deemed unfair in the above first instance court judgement.

Employment related litigation
In August 2020, the Cyprus Union of Bank Employees (ETYK) filed a legal action against the Bank. The said legal action concerns 21 ex Cyprus Cooperative Bank employees, who are members of ETYK and who have not been transferred to the Bank (upon completion of the acquisition by the Bank of part of the business of ex Cyprus Cooperative Bank, in September 2018). ETYK filed the legal action on behalf of the employees, alleging that these employees should have been transferred to the Bank pursuant to the provisions of the law. In addition, ETYK is alleging that the terms of the collective agreement concluded between ETYK and the Bank on 31 July 2017 in relation to the Bank's employees who were members of ETYK should be applied to the 21 employees in question.

In this respect, ETYK claims on their behalf: (1) a Declaratory Judgment that the Bank is unlawfully refusing to hire the relevant employees, (2) a Court Order obligating the Bank to hire (and/or re hire) these employees, retrospectively as of 3 September 2018, (3) the payment of compensation by the Bank, for damages caused due to illegal acts or omissions in breach of its contractual obligations and (4) the payment of any salaries and benefits by the Bank, that, per their allegations, the employees are entitled to pursuant to the collective agreements.

42. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

In November 2022, the Court dismissed ETYK's claim as time-barred. However, in December 2022, ETYK filed an appeal against the Court's decision.

Even though the final outcome of the appeal cannot be precisely determined at present, management believes that, based on the information available to it to date, it is unlikely that the matter will have a material impact on the Bank's and Group's financial position.

Cyprus Consumers' Association
In April 2021, the Cyprus Consumers' Association (CCA) filed a court application against the Bank, seeking, amongst other, (i) a court order ordering the Bank to stop using certain terms which have been considered unfair by the Consumer Protection Service (CPS), in the CPS decision against the Bank that was issued in October 2017 (decision relates to certain terms of the Bank's housing loan agreements for two housing loans granted in 2007 and in 2008), as well as in the CPS decision against ex-CCB that was issued in February 2018 (decision relates to certain terms of ex-CCB's loan agreements for loans granted during 2003-2010) and (ii) a court order ordering the Bank to proceed with any other corrective measures that the Court may deem appropriate, including a court order regarding the payment of reasonable / fair compensation to the affected consumers (subject to criteria to be decided by the Court). The Bank is objecting this application. The possible outcomes depend on various factors and the resulting financial impact of each such outcome cannot be quantified.

The application by CCA against the Bank includes certain terms which were deemed unfair in the first instance court judgement issued against another bank in Cyprus and certain terms which have been included in the court application filed by the Consumer Protection Service against the Bank.

Competition Authority of Cyprus
The Bank was served in January 2022, with a Complaint ('Καταγγελία') submitted to the Competition Authority of Cyprus (CPC), regarding the increase of fees & charges of banking services applicable as of 3 January 2022. The Complaint was filed by SYPRODAT (Borrowers' Protection Association) against both Bank of Cyprus and the Bank, claiming -inter alia- breach of competition legislation as a result of the two Banks acting in co-ordination. The Bank's position is that no such co-ordination ever took place and the Bank is currently liaising with its external lawyers in order to refute said Complaint. On the first hearing, SYPRODAT legal representatives requested to withdraw their petition for interim measures (by which they were requesting that the challenged charges are blocked from being applied by HB/BoC). The CPC formally issued their decision accepting the withdrawal at 28 March 2022; it is noted that withdrawal of the application for interim measures does not equate to withdrawal of the complaint. The Bank received an Request For Information by the CPC at 29 April 2022; initial deadline was set for 23 May 2022. However, given the substantial bulk of the deliverables, the Bank requested postponement to 30 July 2022, which was accepted by CPC. The Bank filed the response to the RFI on 29 July 2022 and the investigation is ongoing.

Other cases
In February 2023, two actions were filed against the Bank by two companies with same beneficial ownership claiming the amounts of USD 740.258.989,01 and USD 256.593.137,80, respectively. At the date of this Report, no statements of claim (which is a document containing the facts and details in support of the claims), have as yet been filed with the courts, and as a result the Bank is unable to assess the validity of such claims. Even though neither the resulting financial impact of such actions nor their consequent impact on the Bank and the Group, can be precisely determined at present, management believes that, based on the information available to it to date, it is unlikely that the matter will have a material impact on the Bank's and Group's financial position.

43. DERIVATIVES

The Group uses the following derivative instruments:

- Foreign currency forwards: represent agreements for the purchase or sale of foreign currencies settled at a future date.
- Foreign currency swaps: represent agreements for the exchange of cash flows of different currencies.
- Options: represent contracts for future purchase or sale, at a predetermined value of a financial "product", offering the right, but not the obligation, to one of the two parties to request by the other party the fulfilment of the agreement during a certain period of time or on a specific date.
- Interest rate swaps: represent agreements where one stream of future interest payments is exchanged for another based on a predetermined notional amount and time periods.

	The Group and the Bank		
		Fair value	
At 31 December 2022	Nominal value	Other assets	Other liabilities
	€'000	€'000	€'000
Foreign currency forwards	1.528	138	-
Foreign currency swaps	558.770	39	2.709
	560.298	177	2.709

	The Group and the Bank		
		Fair value	
At 31 December 2021	Nominal value	Other assets	Other liabilities
	€'000	€'000	€'000
Foreign currency swaps	362.164	1.010	593
Interest rate swaps	610.000	-	4.823
	972.164	1.010	5.416

As at 31 December 2022, there were no interest rate swaps, (31 December 2021: notional value €610 million) used as hedging instruments in fair value hedges (refer to Note 24).

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 limits based on the creditworthiness of the involved counterparties and uses credit mitigation techniques such as netting and collateralisation.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

As at 31 December 2022, all of the Group's derivative exposures are covered by ISDA netting arrangements.

43. DERIVATIVES (continued)

The amount of cash collateral maintained by the Bank and the Group with respect to its derivative transactions under the CSAs in place at 31 December 2022 amounted to €3.080 thousand (31 December 2021: €48.063 thousand).

44. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and available for use balances with Central Banks and placements with other banks, with original maturities of less than three months as follows:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash balances and non-obligatory balances with Central Banks	**8.319.016**	7.200.245	**8.319.016**	7.200.245
Placement with other banks with original maturity less than three months	**217.927**	259.398	**208.714**	242.229
Total cash and cash equivalents for the purposes of the statement of cash flows	**8.536.943**	7.459.643	**8.527.730**	7.442.474

Analysis of total cash and balances with Central Banks and Placements with other banks are presented below:

	The Group		The Bank	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Cash balances and non-obligatory balances with Central Banks	**8.319.016**	7.200.245	**8.319.016**	7.200.245
Restricted balances with Central Banks	**149.058**	145.979	**149.058**	145.979
Total Cash and Balances with Central Banks (refer to Note 20)	**8.468.074**	7.346.224	**8.468.074**	7.346.224
Placement with other banks with original maturity less than three months	**217.590**	257.484	**208.379**	241.807
Other placements with other banks	**63.749**	156.610	**63.747**	155.118
Total Placements with other banks (refer to Note 21)	**281.339**	414.094	**272.126**	396.925

Restricted balances from Central Banks represent mandatory reserve deposit that are not available for use in the Bank's day-to-day operations.

45. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and connected persons

Connected persons include the spouse, the children, the parents and the companies in which Directors of the Bank hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	2022	2021
	€'000	€'000
Loans and advances	**296**	320
Collaterals	**296**	322
Deposits	**1.242**	1.614

The above table does not include year end balances of members of the Board of Directors and their connected persons who resigned during the year.

45. RELATED PARTY TRANSACTIONS (continued)

Additionally, as at 31 December 2022, there were contingent liabilities and commitments in respect of Members of the Board of Directors and their connected persons in the form of documentary credits, guarantees and unused limits amounting to €3 thousand which did not exceed 1% of the Bank's net assets (2021: € 6 thousand).

For the year ended 31 December 2022 interest income in relation to Members of the Board of Directors and their connected persons amounted to €7 thousand (31 December 2021: €8 thousand), while interest expense in respect of Members of the Board of Directors and their connected persons was €nil (31 December 2021: €nil).

Emoluments and fees of Members of the Board of Directors

	2022	2021
	€'000	€'000
Emoluments and fees of Members of the Board of Directors:		
Emoluments and benefits in executive capacity	**1.084**	574
Employer's contributions	**70**	30
Retirement benefits plan	**-**	8
Total emoluments for Executive Directors	**1.154**	612
Total fees of members of the Board	**961**	908
Employer's contributions – Non Executive Directors	**28**	26

During the year ended 31 December 2021 an Executive Member of the Board resigned from its position with effect from 9 February 2021 but, remained in the Group as Chief Financial Officer until April 2021. During the same year the Bank also announced the appointment by the Board of Directors of the new Chief Executive Officer and new Chief Financial Officer of the Bank. Both were also appointed as Executive Directors of the Board once their official appointment was approved by the ECB.

Emoluments and fees include the payments relating to the executive director and board members of the Bank that resigned during the year ended 31 December 2021.

Other transactions with Members of the Board of Directors and their connected persons
The sales of insurance policies for the year ended 31 December 2022 by the Group's Non-Life Insurance subsidiary, Pancyprian Insurance Ltd, to Members of the Board and their connected persons as defined above, amounted to €12 thousand (31 December 2021: €14 thousand), while the sales of insurance policies by the Group's Life Insurance subsidiary, Hellenic Life Insurance Company amounted to €nil (31 December 2021: € 1 thousand).

For the year ended 31 December 2022 non interest income which relates to Members of the Board of Directors and their connected persons was €nil (31 December 2021: €nil).

During the year ended 31 December 2021 and until the approval of their official appointment by ECB, the Executive Directors of the Board provided consultancy services to the Group and the fees paid amounted to €266 thousand, which were charged in the "Administrative and Other Expenses" of the Bank.

During the year ended 31 December 2021 an arm length's transaction between a Member of the Board of Directors and APS was concluded for the acquisition of a property for the amount of €100 thousand. In addition during the year ended 31 December 2021, a connected person to a Member of the Board of Directors reached an agreement with APS Cyprus for the acquisition of a property for €113 thousand. Both transactions were made on normal business terms with other comparable transactions.

45. RELATED PARTY TRANSACTIONS (continued)

Key Management personnel who are not Directors and their connected persons
Key Management personnel are those persons who have the authority and the responsibility for the planning, management and control of the Banks' operations, directly or indirectly. The Group, according to the provisions of IAS 24 and following a Bank level reorganisation on 4 August 2021 considers as Key Management personnel the members of the Management Board of the Bank who were not Directors.

Connected persons include spouses and minor children.

	2022	2021
	€'000	€'000
Loans and advances	**81**	104
Collaterals	**18**	21
Deposits	**636**	698

As at 31 December 2022, there were contingent liabilities and commitments to Key Management personnel who were not Directors and their connected persons amounting to €23 thousand (2021: €10 thousand).

Interest income in relation to Key Management personnel and their connected persons for the year ended 31 December 2022 amounted to €2 thousand (31 December 2021: €5 thousand), while interest expense in relation to Key Management personnel and their connected persons amounted to €0,2 thousand (31 December 2021: €1 thousand). The interest income from negative interest rates on deposits was €1 thousand (31 December 2021: €2 thousand).

Emoluments of Key Management personnel of the Group
The emoluments of Key Management personnel who were not Directors were:

	2022	2021
	€'000	€'000
Emoluments of Key Management personnel who were not Directors:		
Salaries and other short term benefits	**520**	1.213
Employer's contributions	**45**	107
Retirement benefits	**45**	99
Early retirement fees	**-**	615
	610	2.034

During the year ended 31 December 2021, the contracts of employment between 3 Key Management personnel and the Bank were terminated by mutual consent. The parties agreed to a consideration for the termination of the contract of employment, amounting to €615 thousand.

Emoluments also include the payments relating to key management personnel that resigned during the year ended 31 December 2021.

Other transactions with key Management personnel who are not Directors and their connected persons
The sales of insurance policies for the year ended 31 December 2022 by the Group's Non-Life Insurance subsidiary, Pancyprian Insurance Ltd, to Key Management personnel and their connected persons, as defined above, amounted to €2 thousand (31 December 2021: €7 thousand) while the sales of insurance policies by the Group's Life Insurance subsidiary, Hellenic Life Insurance Company amounted to €8 thousand (31 December 2021: €1 thousand).

45. RELATED PARTY TRANSACTIONS (continued)

Shareholders with significant influence and their connected persons
Pursuant to the provisions of IAS 24, related parties are considered, among others, the Shareholders who have significant influence to the Bank or/and hold directly or indirectly more than twenty percent (20%) of the nominal value of the issued capital of the Bank.

Connected persons include the entities controlled by Shareholders with significant influence as they are defined above.

	2022	2021
	€'000	€'000
Loans and advances	**8**	13
Deposits	**6.256**	16.012

On 31 December 2022 there were collaterals held for provision of guarantees to Shareholders with significant influence and connected persons, amounting to €398 thousand (2021: €398 thousand).

On 31 December 2022, there were contingent liabilities and commitments in relation to Shareholders with significant influence and connected persons in the form of documentary credits, guarantees and unused limits amounting to €407 thousand (2021: €682 thousand).

Interest income in relation to Shareholders with significant influence and connected persons for the year ended 31 December 2022 amounted to €nil (31 December 2021: €nil) while the interest income from negative interest rates on deposits was €27 thousand (31 December 2021: interest expense €55 thousand).

Other transactions with Shareholders with significant influence and their connected persons
The sales of insurance policies by the Group's Non-Life Insurance subsidiary, Pancyprian Insurance Ltd, to Shareholders with significant influence and their connected persons as defined above, amounted to € 83 thousand (31 December 2021: €69 thousand). The sales of insurance policies by the Group’s Life Insurance subsidiary, Hellenic Life Insurance Company for the period ended 31 December 2022 were €nil (31 December 2021: €nil).

For the year ended 31 December 2022 non-interest income amounting to €35 thousand (31 December 2021: €38 thousand) related to Shareholders with significant influence and their connected persons.

As at 31 December 2022, Shareholders with significant influence and their connected persons had in their possession CCS 1 amounting to €23,4 thousand and CCS2 amounting to €8,0 million (31 December 2021: €23,4 thousand and €8,0 million respectively).

All transactions with Members of the Board of Directors, Key Management personnel, Shareholders with significant influence and their connected persons are at an arm’s length basis. Regarding the Key Management personnel, facilities have been granted based on current terms as those applicable to the rest of the Group’s personnel.

Transactions and balances with the Bank's subsidiaries
The balances and transactions between the Bank and its subsidiaries are disclosed in Note 26.

46. CATEGORISATION OF FINANCIAL INSTRUMENTS

The Group

31 December 2022	Carrying amount €'000	Securities classified at fair value through profit or loss €'000	Securities at amortised cost €'000	Securities classified at fair value through other comprehensive income €'000	Financial instruments at amortised cost €'000
Assets					
Cash and balances with Central Banks	8.468.074	-	-	-	8.468.074
Placements with other banks	281.339	-	-	-	281.339
Loans and advances to customers	6.033.270	-	-	-	6.033.270
Debt securities	4.423.949	179	4.335.907	87.863	-
Equity securities and collective investment units	107.167	95.408	-	11.759	-
Loans and advances held for sale	191.661	-	191.661	-	-
Derivatives	177	177	-	-	-
Other financial assets	38.545	-	-	-	38.545
	19.544.182	95.764	4.527.568	99.622	14.821.228
Liabilities					
Deposits by banks	108.027	-	-	-	108.027
Funding by Central Banks	2.278.377	-	-	-	2.278.377
Customer deposits and other customer accounts	15.928.247	-	-	-	15.928.247
Financial liabilities held for sale	792	-	-	-	792
Derivatives	2.709	2.709	-	-	-
Loan capital	232.347	-	-	-	232.347
	18.550.499	2.709	-	-	18.547.790

46. CATEGORISATION OF FINANCIAL INSTRUMENTS (continued)

The Group

	Carrying amount €'000	Securities classified at fair value through profit or loss €'000	Securities at amortised cost €'000	Securities classified at fair value through other comprehensive income €'000	Financial instruments at amortised cost €'000
31 December 2021					
Assets					
Cash and balances with Central Banks	7.346.224	-	-	-	7.346.224
Placements with other banks	414.094	-	-	-	414.094
Loans and advances to customers	5.732.107	-	-	-	5.732.107
Debt securities	4.463.491	293	4.280.444	182.754	-
Equity securities and collective investment units	94.485	84.928	-	9.557	-
Loans and advances held for sale	240.888	-	240.888	-	-
Derivatives	1.010	1.010	-	-	-
Other financial assets	49.088	-	-	-	49.088
	18.341.387	86.231	4.521.332	192.311	13.541.513
Liabilities					
Deposits by banks	122.464	-	-	-	122.464
Funding by Central Banks	2.293.931	-	-	-	2.293.931
Customer deposits and other customer accounts	14.941.933	-	-	-	14.941.933
Financial liabilities held for sale	1.706	-	-	-	1.706
Derivatives	5.416	5.416	-	-	-
Loan capital	129.666	-	-	-	129.666
	17.495.116	5.416	-	-	17.489.700

46. CATEGORISATION OF FINANCIAL INSTRUMENTS (continued)

The Bank

31 December 2022	Carrying amount €'000	Securities classified at fair value through profit or loss €'000	Securities at amortised cost €'000	Securities classified at fair value through other comprehensive income €'000	Financial instruments at amortised cost €'000
Assets					
Cash and balances with Central Banks	8.468.074	-	-	-	8.468.074
Placements with other banks	272.126	-	-	-	272.126
Loans and advances to customers	6.033.270	-	-	-	6.033.270
Debt securities	4.417.175	-	4.335.907	81.268	-
Equity securities	30.610	18.851	-	11.759	-
Loans and advances held for sale	191.661	-	191.661	-	-
Derivatives	177	177	-	-	-
Other financial assets	38.545	-	-	-	38.545
	19.451.638	19.028	4.527.568	93.027	14.812.015
Liabilities					
Deposits by banks	108.027	-	-	-	108.027
Funding by Central Banks	2.278.377	-	-	-	2.278.377
Customer deposits and other customer accounts	15.928.247	-	-	-	15.928.247
Financial liabilities held for sale	792	-	-	-	792
Derivatives	2.709	2.709	-	-	-
Loan capital	232.347	-	-	-	232.347
	18.550.499	2.709	-	-	18.547.790

46. CATEGORISATION OF FINANCIAL INSTRUMENTS (continued)

The Bank

	Carrying amount €'000	Securities classified at fair value through profit or loss €'000	Securities at amortised cost €'000	Securities classified at fair value through other comprehensive income €'000	Financial instruments at amortised cost €'000
31 December 2021					
Assets					
Cash and balances with Central Banks	7.346.224	-	-	-	7.346.224
Placements with other banks	396.925	-	-	-	396.925
Loans and advances to customers	5.732.107	-	-	-	5.732.107
Debt securities	4.463.198	-	4.280.444	182.754	-
Equity securities	28.753	19.196	-	9.557	-
Loans and advances held for sale	240.888	-	240.888	-	-
Derivatives	1.010	1.010	-	-	-
Other financial assets	49.088	-	-	-	49.088
	18.258.193	20.206	4.521.332	192.311	13.524.344
Liabilities					
Deposits by banks	122.464	-	-	-	122.464
Funding by Central Banks	2.293.931	-	-	-	2.293.931
Customer deposits and other customer accounts	14.941.933	-	-	-	14.941.933
Financial liabilities held for sale	1.706	-	-	-	1.706
Derivatives	5.416	5.416	-	-	-
Loan capital	129.666	-	-	-	129.666
	17.495.116	5.416	-	-	17.489.700

47. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market, when available, for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

Fair value of financial instruments

The tables below present, at Group and Bank level, the carrying amount and fair value of financial instruments on the basis of the three-level hierarchy by reference to the source of data used to derive the fair values. The fair value hierarchy categorises the inputs used in valuation techniques into the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Data other than quoted prices included within level 1 that is observable for the asset or liability, either directly or indirectly.
- Level 3: Import data for the asset or liability that is not based on observable market data (non observable import data).

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

47. FAIR VALUE MEASUREMENT (continued)

Group

31 December 2022	Carrying amount €'000	Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial Assets measured at fair value:					
Debt securities measured at fair value through other comprehensive income	87.863	87.863	81.268	6.595	-
Debt securities measured at fair value through profit or loss	179	179	179	-	-
Equity securities measured at fair value through profit or loss	95.408	95.408	76.557	-	18.851
Equity securities measured at fair value through other comprehensive income	11.759	11.759	1.392	-	10.367
Derivatives	177	177	-	177	-
	195.386	**195.386**	**159.396**	**6.772**	**29.218**
Financial Assets not measured at fair value:					
Cash and balances with Central Banks	8.468.074	8.468.074	-	8.468.074	-
Placements with other banks	281.339	281.339	-	281.339	-
Loans and advances to customers	6.033.270	5.888.962	-	-	5.888.962
Debt securities measured at amortised cost	4.335.906	4.122.162	2.618.159	1.491.925	12.078
Financial assets held for sale	191.662	191.662	-	-	191.662
Other financial assets	38.545	34.824	-	-	34.824
	19.348.796	**18.987.023**	**2.618.159**	**10.241.338**	**6.127.526**
Financial liabilities measured at fair value:					
Derivatives	2.709	2.709	-	2.709	-
Financial liabilities not measured at fair value:					
Deposits by banks	108.027	108.027	-	108.027	-
Funding by Central Banks	2.278.377	2.278.377	-	2.278.377	-
Customer deposits and other customer accounts	15.928.247	15.928.247	-	-	15.928.247
Financial guarantees and loan commitments issued	792	792	-	-	792
Loan capital	232.346	186.539	101.626	84.913	-
	18.547.789	**18.501.982**	**101.626**	**2.471.317**	**15.929.039**

47. FAIR VALUE MEASUREMENT (continued)

Group

31 December 2021	Carrying amount €'000	Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial Assets measured at fair value:					
Debt securities measured at fair value through other comprehensive income	182.754	182.754	182.754	-	-
Debt securities measured at fair value through profit or loss	293	293	293	-	-
Equity securities measured at fair value through profit or loss	84.928	84.928	65.731	-	19.197
Equity securities measured at fair value through other comprehensive income	9.557	9.557	1.668	-	7.889
Derivatives	1.010	1.010	-	1.010	-
	278.542	**278.542**	**250.446**	**1.010**	**27.086**
Financial Assets not measured at fair value:					
Cash and balances with Central Banks	7.346.224	7.346.224	-	7.346.224	-
Placements with other banks	414.094	414.094	-	414.094	-
Loans and advances to customers	5.732.107	5.578.900	-	-	5.578.900
Debt securities measured at amortised cost	4.280.444	4.331.155	2.249.139	2.057.875	24.141
Financial assets held for sale	240.888	240.888	-	-	240.888
Other financial assets	49.088	49.616	-	-	49.616
	18.062.845	**17.960.877**	**2.249.139**	**9.818.193**	**5.893.545**
Financial liabilities measured at fair value:					
Derivatives	5.416	5.416	-	5.416	-
Financial liabilities not measured at fair value:					
Deposits by banks	122.464	122.464	-	122.464	-
Funding by Central Banks	2.293.931	2.293.931	-	2.293.931	-
Customer deposits and other customer accounts	14.941.933	14.941.933	-	-	14.941.933
Financial guarantees and loan commitments issued	1.706	1.706	-	-	1.706
Loan capital	129.666	78.117	-	78.117	-
	17.489.700	**17.438.151**	**-**	**2.494.512**	**14.943.639**

47. FAIR VALUE MEASUREMENT (continued)

Bank

31 December 2022	Carrying amount €'000	Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial Assets measured at fair value:					
Debt securities measured at fair value through other comprehensive income	81.269	81.269	81.269	-	-
Equity securities measured at fair value through profit or loss	18.851	18.851	-	-	18.851
Equity securities measured at fair value through other comprehensive income	11.759	11.759	1.392	-	10.367
Derivatives	177	177	-	177	-
	112.056	**112.056**	**82.661**	**177**	**29.218**
Financial Assets not measured at fair value:					
Cash and balances with Central Banks	8.468.074	8.468.074	-	8.468.074	-
Placements with other banks	272.126	272.126	-	272.126	-
Loans and advances to customers	6.033.270	5.888.962	-	-	5.888.962
Debt Securities measured at amortised cost	4.335.906	4.122.161	2.618.159	1.491.925	12.077
Financial assets held for sale	191.661	191.661	-	-	191.661
Other financial assets	38.545	34.824	-	-	34.824
	19.339.582	**18.977.808**	**2.618.159**	**10.232.125**	**6.127.524**
Finacial liabilities measured at fair value:					
Derivatives	2.709	2.709	-	-	2.709
Financial liabilities not measured at fair value:					
Deposits by banks	108.027	108.027	-	108.027	-
Funding by Central Banks	2.278.377	2.278.377	-	2.278.377	-
Customer deposits and other customer accounts	15.928.247	15.928.247	-	-	15.928.247
Financial liabilities held for sale	792	792	-	-	792
Loan capital	232.346	186.539	101.626	84.913	-
	18.547.789	**18.501.982**	**101.626**	**2.471.317**	**15.929.039**

47. FAIR VALUE MEASUREMENT (continued)

Bank

31 December 2021	Carrying amount €'000	Fair value €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Financial Assets measured at fair value:					
Debt securities measured at fair value through other comprehensive income	182.754	182.754	182.754	-	-
Equity securities measured at fair value through profit or loss	19.197	19.197	-	-	19.197
Equity securities measured at fair value through other comprehensive income	9.557	9.557	1.668	-	7.889
Derivatives	1.010	1.010	-	1.010	-
	212.518	**212.518**	**184.422**	**1.010**	**27.086**
Financial Assets not measured at fair value:					
Cash and balances with Central Banks	7.346.224	7.346.224	-	7.346.224	-
Placements with other banks	396.925	396.925	-	396.925	-
Loans and advances to customers	5.732.107	5.578.900	-	-	5.578.900
Debt Securities measured at amortised cost	4.280.444	4.331.155	2.249.139	2.057.875	24.141
Financial assets held for sale	240.888	240.888	-	-	240.888
Other financial assets	49.088	49.616	-	-	49.616
	18.045.676	**17.943.708**	**2.249.139**	**9.801.024**	**5.893.545**
Financial liabilities measured at fair value:					
Derivatives	5.416	5.416	-	5.416	-
Financial liabilities not measured at fair value:					
Deposits by banks	122.464	122.464	-	122.464	-
Funding by Central Banks	2.293.931	2.293.931	-	2.293.931	-
Customer deposits and other customer accounts	14.941.933	14.941.933	-	-	14.941.933
Financial liabilities held for sale	1.706	1.706	-	-	1.706
Loan capital	129.666	78.117	-	78.117	-
	17.489.700	**17.438.151**	**-**	**2.494.512**	**14.943.639**

47. FAIR VALUE MEASUREMENT (continued)

The tables below present the movement of the fair value of securities categorised at level 3 hierarchy:

	Investments at fair value through other comprehensive income €'000	Other financial assets at fair value through profit or loss €'000	**Total €'000**
1 January 2022	7.889	19.197	**27.086**
Gains recognised in income statement in the category "Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments"	2.478	(346)	**2.132**
31 December 2022	10.367	18.851	**29.218**

	Investments at fair value through other comprehensive income €'000	Other financial assets at fair value through profit or loss €'000	Total €'000
1 January 2021	6.239	11.397	17.636
Gains recognised in income statement in the category "Net gains on disposal and revaluation of foreign currencies and financial instruments"	1.650	20	1.670
Additions	-	7.780	7.780
31 December 2021	7.889	19.197	27.086

During the year ended 31 December 2022 and the year ended 31 December 2021 there were no transfers between Level 1 and Level 2.

Fair Value of financial instruments measured at fair value on the statement of financial position

Debt securities at fair value through other comprehensive income
For the measurement of the fair value of investments in debt securities categorised as Level 1, the Group uses quoted prices in active markets. For the fair value of the investments in debt securities categorised as Level 2 hierarchy, the Group utilises the respective curve for each currency (swap curve or government curve) at each valuation date while also adding the corresponding credit spread and liquidity premium if any to fairly value these level 2 debt securities. Alternatively, if available, other indicative quotes from the Bank's counterparties are utilized to fairly price these Level 2 instruments.

Equity securities and collective investment units at fair value through profit or loss and fair value through other comprehensive income
Equity securities and collective investment units consists of both quoted securities/units in active markets, which are classified as Level 1, and unquoted securities. For the latter, valuation techniques or pricing models are formulated on a case by case basis and incorporate both observable and non-observable data and as such are classified as Level 3. For Level 3 instruments, the Group uses discounted cash flows models. The valuation requires management to use unobservable inputs, including forecast cash flows, discount rates and illiquidity haircuts, where applicable.

47. FAIR VALUE MEASUREMENT (continued)

A change in the significant unobservable inputs by 15% used in the valuation techniques adopted for VISA Inc. shares, Universal Life shares and JCC shares would result in a change in the value of the equity securities by €2,0 million (31 December 2021: €1,7 million), €0,9 million (31 December 2021: €1,2 million) and €1,5 million (31 December 2021: €1,1 million) respectively.

Derivatives at fair value through profit or loss
Derivative financial instruments are valued using a valuation technique with observable market data. The valuation techniques most frequently used include forward pricing and swap models, using present value calculations. The models use various inputs including foreign exchange spot and forward rates and interest rate curves. Derivative instruments are generally classified as Level 2 on the basis that model inputs that are significant to their measurement are observable. Furthermore, it is essential to note that the vast majority of the Bank's derivative positions are performed with counterparties that the Bank has ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements, exchanging cash collateral on a daily basis.

Other financial assets
Other financial assets include assets held to cover liabilities of unit linked funds which are measured at fair value through profit or loss. Equity securities for which quoted prices in active markets are available are classified as Level 1. Government bonds for which no active market exists are classified as Level 2.

Fair Value of financial instruments not measured at fair value but for which fair value is disclosed

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.

The level of subjectivity and degree of management judgment required is significant in these discounted cash flow models given that management is required to exercise judgment in the selection and application of parameters and assumptions where some or all of the parameter inputs are less observable. Future cash flows have been based on the future expected loss rate per loan category, taking into account expectations in the credit quality of the borrowers. The discount rate includes components that capture: the funding cost, cost of capital, regulatory MREL requirements and adjustments for operational costs which are dependent on the definition of the principal market specified by the Bank for fair value purposes. For the Bank's loan book, the principal market is defined as the Republic of Cyprus as it mainly includes local lending in euro to Retail, SME and Corporate clients and thus the average market participant is assumed to be a) a bank operating in Cyprus of similar size and capital structure for the performing portfolio and b) credit acquiring companies for the default portfolio.

The Bank updates its risk parameter models applied in the calculation of the Fair Value as part of the regular model update cycle. The model update takes into account the latest macroeconomic projections and the available data and information (refer to Note 5). The Fair Value parameters are in full alignment with the Bank's provisioning assumptions.

47. FAIR VALUE MEASUREMENT (continued)

Debt securities classified at amortised cost
For the calculation of the fair value of investments in debt securities categorised as Level 1 the Group uses quoted prices in active markets. For the fair value of the investments in debt securities categorised under Level 2 hierarchy, the Group utilises the respective curve for each currency (swap curve or government curve) at each valuation date while also adding the corresponding credit spread and liquidity premium if any to fairly value these Level 2 debt securities. Alternatively, if available, BVAL quotes (Bloomberg valuation tool) or other indicative quotes from the Bank's counterparties are utilized to fairly price these Level 2 instruments. For its investments classified as Level 3, the Bank utilizes indicative quotes from counterparties maintaining a stake in these positions or, if such quotes are unavailable, utilizes the respective curve for each currency while also adding a spread using other similar securities as proxies.

Financial assets and liabilities held for sale
The carrying value of financial assets and liabilities classified as held for sale is a close approximation of their fair value and they are categorised as Level 3.

Indemnification assets
Indemnification assets are included in other financial assets the fair value of which is determined based on the Income Approach.

Indemnification asset – APS
The fair value is estimated as the sum of:

a) The Present Value of claims to be made by the Bank in the event of APS Losses. The claims and timing of these claims reflect the measurement of the estimated future cash flows arising from claims to be made by the Bank in the event of APS losses. All calculations are made on an asset by asset basis.

b) The Present Value of fees payable by the Bank to SEDIPES.

The present value of the APS indemnification asset has been discounted at the equivalent prevailing market interest rate of sovereign exposures with similar maturity.

Indemnification asset – certain off-balance items acquired
The fair value is estimated on the recovery as a result of the estimated losses arising from the off-balance sheet exposures as described under the BTA agreement.

The recovery as a result of the estimated losses of the above elements have been discounted at the equivalent prevailing market interest rates of sovereign exposures with similar maturity.

Other key inputs involved in the fair value measurement of the indemnification assets relating to APS and off-balance sheet exposures include the estimates and parameters involved in the measurement of ECL of the underlying loans and off-balance sheet exposures. The sensitivity of these is presented in Note 5.

Loan Capital:
The fair value of CCS1 and CCS2 is based on the average transaction price that these instruments traded at during the period. CCS1 and CCS2 has been classified as Level 2. Senior Preferred Note is listed on the Luxemburg Stock Exchange (active market) and as such is classified as Level 1.

Other financial instruments:
For the remaining financial assets and financial liabilities not described above or not separately disclosed in the above tables the fair value approximates to their carrying amounts.

47. FAIR VALUE MEASUREMENT (continued)

Fair Value of non financial assets measured at fair value

The fair value of properties held for own use and investment properties is based on valuations by independent qualified valuers and categorised as Level 3 (refer to Note 5.11.). As at 31 December 2022 the carrying amount of properties held for own use were €138.425 thousand (31 December 2021: €141.970 thousand). As at 31 December 2022 the carrying amount of investment properties were €5.528 thousand (31 December 2021: €6.277 thousand). Significant fluctuations in the estimated values per square meter for properties valued with the comparable approach or significant fluctuations in the estimated rental yields for properties valued with the income capitalisation approach could significantly impact the fair value of the properties.

48. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating segments based on the provision of services, as follows:

- Banking and financial services segment - principally providing banking and financial services, including financing and investment services, as well as custodian and factoring services.
- Insurance services segment - principally providing life and general insurance services in Cyprus.

The Group is currently operating in Cyprus.

There was no turnover deriving from transactions with a single external customer that amounted to 10% or more of Group revenue.

The table below presents income, expenses, impairment losses on financial instruments and non financial assets, profit/(loss) for the year from continuing operations, discontinued operations and taxation and information on assets, liabilities and capital expenditure regarding the Group's operating segments.

48. SEGMENTAL ANALYSIS (continued)

	Banking & Financial services		Insurance Services		Intersegment transactions/balances		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Continuing Operations								
Turnover	**448.181**	383.837	**27.911**	28.062	**(10.406)**	(9.643)	**465.686**	402.256
Of which: Third parties	***443.781***	*378.083*	***21.933***	*24.230*	**-**	-	***465.714***	*402.313*
Of which: Inter-segment	***4.400***	*5.754*	***5.978***	*3.832*	***(10.406)***	*(9.643)*	***(28)***	*(57)*
Net interest income	**300.751**	256.099	**1**	(117)	**9**	22	**300.761**	256.004
Net fees and commission income/(expenses)	**73.432**	62.186	**(1.716)**	(3.990)	**(36)**	(22)	**71.680**	58.174
Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments	**6.106**	5.227	**(3.378)**	(199)	**-**	-	**2.728**	5.028
Net income from insurance operations	**-**	-	**25.548**	23.267	**(28)**	(58)	**25.520**	23.209
Other income/(expenses)	**19.153**	20.102	**261**	283	**(5.978)**	(3.832)	**13.436**	16.553
Total net income	**399.442**	343.614	**20.716**	19.244	**(6.033)**	(3.890)	**414.125**	358.968
Staff costs	**(140.260)**	(126.837)	**(6.944)**	(6.907)	**-**	-	**(147.204)**	(133.744)
Restructuring costs	**(66.423)**	-	**(4.437)**	-	**-**	-	**(70.860)**	-
Depreciation and amortisation	**(23.865)**	(24.132)	**(899)**	(538)	**71**	108	**(24.693)**	(24.562)
Administrative and other expenses	**(104.760)**	(101.594)	**(3.751)**	(3.653)	**64**	73	**(108.447)**	(105.174)
Total expenses	**(335.308)**	(252.563)	**(16.031)**	(11.098)	**135**	181	**(351.204)**	(263.480)
	64.134	91.051	**4.685**	8.146	**(5.898)**	(3.709)	**62.921**	95.488
Net (losses)/gains on derecognition of financial assets measured at amortised cost	**(236)**	5.869	**-**	-	**-**	-	**(236)**	5.869
Impairment losses on financial instruments	**(18.171)**	(102.361)	**(324)**	313	**(11)**	7	**(18.506)**	(102.041)
Impairment losses on non financial assets	**(6.796)**	(6.018)	**-**	(298)	**-**	-	**(6.796)**	(6.316)
	38.931	(11.459)	**4.361**	8.161	**(5.909)**	(3.702)	**37.383**	(7.000)
Negative goodwill	**4.782**	-	**-**	-	**-**	-	**4.782**	-
Profit/(loss) before taxation	**43.713**	(11.459)	**4.361**	8.161	**(5.909)**	(3.702)	**42.165**	(7.000)
Taxation	**(8.595)**	4.150	**(1.927)**	(1.455)	**-**	-	**(10.522)**	2.695
Profit/(loss) for the year from continuing operations	**35.118**	(7.309)	**2.434**	6.706	**(5.909)**	(3.702)	**31.643**	(4.305)
Discontinued operations								
Loss for the year from discontinued operations	**(7.458)**	(7.373)	**-**	-	**-**	-	**(7.458)**	(7.373)
Profit/(loss) for the year	**27.660**	(14.682)	**2.434**	6.706	**(5.909)**	(3.702)	**24.185**	(11.678)

48. SEGMENTAL ANALYSIS (continued)

Total assets	**19.841.810**	18.696.595	**154.633**	149.358	**(7.860)**	(9.845)	**19.988.583**	18.836.108
Total liabilities	**18.760.516**	17.636.320	**111.334**	102.553	**(3.778)**	(8.933)	**18.868.072**	17.729.940
Capital expenditure on property, right of use assets, plant & equipment and computer software	**9.810**	23.491	**965**	1.673	**-**	(264)	**10.775**	24.900

49. ECONOMIC ENVIRONMENT

The current economic environment is significantly affected by the ongoing Russia-Ukraine conflict, that started in February 2022 and its consequences are felt at the global economy. The Russia-Ukraine conflict moderates the expectations of a continued strong GDP expansion that started in Cyprus during 2022, at least in the short-term. There is increased uncertainty about the economic impact owing to the length and breadth of the conflict, the degree of severity of currently enacted sanctions and the extend of possible economic retaliation by Russia. The signs of the effect are evident on the elevated inflation rates that accelerated in the second half of the year, following the commence of the military operations in Ukraine. Despite the effect of the Russia-Ukraine conflict, the Cyprus economy showed again its resilience to external shocks. The Cyprus economy GDP growth in 2022 reached 5,6% compared to 2021.

The data published by the Cyprus Statistical Service for the fourth quarter of 2022 indicate that the economy growth rate reached 4,5%. The positive GDP growth rate was mainly attributed to the sectors "Hotels and Restaurants", "Transport and Storage", "Wholesale and Retail Trade, Repair of Motor Vehicles", "Arts, Entertainment and Recreation", "Other Service Activities". Mobility restricted industries such as trade, transport, hospitality and other leisure related industries posted the highest growth rates, thus the economic activity remained strong. At the same time, labour market indicators also improved compared to 2021. Average unemployment rate during the year dropped to 6,8% compared to 7,5% in 2021.

Fears on the extend of the Russia-Ukraine conflict as well as the developments of the COVID-19 pandemic, continue to imply downside risks to the economy in the short term. The Bank expects GDP to expand by 2,0% in 2023, and improve to 3,0% in 2024, continuing the recovery that Cyprus economy experienced during 2022. In the medium term, real economic activity is expected to be supported by the funds available under EU’s Resilience and Recovery Facility (RRF) where Cyprus is set to receive €1,2 billion between 2021-2026. The funds of the facility aim to achieve the transition to a green economy and the digital transformation of the Cypriot Economy. The Bank, under the initiative for the adoption of Environmental, Social and Governance (ESG) principles, has started the integration of these principles in its operations that will support at the same time the initiatives developed under the European Facility for Recovery and Resilience.

Risks to the recovery seem less balanced than before but still skewed to the downside. The profile of 2023 outlook will still be largely determined by the Russia-Ukraine conflict and by possible worsening of pandemic developments.

49.1 Consequences of the recent developments

The analysis of the high frequency data for key sectors of the economy provides encouraging signs for the short-term outlook of the economy and its resilience to the external shocks that affected the global economy during 2022 (Russia-Ukraine conflict).

The labour market was affected negatively by the pandemic, although not in par with the fall in GDP. During 2020, the unemployment rate increased to 7,6% from 7,1% in 2019 and decreased slightly to 7,5% in 2021. During 2022, unemployment rate was further reduced to 6,8%, continuing the trend that started the previous year. Based on the seasonally adjusted data showing the trend of unemployment, the average number of registered unemployed during 2022 decreased to 13.566 persons compared to 22.837 in 2021.

49. ECONOMIC ENVIRONMENT (continued)

The effect of the Russia/Ukraine conflict was distinctively evident on inflation rates. During 2022 the Harmonized Index of Consumer Prices (HICP) increased by 8,1% in comparison to 2021 value of 2,3%. This increase was mainly driven by the surge in energy prices. During 2022, energy prices inflation reached 32,0% compared to 2021, as opposed to 2021 energy inflation of 14,3%. Core inflation rate (HICP excluding energy, food, alcohol and tobacco) during the year of 2022 increased by 5,0% compared 1,3% in 2021. The analysis of the inflation data indicate that inflation has peaked in July at 10,6% and has slightly declined gradually to 7,6% in December.

Tourism sector is gradually recovering towards its pre-pandemic levels. The tourism sector absorbed the shock in the loss of Russian-Ukraine tourist markets, with tourism arrivals for 2022 reaching 3,2 million tourists reaching the 80% of the arrivals of the record 2019 year and increased by 65% compared to 2021 where arrivals reached 1,9 million tourists.

In the banking sector, total non-performing exposures at the end of December 2022 were €2,3 billion or 9,5% of gross loans compared to 17,7% at the end of 2020, while the coverage ratio reached 47,5% at the end of 2022. The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. In September 2022, S&P has upgraded the sovereign credit rating on Cyprus from BBB- / A-3 to BBB / A-2 with stable outlook, because the economy has proven resilient to recent external shocks, including the COVID-19 pandemic. The improvement of public finances during 2022 and the government balance was higher than expected, the decline in the government to GDP ratio, the resilience of the economy to external shocks, and the improvement in the Cypriot Banking system asset quality. Furthermore, Fitch in March 2023, has upgraded the sovereign credit rating on Cyprus from BBB- (stable outlook) to BBB (stable outlook). This is attributed to the improvement of public finances during 2022 and the higher-than-expected improvement in government balance, the decline in the government to GDP ratio, the resilience of the economy to external shocks, and the improvement in the Cypriot Banking system asset quality

The Republic of Cyprus is rated at an investment grade rating of BBB by S&P, BBB by Fitch and at a non-investment grade rating of Ba1 by Moody's.

The fiscal position during the second half of 2022, continued its improvement as expected, due to the gradual removal of the extraordinary interventions to ameliorate the COVID-19 shock and higher revenues from taxes on production and imports and taxes on income and wealth. The preliminary data published by Cyprus Statistical service indicate a surplus of €609,5 million (2,3% of GDP) for 2022, as compared to a deficit of €402,8 million (1,7% of GDP) that was recorded during 2021. The positive trend continues during 2023. During January 2023 fiscal accounts of General Government indicate a surplus of €342,5 million (1,2% of GDP) compared to a surplus of €222,8 million (0,8% of GDP) for January 2022.The debt to GDP ratio reached 104% at the end of 2021 from 115% the year before and is expected to follow a downward trend and fall to 72% by the end of 2025, on the assumption that debt servicing costs will remain low.

Recent facts and circumstances around COVID-19 and the Russia/Ukraine conflict suggest that the Cyprus economy could be potentially further negatively impacted by a renewed pandemic outbreak and the resulting disruption of economic activity which could primarily impact specific lending portfolios. This development may adversely affect the ability of certain borrowers to repay their obligations and, consequently the amount of expected credit risk losses. The economic implications depend to a large extent on how long this conflict will last and vary on a case-by-case basis as each sector of the economy is affected differently. Given the high degree of uncertainty in relation to the longevity and severity of the events, the overall impact on the Cypriot economy remains unclear at this stage.

49. ECONOMIC ENVIRONMENT (continued)

Russia/Ukraine conflict
The Bank continues to monitor closely 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 conflict 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 re-balanced in 1Q2022 and are continued to be applied as of year-end.

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.

Recent Developments
The Bank is closely monitoring the developments triggered by the collapse of Silicon Valley Bank, Silvergate Bank and Signature Bank in the United States and Switzerland’s Credit Suisse rescue through the takeover by UBS. The turmoil created by the failure of the four banks was contained following the decisive actions and measures taken by authorities aiming to maintain confidence in the financial and banking sector.

50. RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from its operations and from the use of financial instruments:
- Credit risks
- Market risks
- Liquidity risks
- Operational risks

The Group is also exposed to insurance risk which arises from its insurance operations.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk.

Risk Management Unit (RMU)

The management and monitoring of all Group risks is centralised under a single unit, Risk Management, to which the following specialised risk management departments report:
- Enterprise Risk Management and Governance (ERMG)
- Credit Risk Management (CRM)
- Investment, Market and Liquidity Risk Management (IMLRM)

50. RISK MANAGEMENT (continued)

Risk Management Unit (RMU) (continued)

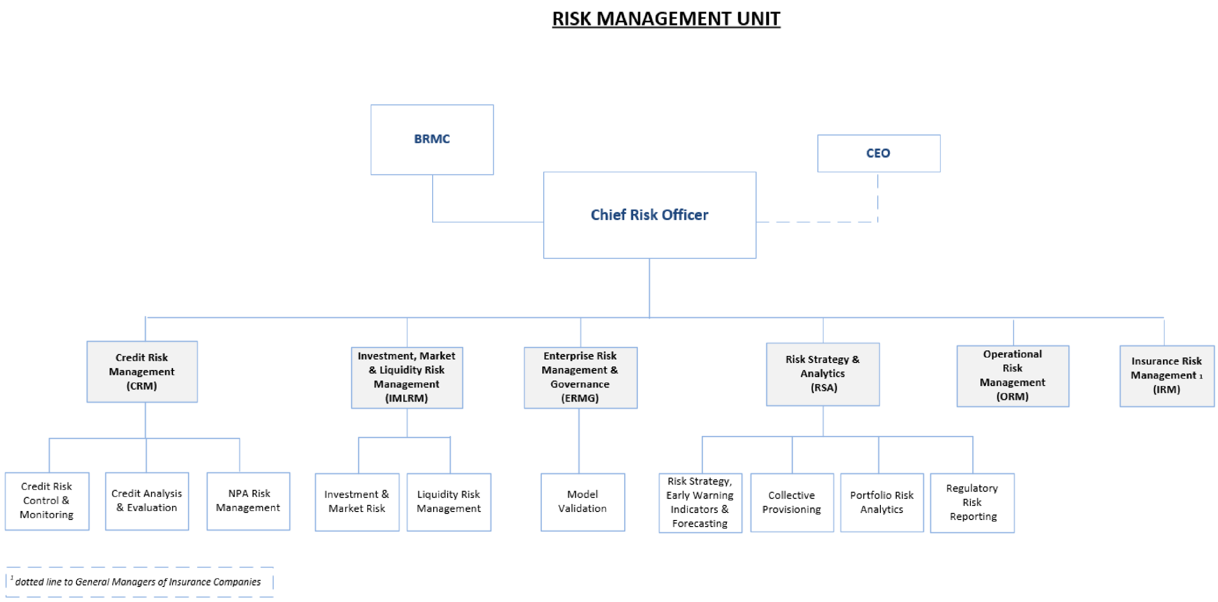
- Risk Strategy and Analytics (RSA)
- Operational Risk Management (ORM)
- Insurance Risk Management (IRM)

RMU consists of the above departments and is functionally independent from other units with executive authority and reports to the Board of Directors (BoD), through the Board Risk Management Committee (BRMC).

The departments cover all risk areas across the Group's operations and are intensively working to ensure that the Bank fully conforms to the provisions of the Accord of Basel III, the Directives of the regulatory authorities and international best practices.

The Risk Management Unit is organized in such a way as to cater for the needs of the Bank, in this dynamic landscape, cognisant of the intricacies of the Bank's business model and those of the external market and regulatory environment. The current structure aims to enhance the organisation of RMU and to reinforce the role of the second line of defence throughout the risk management cycle, with a special focus on the Bank's material risks.

Risk Management Unit Structure



1. The Insurance Risk Management Unit is responsible for the entirety of the risk management function of the Insurance subsidiaries of Hellenic Bank (Pancyprian Insurance Ltd, Hellenic Life Insurance Company Ltd) with dotted line to General Managers of Insurance Companies.

50. RISK MANAGEMENT (continued)

50.1 Enterprise Risk Management and Governance

The Enterprise Risk Management & Governance department serves as a horizontal function, that supports the holistic management of risks by bringing together all of RMU's practices under one integrated structure and to facilitate the development and review of the Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS). The department also co-ordinates and drives cross-departmental and departmental projects (such as the Recovery Plan, ICAAP and other risk-based propositions) which enhance the management, monitoring of risks establishing a strong Risk Governance.

During the year, the 2022/2023 RAS and RAF were developed and approved by the Board of Directors in September 2022 with effective date October 2022. The RAS and RAF were developed by the RMU in line with international standards and best practices. The RAF is part of the broader Enterprise Risk Management Framework (ERMF) and prescribes the process for risk appetite setting, feeding from the formulation of Material Risk Assessment following the updating of the Bank's Risk Taxonomy (broad risk register covering the whole spectrum of risk types and emerging risks).

The Bank's RAS considers the resilience of risk limits and risk capacity under stress and makes the intrinsic link to the Bank's stress testing in the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP). The outcomes of the stress tests are thereby incorporated into the capital metrics of the Risk Appetite, in the Strategic Plan, the Capital Plan and the Liquidity Contingency Plan (LCP) of the Bank. The RAS encompasses both Quantitative and Qualitative limits across an array of the risk types facing the Bank and delineates responsibilities for its implementation, monitoring and governance (which also entails a Breach and Early Warning escalation process) in line with the Three Lines of Defence model embedded within the ERMF. During this year's RAS Cycle, Environmental, Social & Governance (ESG) metrics were also included, in particular to capture climate-related and environmental risks which are drivers of prudential risk categories.

Further to the above, within the ERMG department a separate sub-unit exists for Model Validation activities as this is a distinct and specialised risk activity. During the year the unit conducted validation activities and prepared relevant reports with validation results assessing:

- the quantitative and qualitative adequacy of the models,
- the monitoring of performance and identification of limitations,
- the correct implementation of models in the Bank's systems,
- the application and use of the models by the relevant Units of the Bank.

Contingency Risk Management

Russia/Ukraine conflict

The Bank is closely monitoring the developments in Ukraine and Russia and provides regular updates to both 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.

50. RISK MANAGEMENT (continued)

50.1 Enterprise Risk Management and Governance (continued)

The monitoring of customers has 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.

Post Moratorium Arrears Performance

Following expiry of the first moratorium, payment behaviour continues to be encouraging, with repayments duly met for 96% of such borrowers (excluding the loans covered by the APS agreement) which participated in the first moratorium and had a payment fall due by the end of December 2022. Nevertheless, the Bank continues to adopt an appropriately prudent approach and is in readiness in terms of monitoring procedures and day-to-day management of the accounts to deal with early arrears. The Bank's total performing portfolio in arrears remains at lower levels compared to pre COVID-19 levels (43% of February 2020 performing arrears stock), as at the end of December 2022.

50.2 Credit risk management

Credit risk is the risk of financial loss to the Bank if a customer and/or other counterparty to a financial instrument fail to meet their contractual obligations. This risk principally arises from lending, trade finance activities and treasury operations. The management of credit risk is one of the most important areas in the Bank's operations and is essential for its long-term soundness. The Credit Risk management department (CRM) involves detecting, evaluating, measuring and observing/controlling credit risk, based on the strategic objectives of the Bank.

CRM is responsible for the holistic credit risk management of the Corporate, Commercial, Retail and International sectors, as well as for specialized lending such as Ship Finance and Factoring. The department has 3 sub-units: a. Credit Analysis & Evaluation; b. Credit Risk Control and Monitoring; and c. NPA Risk

- CRM responsibilities focus on credit risk portfolio management in order to maximize Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable risk appetite thresholds. In particular, CRM is inter-alia engaged in the following areas:
- Provides independent Credit Assessment, and specifically:
  - provides independent 2nd line of defence advice and recommendations to the Approving Authorities for all credit applications, according to the terms of reference of each Committee;
  - ensures that risk opinions and recommendations are adequately recorded/acknowledged at the Approving Authorities' approval level;
  - liaises with the Credit Risk Control and Monitoring sub-unit for the review and update of credit policies.
- Leads the establishment and review of credit risk policies related to the performing and non-performing portfolio and ensures that these are in line with internal and external regulatory requirements;

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

- Defines credit risk methodology, reviews assumptions and validates Individual Impairment assessment of clients/group preliminarily performed by all business/front-line units;
- Monitors areas identified, measured, assessed and monitored through Key Risk Indicators and controlled until they are reduced within tolerance limits;
- Monitors the effectiveness of the Arrears Management Strategy by measuring and controlling risks (KRIs) as well as reducing / eliminating the risks identified;
- Provides independent 2nd line of defense advice and recommendations to the respective Approving Authority for all restructuring applications which fall within the limits of Arrears and Property Management Committee;
- Supports the formulation and delivery of the de-risking and deleveraging activities of the Bank relating to NPA risk Management.

Risk Strategy and Analytics (RSA)

Risk Strategy and Analytics is supporting Risk Management in credit risk modelling matters. It focuses on the analytically related elements of Risk Management with a focus on credit risk such as collective provisioning, rating and scoring models and regulatory and internal reporting. The department is also mandated to provide computational and analytical support to other RMU departments.

Risk Strategy & Analytics, is a critical risk department, structured into the following four pillars and respective sub-units:

a. Risk Strategy, Early Warning Indicators & Forecasting,

b. Collective Provisioning

c. Portfolio Risk Analytics, and

d. Regulatory Risk Reporting.

Risk Strategy & Analytics assesses the strategy's robustness, coherence and compatibility with the bank's current business model and environment to identify relevant risks and their impact on Bank's risk profile and to ensure alignment with the Risk Appetite metrics which RSA sets and monitors. The department also participates in specialized projects of strategic significance to the Bank along with the involvement in stress testing exercises, Early Warnings and Forecasting.

RSA also maintains ownership of ECL, Collective provisioning process, specifically with respect to probabilities of default (PDs), Loss Given Default (LGDs) and Exposure at Default (EAD) models and parameters. Furthermore, RSA through the Portfolio Risk Analytics sub-unit is responsible for the preparation of the credit risk reporting (Risk MIR, Quarter & Annual Risk Report) and other credit related reporting as this is requested by the Committees under RSA responsibilities. Further to this, the Regulatory Risk Reporting sub-unit is involved in CRR responsibilities such as COREP submissions, CRR Compliance, Basel IV implementation, completion of FINREP credit risk related templates and other credit risk standalone regulatory reports submissions.

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

50.2.1 Exposure to credit risk

50.2.1.1 Concentration of credit risk

The Group monitors concentration of credit risk by sector and by geographic location.

The concentration by geographic location for loans and advances to customers is measured based on the geographical position of the customer. The concentration by geographic location for investments and placements with other banks is based on the geographical position of the risk country of the issuer of the security and counterparty, respectively.

The analysis of concentration of credit risk by sector of the Group is shown below:

	Loans and advances to customers		**Loans and advances held for sale**		**Placements with other banks**	
	2022	2021	**2022**	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Carrying amount	**6.033.270**	5.732.107	**191.662**	240.888	**281.339**	414.094
Businesses	**2.789.330**	2.517.108	**500.726**	516.497	**-**	-
Individuals	**3.433.599**	3.435.118	**239.563**	259.622	**-**	-
Governments	**-**	-	**-**	-	**-**	-
Banks	**-**	-	**-**	-	**281.677**	414.522
Other sectors	**-**	-	**-**	-	**-**	-
	6.222.929	5.952.226	**740.289**	776.119	**281.677**	414.522
Accumulated impairment losses	**(189.659)**	(220.119)	**(548.627)**	(535.231)	**(338)**	(428)
	6.033.270	5.732.107	**191.662**	240.888	**281.339**	414.094

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

Businesses in the above table include trade, construction and real estate, manufacturing, tourism and other companies as disclosed in Note 22.

The table below presents the geographical concentration of Loans and advances to customers, Loans and advances held for sale and Placements with other banks by country of risk based on the country of residency for individuals and the country of registration for companies:

	Loans and advances to customers		Loans and advances held for sale		Placements with other banks	
	2022	2021	**2022**	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Carrying amount	**6.033.270**	5.732.107	**191.662**	240.888	**281.339**	414.094
Eurozone	**5.969.918**	5.829.545	**727.417**	763.266	**73.737**	58.395
Other European countries	**71.787**	48.720	**11.385**	10.626	**62.377**	110.049
America	**150.644**	66.751	**30**	28	**142.480**	241.564
Oceania	**-**	61	**-**	-	**-**	-
Asia	**4.069**	5.618	**1**	2	**2.418**	3.158
Middle East	**2.017**	1.052	**28**	891	**245**	1.083
Africa	**24.494**	479	**1.428**	1.306	**420**	273
	6.222.929	5.952.226	**740.289**	**776.119**	**281.677**	414.522
Accumulated expected credit losses	**(189.659)**	(220.119)	**(548.627)**	(535.231)	**(338)**	(428)
	6.033.270	5.732.107	**191.662**	240.888	**281.339**	414.094

50.2.1.2 Group's exposure in countries with high credit risk

The Group closely monitors developments in the international markets so that any measures needed to reduce credit risk are promptly taken.

The monitoring of exposures in countries of high risk is centralised through systems that fully and on an ongoing basis cover all material exposures to these countries such as interbank placements, debt securities, other investments etc. Also, maximum acceptable levels are specified taking into account the countries' credit ratings, political, economic and other factors.

For the classification of a country as "High Risk" country, the Non-Investment Grade status of the country which as per the CRR is the worst, out of the best two ratings from Moody's, Fitch and S&P as well as it's Credit Rating Outlook or the rating of the dependent territory are primarily considered.

Category "Other countries" includes less material exposures in a number of countries.

The analysis of concentration of credit risk in countries with high credit risk at the reporting date is shown below:

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2022	Greece €'000	Lebanon €'000	Zimbabwe €'000	Serbia €'000	Egypt €'000	Iran €'000	Belarus €'000	South Africa €'000	Russia €'000	Ukraine €'000	Other countries €'000	**Total €'000**
Financial assets at fair value through profit or loss												
Government Bonds												
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Bank Bonds												
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Derivatives												
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Collective Investment Units												
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial assets at amortised cost												
Government bonds												
Carrying value (amortised cost)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks bonds												
Carrying amount (amortised cost)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value	-	-	-	-	-	-	-	-	-	-	-	**-**
Other bonds												
Carrying amount (amortised cost)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value	-	-	-	-	-	-	-	-	-	-	-	**-**
Placements with other Banks												
Carrying amount (amortised cost)	781	-	-	-	-	-	-	420	11.242	-	137	**12.580**
Accumulated Expected Credit Losses	(1)	-	-	-	-	-	-	(1)	(26)	-	-	**(28)**
Fair value	781	-	-	-	-	-	-	420	11.242	-	137	**12.580**
Loans and advances to customers												
Carrying amount (amortised cost)	193.535	293	-	6	57	363	271	627	3.531	219	23.737	**222.639**
Accumulated Expected Credit Losses	(877)	(9)	-	(26)	(3)	(708)	(1)	(13)	(572)	(11)	(77)	**(2.297)**
Fair value	191.311	273	-	6	57	301	255	580	3.334	212	22.367	**218.696**
Assets held for sale												
Carrying amount (amortised cost)	4	-	-	1	-	-	-	314	2.064	8	2	**2.393**
Accumulated Expected Credit Losses	(47)	-	-	(54)	-	-	-	(1.113)	(5.187)	(444)	(13)	**(6.858)**
Fair value	3	-	-	2	-	-	-	380	2.263	12	2	**2.662**

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2022	Greece €'000	Lebanon €'000	Zimbabwe €'000	Serbia €'000	Egypt €'000	Iran €'000	Belarus €'000	South Africa €'000	Russia €'000	Ukraine €'000	Other countries €'000	**Total €'000**
Financial assets at fair value through other comprehensive income (continued)												
Government bonds												
Nominal amount	-	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated amount in fair value reserve	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks bonds												
Nominal amount	-	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated amount in fair value reserve	-	-	-	-	-	-	-	-	-	-	-	**-**
Other bonds												
Principal amount	-	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated amount in fair value reserve	-	-	-	-	-	-	-	-	-	-	-	**-**
Total book value	**194.320**	**293**	**-**	**7**	**57**	**363**	**271**	**1.361**	**16.837**	**227**	**23.876**	**237.612**

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Greece €'000	Lebanon €'000	Zimbabwe €'000	Egypt €'000	Iran €'000	Belarus €'000	South Africa €'000	Philippines €'000	Ukraine €'000	Other countries €'000	**Total €'000**
Financial assets at fair value through profit or loss											
Government Bonds											
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Bank Bonds											
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Derivatives											
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Collective Investment Units											
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Financial assets at amortised cost											
Government bonds											
Carrying amount (amortised cost)	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	**-**
Fair value	-	-	-	-	-	-	-	-	-	-	**-**
Bank bonds											
Carrying amount (amortised cost)	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	**-**
Fair value	-	-	-	-	-	-	-	-	-	-	**-**
Other bonds											
Carrying amount (amortised cost)	-	-	-	-	-	-	-	19.834	-	-	**19.834**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	(2)	-	-	**(2)**
Fair value	-	-	-	-	-	-	-	19.770	-	-	**19.770**
Placements with other Banks											
Carrying amount (amortised cost)	476	-	-	-	-	-	274	-	-	25.158	**25.908**
Accumulated Expected Credit Losses	(1)	-	-	-	-	-	-	-	-	(3)	**(4)**
Fair value	476	-	-	-	-	-	274	-	-	25.158	**25.908**
Loan and advances to customers											
Carrying amount (amortised cost)	180.673	218	56	77	182	446	327	-	3.189	8.783	**193.951**
Accumulated Expected Credit Losses	(1.062)	(2)	-	-	(9)	(1)	(2)	-	(5)	(559)	**(1.640)**
Fair value	179.413	217	58	78	177	435	328	-	3.157	8.732	**192.595**
Assets held for sale											
Carrying amount (amortised cost)	2	-	-	-	222	-	360	-	8	2.280	**2.872**
Accumulated Expected Credit Losses	(44)	-	-	-	(642)	-	(946)	-	(381)	(4.531)	**(6.544)**
Fair value	3	-	-	-	207	-	376	-	11	2.228	**2.825**

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Greece €'000	Lebanon €'000	Zimbabwe €'000	Egypt €'000	Iran €'000	Belarus €'000	South Africa €'000	Philippines €'000	Ukraine €'000	Other countries €'000	**Total €'000**
Financial assets at fair value through other comprehensive income (continued)											
Government bonds											
Nominal amount	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated amount of the fair value reserve	-	-	-	-	-	-	-	-	-	-	**-**
Bank Bonds											
Nominal amount	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	**-**
Other bonds											
Principal amount	-	-	-	-	-	-	-	-	-	-	**-**
Carrying amount (fair value)	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated Expected Credit Losses	-	-	-	-	-	-	-	-	-	-	**-**
Accumulated amount in fair value reserve	-	-	-	-	-	-	-	-	-	-	**-**
Total book value	**181.151**	**218**	**56**	**77**	**404**	**446**	**961**	**19.834**	**3.197**	**36.221**	**242.565**

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

50.2.1.3 Loans and advances at amortised cost by product

The tables below present a breakdown of loans and advances at amortised cost and their corresponding accumulated impairment losses with stage allocation by asset classification.

The coverage ratio represents the accumulated impairment losses divided by gross amount of loans and advances.

At 31 December 2022	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross amount of loans and advances							
Loans and advances	4.949.898	513.362	26.736	31.290	571.388	380.560	321.083
General Governments*	3.700	-	-	-	-	-	-
Other financial Corporations	111.850	3.643	1.110	5	4.758	1.494	95
Non-financial corporations	2.033.217	365.635	4.930	6.014	376.579	104.857	48.435
of which: Small and Medium-sized enterprises	*1.437.639*	*344.232*	*4.930*	*6.014*	*355.176*	*96.791*	*48.434*
of which: Commercial real estate	*1.302.092*	*325.493*	*2.105*	*5.087*	*332.685*	*77.853*	*29.828*
By sector							
1. Construction	100.685	15.419	172	41	15.632	27.963	7.575
2. Wholesale and retail trade repair of motor vehicles and motorcycles	373.568	80.140	385	4.013	84.538	39.610	8.503
3. Real estate activities	174.497	11.468	1.816	517	13.801	6.742	5.821
4. Accommodation and food service activities	328.551	194.531	166	657	195.354	12.859	8.401
5. Manufacturing	414.042	22.395	426	64	22.885	4.326	8.727
6. Other	641.874	41.682	1.965	722	44.369	13.357	9.408
Households	2.801.131	144.084	20.696	25.271	190.051	274.209	272.553
of which: Residential mortgage loans	*2.165.196*	*106.705*	*12.479*	*19.329*	*138.513*	*183.521*	*205.358*
of which: Credit for consumption	*272.973*	*15.669*	*5.657*	*2.852*	*24.178*	*36.222*	*27.750*

*General governments include central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity ,social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements;

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2022	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Accumulated impairment losses							
Loans and advances	24.543	22.202	1.490	3.266	26.958	144.809	(6.651)
General Governments*	18	-	-	-	-	-	-
Other financial Corporations	2.317	104	9	1	114	432	30
Non-financial corporations	13.164	18.310	201	450	18.961	45.593	(3.176)
of which: Small and Medium-sized enterprises	*8.644*	*17.206*	*202*	*451*	*17.859*	*41.297*	*(3.176)*
of which: Commercial real estate	*7.678*	*16.472*	*31*	*386*	*16.889*	*29.457*	*(5.091)*
By sector							
1. Construction	696	342	3	6	351	14.428	(84)
2. Wholesale and retail trade repair of motor vehicles and motorcycles	2.299	4.160	15	160	4.335	18.935	285
3. Real estate activities	447	112	117	104	333	1.887	36
4. Accommodation and food service activities	1.624	10.976	2	68	11.046	1.675	568
5. Manufacturing	3.214	973	10	17	1.000	2.345	(1.329)
6. Other	4.884	1.747	54	95	1.896	6.323	(2.652)
Households	9.044	3.788	1.280	2.815	7.883	98.784	(3.505)
of which: Residential mortgage loans	*4.563*	*2.310*	*545*	*1.585*	*4.440*	*47.709*	*(1.745)*
of which: Credit for consumption	*1.721*	*603*	*497*	*439*	*1.539*	*15.917*	*(813)*

*General governments include central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity ,social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements;

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2022	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Carrying amount of loans and advances							
Loans and advances	4.925.355	491.160	25.246	28.024	544.430	235.751	327.734
General Governments*	3.682	-	-	-	-	-	-
Other financial Corporations	109.533	3.539	1.101	4	4.644	1.062	65
Non-financial corporations	2.020.053	347.325	4.729	5.564	357.618	59.264	51.611
of which: Small and Medium-sized enterprises	*1.428.995*	*327.026*	*4.728*	*5.563*	*337.317*	*55.494*	*51.610*
of which: Commercial real estate	*1.294.414*	*309.021*	*2.074*	*4.701*	*315.796*	*48.396*	*34.919*
By sector							
1. Construction	99.989	15.077	169	35	15.281	13.535	7.659
2. Wholesale and retail trade repair of motor vehicles and motorcycles	371.269	75.980	370	3.853	80.203	20.675	8.218
3. Real estate activities	174.050	11.356	1.699	413	13.468	4.855	5.785
4. Accommodation and food service activities	326.927	183.555	164	589	184.308	11.184	7.833
5. Manufacturing	410.828	21.422	416	47	21.885	1.981	10.056
6. Other	636.990	39.935	1.911	627	42.473	7.034	12.060
Households	2.792.087	140.296	19.416	22.456	182.168	175.425	276.058
of which: Residential mortgage loans	*2.160.633*	*104.395*	*11.934*	*17.744*	*134.073*	*135.812*	*207.103*
of which: Credit for consumption	*271.252*	*15.066*	*5.160*	*2.413*	*22.639*	*20.305*	*28.563*

*General governments include central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity ,social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements;

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2022	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
Coverage ratio							
Loans and advances	0,5%	4,3%	5,6%	10,4%	4,7%	38,1%	(2,1)%
General Governments*	0,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other financial Corporations	2,1%	2,9%	0,8%	21,4%	2,4%	28,9%	31,9%
Non-financial corporations	0,6%	5,0%	4,1%	7,5%	5,0%	43,5%	(6,6)%
of which: Small and Medium-sized enterprises	*0,6%*	*5,0%*	*4,1%*	*7,5%*	*5,0%*	*42,7%*	*(6,6)%*
of which: Commercial real estate	*0,6%*	*5,1%*	*1,5%*	*7,6%*	*5,1%*	*37,8%*	*(17,1)%*
By sector							
1. Construction	0,7%	2,2%	1,8%	13,8%	2,2%	51,6%	(1,1)%
2. Wholesale and retail trade repair of motor vehicles and motorcycles	0,6%	5,2%	4,0%	4,0%	5,1%	47,8%	3,3%
3. Real estate activities	0,3%	1,0%	6,4%	20,1%	2,4%	28,0%	0,6%
4. Accommodation and food service activities	0,5%	5,6%	1,3%	10,3%	5,7%	13,0%	6,8%
5. Manufacturing	0,8%	4,3%	2,4%	25,9%	4,4%	54,2%	(15,2)%
6. Other	0,8%	4,2%	2,7%	13,4%	4,3%	47,3%	(28,2)%
Households	0,3%	2,6%	6,2%	11,1%	4,1%	36,0%	(1,3)%
of which: Residential mortgage loans	*0,2%*	*2,2%*	*4,4%*	*8,2%*	*3,2%*	*26,0%*	*(0,8)%*
of which: Credit for consumption	*0,6%*	*3,9%*	*8,8%*	*15,4%*	*6,4%*	*43,9%*	*(2,9)%*

*General governments include central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity ,social security funds; and international organisations, such as the European Community, the International Monetary Fund and the Bank for International Settlements;

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross amount of loans and advances							
Loans and advances	4.296.047	845.396	41.098	32.477	918.971	394.175	343.033
General Governments*	5.146	-	-	-	-	95	-
Other financial Corporations	114.454	10.934	1.521	3	12.458	209	87
Non-financial corporations	1.440.506	662.001	20.887	2.437	685.325	108.993	51.076
of which: Small and Medium-sized enterprises	*1.068.451*	*650.474*	*20.887*	*2.437*	*673.798*	*108.993*	*51.076*
of which: Commercial real estate	*867.807*	*587.105*	*16.308*	*1.356*	*604.769*	*64.839*	*29.924*
By sector							
1. Construction	89.768	37.361	12.758	203	50.322	15.898	6.941
2. Wholesale and retail trade repair of motor vehicles and motorcycles	289.267	89.413	716	425	90.554	43.364	10.830
3. Real estate activities	96.365	104.353	3.322	1	107.676	9.508	6.101
4. Accommodation and food service activities	98.638	322.799	1.203	410	324.412	13.129	5.807
5. Manufacturing	319.088	27.694	744	242	28.680	6.822	10.749
6. Other	547.380	80.381	2.144	1.156	83.681	20.272	10.648
Households	2.735.941	172.461	18.690	30.037	221.188	284.878	291.870
of which: Residential mortgage loans	*2.092.762*	*119.851*	*10.773*	*24.234*	*154.858*	*189.664*	*215.624*
of which: Credit for consumption	*281.630*	*18.324*	*5.832*	*3.168*	*27.324*	*34.868*	*28.598*

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50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Accumulated impairment losses							
Loans and advances	33.204	44.982	4.186	2.358	51.526	142.843	(7.454)
General Governments*	74	-	-	-	-	2	-
Other financial Corporations	1.457	196	26	-	222	6	25
Non-financial corporations	11.308	39.737	2.973	311	43.021	51.155	(864)
of which: Small and Medium-sized enterprises	*9.718*	*38.518*	*2.975*	*310*	*41.803*	*51.155*	*(864)*
of which: Commercial real estate	*6.709*	*35.153*	*2.704*	*142*	*37.999*	*22.304*	*(3.403)*
By sector							
1. Construction	708	1.214	2.594	27	3.835	8.109	107
2. Wholesale and retail trade repair of motor vehicles and motorcycles	3.274	6.965	48	77	7.090	25.884	992
3. Real estate activities	246	11.400	182	-	11.582	4.381	814
4. Accommodation and food service activities	644	15.191	22	11	15.224	2.515	513
5. Manufacturing	2.411	1.183	19	87	1.289	4.524	(780)
6. Other	4.025	3.784	108	109	4.001	5.742	(2.510)
Households	20.365	5.049	1.187	2.047	8.283	91.680	(6.615)
of which: Residential mortgage loans	*7.211*	*2.190*	*378*	*1.126*	*3.694*	*41.477*	*(4.910)*
of which: Credit for consumption	*6.368*	*1.220*	*518*	*498*	*2.236*	*15.145*	*(1.066)*

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50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Carrying amount of loans and advances							
Loans and advances	4.262.843	800.414	36.912	30.119	867.445	251.332	350.487
General Governments*	5.072	-	-	-	-	93	-
Other financial Corporations	112.997	10.738	1.495	3	12.236	203	62
Non-financial corporations	1.429.198	622.264	17.914	2.126	642.304	57.838	51.940
of which: Small and Medium-sized enterprises	*1.058.733*	*611.956*	*17.912*	*2.127*	*631.995*	*57.838*	*51.940*
of which: Commercial real estate	*861.098*	*551.952*	*13.604*	*1.214*	*566.770*	*42.535*	*33.327*
By sector							
1. Construction	89.060	36.147	10.164	176	46.487	7.789	6.834
2. Wholesale and retail trade repair of motor vehicles and motorcycles	285.993	82.448	668	348	83.464	17.480	9.838
3. Real estate activities	96.119	92.953	3.140	1	96.094	5.127	5.287
4. Accommodation and food service activities	97.994	307.608	1.181	399	309.188	10.614	5.294
5. Manufacturing	316.677	26.511	725	155	27.391	2.298	11.529
6. Other	543.355	76.597	2.036	1.047	79.680	14.530	13.158
Households	2.715.576	167.412	17.503	27.990	212.905	193.198	298.485
of which: Residential mortgage loans	*2.085.551*	*117.661*	*10.395*	*23.108*	*151.164*	*148.187*	*220.534*
of which: Credit for consumption	*275.262*	*17.104*	*5.314*	*2.670*	*25.088*	*19.723*	*29.664*

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50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

At 31 December 2021	Stage 1	Stage 2			Total Stage 2	Stage 3	Purchased or originated credit impaired
		Not past due	<=30 days past due	>30 days past due			
Coverage ratio							
Loans and advances	0,8%	5,3%	10,2%	7,3%	5,6%	36,2%	(2,2)%
General Governments*	1,4%	0,0%	0,0%	0,0%	0,0%	2,0%	0,0%
Other financial Corporations	1,3%	1,8%	1,7%	0,8%	1,8%	2,7%	28,1%
Non-financial corporations	0,8%	6,0%	14,2%	12,7%	6,3%	46,9%	(1,7)%
of which: Small and Medium-sized enterprises	*0,9%*	*5,9%*	*14,2%*	*12,7%*	*6,2%*	*46,9%*	*(1,7)%*
of which: Commercial real estate	*0,8%*	*6,0%*	*16,6%*	*10,5%*	*6,3%*	*34,4%*	*(11,4)%*
By sector							
1. Construction	0,8%	3,2%	20,3%	13,1%	7,6%	51,0%	1,5%
2. Wholesale and retail trade repair of motor vehicles and motorcycles	1,1%	7,8%	6,8%	18,0%	7,8%	59,7%	9,2%
3. Real estate activities	0,3%	10,9%	5,5%	1,2%	10,8%	46,1%	13,3%
4. Accommodation and food service activities	0,7%	4,7%	1,8%	2,6%	4,7%	19,2%	8,8%
5. Manufacturing	0,8%	4,3%	2,6%	36,2%	4,5%	66,3%	(7,3)%
6. Other	0,7%	4,7%	5,1%	9,4%	4,8%	28,3%	(23,6)%
Households	0,7%	2,9%	6,4%	6,8%	3,7%	32,2%	(2,3)%
of which: Residential mortgage loans	*0,3%*	*1,8%*	*3,5%*	*4,6%*	*2,4%*	*21,9%*	*(2,3)%*
of which: Credit for consumption	*2,3%*	*6,7%*	*8,9%*	*15,7%*	*8,2%*	*43,4%*	*(3,7)%*

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

50.2.1.4 LTV buckets (retail and Mortgage segment)

The following table shows the ranges of loan-to value (LTV) ratio for Residential mortgage loans split between stages according to the increase in credit risk level. LTV is calculated as the ratio of the gross carrying amount to the value of the real estate collateral.

	Gross Loans	
	2022	2021
	€ 'millions	€ 'millions
Stage 1 and Stage 2		
Less than 50%	**1.391**	1.315
51%-70%	**627**	600
71%-90%	**214**	235
91%-100%	**29**	44
More than 100%	**42**	53
Unsecured	**1**	1
Total	**2.304**	2.248
	2022	2021
	€ 'millions	€ 'millions
Stage 3		
Less than 50%	**68**	63
51%-70%	**39**	46
71%-90%	**24**	28
91%-100%	**8**	9
More than 100%	**45**	43
Unsecured	**1**	1
Total	**185**	190
	2022	2021
	€ 'millions	€ 'millions
Purchased or originated credit impaired		
Less than 50%	**106**	106
51%-70%	**58**	70
71%-90%	**24**	24
91%-100%	**5**	5
More than 100%	**12**	10
Unsecured	**1**	1
Total	**206**	216
	2.695	2.654

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

50.2.1.5 Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk of loans and advances to customers and contingent liabilities and commitments:

31 December 2022	On balance sheet Loans and advances to customers				Financial guarantees and loan commitments
	Stage 1 and Stage 2 €'000	Stage 3 €'000	Purchased Credit Impaired €'000	**Total portfolio €'000**	**€'000**
Maximum exposure to credit risk	5.469.785	235.751	327.734	**6.033.270**	**1.381.166**
Fair value of collateral and credit enhancements held by the Group					
Cash	351.759	7.252	2.842	**361.853**	**136.573**
Letters of credit / Guarantees	346.856	13.053	28.224	**388.133**	**19.384**
Property	13.877.097	691.184	846.996	**15.415.277**	**582.771**
Other	1.405.926	1.985	20	**1.407.931**	**49.271**
Surplus collateral	(11.327.538)	(421.362)	(575.633)	**(12.324.533)**	**-**
Net collateral	4.654.100	292.112	302.449	**5.248.661**	**787.999**
Net exposure to credit risk	815.685	(56.361)	25.285	**784.609**	**593.167**

31 December 2021	On balance sheet Loans and advances to customers				Financial guarantees and loan commitments
	Stage 1 and Stage 2 €'000	Stage 3 €'000	Purchased Credit Impaired €'000	**Total portfolio €'000**	**€'000**
Maximum exposure to credit risk	5.130.288	251.332	350.487	**5.732.107**	**1.271.350**
Fair value of collateral and credit enhancements held by the Group					
Cash	334.043	4.031	3.720	**341.794**	**154.816**
Letters of credit / Guarantees	85.325	3.586	8.249	**97.160**	**26.475**
Property	12.331.448	688.171	851.483	**13.871.102**	**456.499**
Other	1.345.361	2.421	30	**1.347.812**	**43.663**
Surplus collateral	(9.697.287)	(410.652)	(543.670)	**(10.651.609)**	**-**
Net collateral	4.398.890	287.557	319.812	**5.006.259**	**681.453**
Net exposure to credit risk	731.398	(36.225)	30.675	**725.848**	**589.897**

50. RISK MANAGEMENT (continued)

50.2 Credit risk management (continued)

The following table shows the maximum exposure to credit risk of loans and advances to customers and contingent liabilities and commitments held for sale:

31 December 2022	**On balance sheet Loans and advances to customers held for sale**				**Financial guarantees and loan commitments**
	Stage 1 and Stage 2 €'000	Stage 3 €'000	Purchased Credit Impaired €'000	**Total portfolio €'000**	**€'000**
Maximum exposure to credit risk	8.341	177.458	5.863	**191.662**	**7.421**
Fair value of collateral and credit enhancements held by the Group					
Cash	285	1.319	-	**1.604**	**260**
Letters of credit / Guarantees	-	155	194	**349**	**-**
Property	32.458	586.052	17.685	**636.195**	**2.275**
Other	25	584	10	**619**	**-**
Surplus collateral	(21.117)	(161.227)	(9.997)	**(192.341)**	**-**
Net collateral	11.651	426.883	7.892	**446.426**	**2.535**
Net exposure to credit risk	(3.310)	(249.425)	(2.029)	**(254.764)**	**4.886**

For assets other than loans and advances to customers, the Group's maximum and net exposure to credit risk equals their carrying amount.

31 December 2021	**On balance sheet Loans and advances to customers held for sale**				**Financial guarantees and loan commitments**
	Stage 1 and Stage 2 €'000	Stage 3 €'000	Purchased Credit Impaired €'000	**Total portfolio €'000**	**€'000**
Maximum exposure to credit risk	8.293	226.239	6.356	**240.888**	**12.383**
Fair value of collateral and credit enhancements held by the Group					
Cash	215	1.628	9	**1.852**	**392**
Letters of credit / Guarantees	-	155	38	**193**	**-**
Property	26.080	641.789	15.832	**683.701**	**3.733**
Other	43	314	12	**369**	**-**
Surplus collateral	(16.011)	(162.679)	(7.135)	**(185.825)**	**-**
Net collateral	10.327	481.207	8.756	**500.290**	**4.125**
Net exposure to credit risk	(2.034)	(254.968)	(2.400)	**(259.402)**	**8.258**

For assets other than loans and advances to customers, the Group's maximum and net exposure to credit risk equals their carrying amount.

50. RISK MANAGEMENT (continued)

50.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and security prices.

Market risk is managed by the Investment, Market and Liquidity Risk Management (IMLRM) department, an independent second line of defense department, which is responsible to identify, assess, monitor and control the Group's exposure to investment, market and liquidity risks emanating from the statement of financial position and accordingly ensure adherence with the approved risk frameworks and policies, the regulatory limits and the internal limits set by the Risk Appetite Statement (RAS) and by the Assets and Liabilities Management Committee (ALCO).

IMLRM consists of the Investment & Market Risk sub-unit and the Liquidity Risk sub-unit.

The Group's approach towards market risk management is to concentrate these risks for all Group business units under the Treasury department. Treasury manages risks using a framework of activities and limits approved by ALCO which is responsible for the implementation of the policy of the Bank's Board of Directors regarding the risks and profitability arising from the Group's assets and liabilities. The Risk Management Unit is responsible for developing frameworks, policies and processes for managing the risks and for their daily assessment and monitoring. Frameworks and policies are reviewed at regular time intervals and are approved by ALCO, the Board Risk Management Committee and the Board of Directors itself.

All investment related risks are monitored and controlled by Investment & Market Risk sub-unit which is responsible for reviewing and updating the general principles and guidelines for the effective management of the Bank's investments as established through the Bank's Investment Framework.

Investment & Market Risk constantly monitors the Bank's investment portfolios ensuring that they are maintained within the approved risk profile, while performing relevant reports to the Bank's ALCO, BRMC and the BoD. Additionally, the Unit reviews, updates and constantly monitors all relevant investment limits, including all country and counterparty limits as set through the Hellenic Bank Investment Framework (HBIF), while ensuring timely escalation and rectification of any limit breaches.

Through the HBIF, the Bank aims to provide the principles and guidelines for the effective management of the Bank's investments, in order to:

- Manage the risks arising from the Bank's investment decisions and practices;
- Actively promote a risk-sensitive investment culture;
- Determine appropriate methods for managing risks from investments;
- Ensure sufficient diversification and avoid excessive concentrations;
- Establish adequate limits and controls that enable effective investment risk management of the investment portfolios;
- Set and monitor counterparty and country limits;
- Ensure that all investment activities are consistent with the Bank's Risk Appetite and investment strategy.

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

50.3.1 Foreign Exchange Risk
Foreign exchange risk results from the undertaking of an open position, in one or more foreign currencies, arising from the total assets and liabilities of the Group. The Investment, Market and Liquidity Risk Unit monitors foreign currency positions on an ongoing basis within the risk management framework and the limits set by ALCO and the regulatory authorities. Within this framework, there are nominal limits (by currency, in total, during the day, end-of-day), gain/loss limits and Value-at-Risk (VaR) limits. The regulatory limits for open positions during working hours exceed the limits for open positions during non-working hours.

The VaR methodology is an important tool for the monitoring of foreign exchange risk. With this methodology, the Group calculates the maximum potential loss that may be incurred as a result of changes in market conditions, at a confidence level of 99% and over a one-day period (using the parametric method) based on the historical data of foreign exchange rate parities over a period of one year.

The table below presents VaR figures for the Group’s foreign exchange risk:

	2022	2021
	€'000	€'000
At 31 December	**8**	12
Average for the year	**8**	9
Maximum amount for the year	**10**	12
Minimum amount for the year	**7**	5

The limitations of the VaR methodology arise from the fact that the historical data used in the calculation may not be indicative of future events.

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

Analysis of assets and liabilities of the Group by currency as at 31 December 2022

	Euro €'000	US Dollar €'000	British pound €'000	Rouble €'000	Swiss Franc €'000	Other currencies €'000	**Total €'000**
Assets							
Cash and balances with Central Banks	8.461.017	3.177	3.173	10	18	679	**8.468.074**
Placements with other banks	69.078	152.448	28.518	11.190	4.736	15.369	**281.339**
Loans and advances to customers	5.765.315	250.138	3.478	3	12.908	1.428	**6.033.270**
Debt securities	4.223.695	200.254	-	-	-	-	**4.423.949**
Equity securities and collective investment units	94.139	13.028	-	-	-	-	**107.167**
Property, plant and equipment	167.177	-	-	-	-	-	**167.177**
Stock of property	130.535	-	-	-	-	-	**130.535**
Intangible assets	43.652	-	-	-	-	-	**43.652**
Tax receivable	4.270	-	-	-	-	-	**4.270**
Assets and disposal group held for sale	204.985	579	89	-	4.146	67	**209.866**
Other assets	118.830	431	-	-	-	23	**119.284**
Total assets	19.282.693	620.055	35.258	11.203	21.808	17.566	**19.988.583**
Liabilities							
Deposits by banks	105.292	2.735	-	-	-	-	**108.027**
Funding by Central Banks	2.278.377	-	-	-	-	-	**2.278.377**
Customer deposits and other customer accounts	14.704.003	1.063.446	128.669	11.205	4.527	16.397	**15.928.247**
Tax payable	4.614	-	-	-	-	-	**4.614**
Deferred tax liability	9.254	-	-	-	-	-	**9.254**
Liabilities and disposal group held for sale	1.631	-	-	-	-	-	**1.631**
Other liabilities	299.309	5.927	167	-	85	87	**305.575**
Loan capital	232.347	-	-	-	-	-	**232.347**
	17.634.827	1.072.108	128.836	11.205	4.612	16.484	**18.868.072**
Equity							
Share capital	206.403	-	-	-	-	-	**206.403**
Reserves	914.095	-	-	-	-	-	**914.095**
Equity attributable to shareholders of the parent company	1.120.498	-	-	-	-	-	**1.120.498**
Non-controlling interests	13	-	-	-	-	-	**13**
	1.120.511	-	-	-	-	-	**1.120.511**
Total liabilities and equity	18.755.338	1.072.108	128.836	11.205	4.612	16.484	**19.988.583**
Total position	527.355	(452.053)	(93.578)	(2)	17.196	1.082	
Effect of foreign currency derivatives on position	(535.689)	458.717	93.762	-	(17.161)	371	
Net currency position	(8.334)	6.664	184	(2)	35	1.453	

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

Analysis of assets and liabilities of the Group by currency at 31 December 2021

	Euro €'000	US Dollar €'000	British pound €'000	Rouble €'000	Swiss Franc €'000	Other currencies €'000	**Total €'000**
Assets							
Cash and balances with Central Banks	7.338.969	3.610	3.447	15	66	117	**7.346.224**
Placements with other banks	73.732	244.818	35.294	24.952	7.546	27.752	**414.094**
Loans and advances to customers	5.471.930	240.296	3.562	3	14.801	1.515	**5.732.107**
Debt securities	4.263.985	199.506	-	-	-	-	**4.463.491**
Equity securities and collective investment units	83.383	11.102	-	-	-	-	**94.485**
Property, plant and equipment	180.366	-	-	-	-	-	**180.366**
Stock of property	169.414	-	-	-	-	-	**169.414**
Intangible assets	46.624	-	-	-	-	-	**46.624**
Tax receivable	2.871	-	-	-	-	-	**2.871**
Assets and disposal group held for sale	247.995	773	146	-	4.889	103	**253.906**
Other assets	131.159	393	974	-	-	-	**132.526**
Total assets	18.010.428	700.498	43.423	24.970	27.302	29.487	**18.836.108**
Liabilities							
Deposits by banks	113.894	3.793	4.574	203	-	-	**122.464**
Funding by Central Banks	2.293.931	-	-	-	-	-	**2.293.931**
Customer deposits and other customer accounts	13.787.827	974.505	120.764	24.736	8.073	26.028	**14.941.933**
Tax payable	2.568	-	-	-	-	-	**2.568**
Deferred tax liability	9.890	-	-	-	-	-	**9.890**
Liabilities and disposal group held for sale	2.885	-	-	-	-	-	2.885
Other liabilities	225.230	1.200	-	6	163	4	**226.603**
Loan capital	129.666	-	-	-	-	-	**129.666**
	16.565.891	979.498	125.338	24.945	8.236	26.032	**17.729.940**
Equity							
Share capital	206.403	-	-	-	-	-	**206.403**
Reserves	899.751	-	-	-	-	-	**899.751**
Equity attributable to shareholders of the parent company	1.106.154	-	-	-	-	-	**1.106.154**
Non-controlling interests	14	-	-	-	-	-	**14**
	1.106.168	-	-	-	-	-	**1.106.168**
Total liabilities and equity	17.672.059	979.498	125.338	24.945	8.236	26.032	**18.836.108**
Total position	338.369	(279.000)	(81.915)	25	19.066	3.455	
Effect of foreign currency derivatives on position	(337.580)	278.599	82.010	-	(21.181)	(1.849)	
Net currency position	789	(401)	95	25	(2.115)	1.606	

50.3.2 Interest rate risk

Interest rate risk is the Bank's exposure to adverse movements in interest rates and it arises mainly as a result of timing differences on the interest rate repricing of assets, liabilities and off-balance sheet items.

Interest rate risk is managed through the monitoring of the interest rate gaps by currency, by time interval and in total (gap analysis).

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

Analysis of financial assets and financial liabilities of the Group based on their contractual repricing or maturity dates at 31 December 2022

	Non-interest bearing €'000	Within 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	91.901	8.376.173	-	-	-	-	**8.468.074**
Placements with other banks	35.156	246.183	-	-	-	-	**281.339**
Loans and advances to customers	-	883.031	4.121.772	348.949	298.695	380.823	**6.033.270**
Debt securities	-	674.803	259.582	584.388	2.584.804	320.372	**4.423.949**
Equity securities and collective investment units	60.699	-	15.569	3.028	26.002	1.869	**107.167**
Financial assets held for sale	-	-	-	191.662	-	-	**191.662**
Derivatives	177	-	-	-	-	-	**177**
Other financial assets	38.545	-	-	-	-	-	**38.545**
Total financial assets	226.478	10.180.190	4.396.923	1.128.027	2.909.501	703.064	**19.544.183**
Financial liabilities							
Deposits by banks	-	45.717	2.496	9.558	41.137	9.119	**108.027**
Funding by Central Banks	-	2.278.377	-	-	-	-	**2.278.377**
Customer deposits and other customer accounts	-	5.977.443	2.339.627	3.438.013	2.166.773	2.006.391	**15.928.247**
Financial liabilities held for sale	-	792	-	-	-	-	**792**
Derivatives	2.709	-	-	-	-	-	**2.709**
Loan capital	-	-	-	-	232.346	-	**232.346**
Total financial liabilities	2.709	8.302.329	2.342.123	3.447.571	2.440.256	2.015.510	**18.550.498**
Total position	223.769	1.877.861	2.054.800	(2.319.544)	469.245	(1.312.446)	**993.685**
Nominal value of interest rate derivatives	-	-	-	-	-	-	**-**
Net position	223.769	1.877.861	2.054.800	(2.319.544)	469.245	(1.312.446)	**993.685**

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

Analysis of financial assets and financial liabilities of the Group based on their contractual repricing or maturity dates at 31 December 2021

	Non-interest bearing €'000	Within 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	141.688	7.204.536	-	-	-	-	**7.346.224**
Placements with other banks	28.952	385.142	-	-	-	-	**414.094**
Loans and advances to customers	-	767.534	3.933.445	378.850	383.964	268.314	**5.732.107**
Debt securities	293	564.582	220.128	887.714	2.690.710	100.064	**4.463.491**
Equity securities and collective investment units	46.108	-	19.918	10.130	12.811	5.518	**94.485**
Financial assets held for sale	-	-	-	240.888	-	-	**240.888**
Derivatives	1.010	-	-	-	-	-	**1.010**
Other financial assets	49.087	-	-	-	-	-	**49.087**
Total financial assets	267.138	8.921.794	4.173.491	1.517.582	3.087.485	373.896	**18.341.386**
Financial liabilities							
Deposits by banks	-	47.547	2.516	9.626	45.619	17.156	**122.464**
Funding by Central Banks	-	2.293.931	-	-	-	-	**2.293.931**
Customer deposits and other customer accounts	-	6.193.944	2.234.373	3.152.389	1.100.762	2.260.465	**14.941.933**
Financial liabilities held for sale	1.706	-	-	-	-	-	**1.706**
Derivatives	5.416	-	-	-	-	-	**5.416**
Loan capital	129.666	-	-	-	-	-	**129.666**
Total financial liabilities	136.788	8.535.422	2.236.889	3.162.015	1.146.381	2.277.621	**17.495.116**
Total position	130.350	386.372	1.936.602	(1.644.433)	1.941.104	(1.903.725)	**846.270**
Nominal value of interest rate derivatives	-	610.000	-	(610.000)	-	-	**-**
Net position	130.350	996.372	1.936.602	(2.254.433)	1.941.104	(1.903.725)	**846.270**

In addition to monitoring interest rate gaps, interest rate risk management is carried out mainly by monitoring the sensitivity of the Group's Economic Value of Equity (EVE) and Net Interest Income (NII), under various scenarios of interest rate changes.

The Investment and Market Risk sub-unit monitors interest rate positions on a continuous basis, within the risk management framework, the policies and the limits set by RAS and ALCO. ALCO is regularly informed about the magnitude of interest rate risk and makes decisions for the management of the risk based on this information. Scenario calculations for interest rate changes consider both parallel and non-parallel shifts of the yield curve.

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

The tables below present the impact on the Group's Economic Value of Equity (EVE) from a set of six interest rate shock scenarios prescribed in the EBA IRRBB Guidelines of 2018[1], for the significant currencies, which are the EUR and the USD at year end:

EVE Sensitivity 2022
Interest rate scenarios

Change	Parallel Up €'000	Parallel Down €'000	Steepener €'000	Flattener €'000	Short rates down €'000	Short rates up €'000
Euro	(20.585)	(79.554)	101.229	(88.673)	40.112	(68.935)
US Dollar	2.876	(4.672)	(270)	108	(2.821)	1.614
Total	(19.147)	(84.226)	50.345	(88.619)	17.235	(68.128)

EVE Sensitivity 2021
Interest rate scenarios

Change	Parallel Up €'000	Parallel Down €'000	Steepener €'000	Flattener €'000	Short rates down €'000	Short rates up €'000
Euro	172.393	(55.106)	88.460	(55.439)	(27.447)	1.404
US Dollar	15.063	(15.698)	2.886	468	(7.116)	6.813
Total	187.456	(70.803)	91.346	(55.205)	(34.564)	8.217

Note 1: According to the EBA IRRBB Guidelines of 2018, the shocks for EUR are 200 bps for parallel moves, 250 bps for short rate moves and 100 bps for long rate moves. The shocks for USD are 200 bps for parallel moves, 300 bps for short rate moves and 150 bps for long rate moves. The steepener and flattener rate shocks are a combination of the short rates and the long rate moves.

Based on the above results, the largest negative sensitivity of Economic Value of Equity at the end of 2022 was under the "Flattener" scenario and amounted to €88,6 million or 7,6% of the Bank's Tier1 Capital. The EVE sensitivity has increased compared to the end of 2021, especially due to the increase in the sensitivity from bonds due to new acquisitions, the EUR yield curve upward shift and the update in the calculations and assumptions for core non-maturity deposits and early redemptions of term deposit to align with the new Guidelines IRRBB and related Regulatory Technical Standards published in October 2022. Additionally, the Bank's decision to start paying interest on its Contingent Capital Securities (CCS1 and CCS2) has changed the treatment for these liabilities to interest-rate sensitive, increasing the interest rate sensitivity of its liabilities.

The aggregation of the impact on EVE for each interest rate scenario is performed based on the EBA IRRBB guidelines according to which, positive changes per scenario and material currency are weighted by a factor of 50%.

In the calculation of EVE sensitivity, for the discounting needed to perform the calculations, the risk-free yield curve was used for each currency.

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

It is also noted that for the calculation of both EVE and NII sensitivity under scenarios with interest rate reductions, the EBA IRRBB Guidelines were followed for currencies with negative interest rates (a post shock floor of -1% was assumed) and, in addition, floors were inserted to specific products for which interest rates cannot be reduced lower than zero.

It is noted that the most significant assumption which affects the calculation results for both the EVE and NII sensitivities concerns the treatment of non-maturity deposits (NMDs). These deposits (current and savings accounts) do not have a contractual maturity, and to this effect, depositors may withdraw the available balance without prior notice. However, a significant share of these deposits is stable over time and is thus defined as 'core deposits'. Core deposits are highly unlikely to reprice as a result of changes in interest rates. Therefore, core deposits are allocated in longer term time zones. The Bank has modelled NMDs through simulating deposit volumes for different categories to identify core deposits and their maturity.

The tables below present the impact on Net Interest Income (over the next 12 months) as a result of a change of ±200 basis points in interest rates for the significant currencies, which are the EUR and USD at year end:

2022	**Euro**	**US Dollar**	**Total**
Non-derivatives financial assets	**€'000**	**€'000**	**€'000**
+200 basis points	51.616	2.603	**54.219**
-200 basis points	(48.777)	(2.603)	**(51.380)**

2021	**Euro**	**US Dollar**	**Total**
Non-derivatives financial assets	**€'000**	**GB€'000**	**€'000**
+200 basis points	31.755	3.279	**35.034**
-200 basis points	(7.859)	(1.745)	**(9.604)**

Interest rate benchmark (IBOR) reform
The following table shows the net significant exposures, which reference IBORs where it is expected that there will no longer be a requirement to quote IBOR rates. All the positions previously referencing EUR LIBOR, GBP LIBOR, CHF LIBOR, and JPY LIBOR (included in other IBOR) have either been transitioned to an alternative reference rate or relevant transition arrangements have been made.

As a result, the amounts disclosed as of 31 December 2022 only include USD LIBOR exposures. Non derivative financial assets reported at amortised cost are disclosed at their carrying amount, net of accumulated impairment losses. Non derivative financial assets reported at fair value are disclosed at their fair value on the reporting date. Derivatives are reported by using the notional contract amount.

For other benchmark interest rates such as EURIBOR that have been reformed, existing and new derivative and non-derivative financial instruments referencing those rates will not need to transition provided the reformed rates continue to meet regulators' stringent requirements under the EU Benchmarks Regulation.

The benchmark reform did not have a material impact on the Group's results and financial position.

50. RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

31 December 2022	**USD LIBOR**
Non-derivatives financial assets	**€'000**
Loans and advances to customers	155.588
Loans and advances to customers held for sale	551
Investments	-
Total	**156.139**

31 December 2021	**EURIBOR**	**EUR LIBOR**	**GBP LIBOR**	**USD LIBOR**	**CHF LIBOR**	**Other IBOR**	**Total**
Non-derivatives financial assets	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Loans and advances to customers	782.160	12.136	3.561	240.175	14.733	1.515	**1.054.280**
Loans and advances to customers held for sale	23.217	2.721	146	773	4.889	103	**31.849**
Investments	709.581	-	-	39.742	-	-	**749.323**
Total	**1.514.958**	**14.857**	**3.707**	**280.690**	**19.622**	**1.618**	**1.835.452**
Derivatives notional contract amounts							
OTC interest rate derivatives	**610.000**						
Total	**610.000**						

50.3.3 Price Risk
Price risk is derived from the undertaking of an open position in equities, bonds or derivatives. The Group manages this risk through policies and procedures of setting and monitoring open position limits, stop loss limits on trading positions, as well as concentration limits by issuer.

The table below presents the impact on financial results and own funds (including the impact from changes in net profits) from reasonably possible changes in equity prices which are traded on stock exchanges:

	2022		2021	
	Net profits	**Own Funds**	Net profits	Own Funds
	€'000	**€'000**	€'000	€'000
+15% change in index	**2.828**	**1.764**	2.880	1.433
-15% change in index	**(2.828)**	**(1.764)**	(2.880)	(1.433)

50.4 Liquidity Risk

Liquidity risk is the risk arising from the Bank encountering difficulty to meet its immediate financial obligations.

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 in order to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress conditions, without the Group incurring any additional costs.

50. RISK MANAGEMENT (continued)

50.4 Liquidity Risk (continued)

The Group currently operates mainly in Cyprus. The management of the liquidity of the Group's banking units (including compliance with regulatory limits), is undertaken by the Treasury department and is locally effected depending on the conditions prevailing in the markets.

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.

Regular stress testing scenarios are performed to simulate extreme conditions and appropriate measures are taken whenever necessary.

The liquidity risk of the Bank is monitored daily by Investment, Market and Liquidity Risk Management. 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 Regulation (EU) No 575/2013 (CRR) of the European Parliament and the Council with regard to the liquidity coverage requirement for Credit Institutions).

For more details refer to "Additional Risk and Capital Management Information" for the year ended 31 December 2022.

Analysis of the liabilities of the Group based on their remaining contractual maturity as at 31 December 2022

	Carrying amount €'000	Gross nominal (inflows)/ outflows €'000	On demand €'000	Within three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000
Total liabilities							
Deposits by banks	**108.027**	109.343	46.465	3.040	9.581	41.137	9.120
Funding by Central Banks	**2.278.377**	-	-	-	-	-	-
Customer deposits and other customer accounts	**15.928.247**	15.931.113	11.974.820	1.414.785	2.505.743	34.161	1.604
Derivatives	**2.709**						
- Cash inflows		(524.392)	-	(196.572)	(327.820)	-	-
- Cash outflows		526.828	-	196.828	330.000	-	-
Tax payable	**4.614**	4.614	4.614	-	-	-	-
Deferred tax liability	**9.254**	9.254	-	-	-	9.254	-
Liabilities and disposal group held for sale	**1.631**	1.631	1.631	-	-	-	-
Other liabilities	**276.160**	276.160	148.558	67.731	12.687	47.184	-
Loan capital	**232.347**	232.347	-	-	-	-	232.347
	18.841.366	16.566.898	12.176.088	1.485.812	2.530.191	131.736	243.071

50. RISK MANAGEMENT (continued)

50.4 Liquidity Risk (continued)

Analysis of the liabilities of the Group based on their remaining contractual maturity at 31 December 2021

	Carrying amount €'000	Gross nominal (inflows)/ outflows €'000	On demand €'000	Within three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000
Total liabilities							
Deposits by banks	**122.464**	124.308	48.729	3.081	9.724	45.619	17.155
Funding by Central Banks	**2.293.931**	-	-	-	-	-	-
Customer deposits and other customer accounts	**14.941.933**	14.943.544	10.790.901	1.415.061	2.720.771	14.738	2.073
Derivatives	**5.416**						
- Cash inflows		(166.901)	(59.765)	(107.136)	-	-	-
- Cash outflows		167.461	60.000	107.461	-	-	-
Tax payable	**2.568**	2.568	2.568	-	-	-	-
Deferred tax liability	**9.890**	9.890	-	-	-	9.890	-
Liabilities and disposal group held for sale	**2.885**	2.885	2.885	-	-	-	-
Other liabilities	**196.894**	196.885	83.615	9.557	86.370	17.343	-
Loan capital	**129.666**	129.666	-	-	-	-	129.666
	17.705.647	15.410.306	10.928.933	1.428.024	2.816.865	87.590	148.894

50. RISK MANAGEMENT (continued)

50.4 Liquidity Risk (continued)

The table below presents the encumbered and unencumbered assets:

31 December 2022

	The Group				The Bank			
	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Carrying amount of encumbered assets		Carrying amount of unencumbered assets	
		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	-	-	8.468.074	-	-	-	8.468.074	-
Placements with other banks	64.213	-	217.126	64.213	-	-	272.126	-
Loans and advances to customers	-	-	6.033.270	-	-	-	6.033.270	-
Debt securities	2.562.002	2.466.245	1.861.947	447.153	2.562.002	2.466.245	1.855.173	447.153
Equity securities *	-	-	107.167	-	-	-	30.610	-
Other assets	-	-	674.784	-	-	-	656.451	-
Total assets	**2.626.215**	**2.466.245**	**17.362.368**	**511.366**	**2.562.002**	**2.466.245**	**17.315.704**	**447.153**

* Equity securities on Group include collective investment units

31 December 2021

	The Group				The Bank			
	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Carrying amount of encumbered assets		Carrying amount of unencumbered assets	
		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	-	-	7.346.224	-	-	-	7.346.224	-
Placements with other banks	111.194	-	302.900	-	111.194	-	285.731	-
Loans and advances to customers	-	-	5.732.107	-	-	-	5.732.107	-
Debt securities	2.381.107	2.381.107	2.082.091	800.197	2.381.107	2.381.107	2.082.091	800.197
Equity securities *	-	-	79.826	-	-	-	28.754	-
Other assets	-	-	806.808	-	-	-	768.093	-
Total assets	**2.492.301**	**2.381.107**	**16.343.807**	**800.197**	**2.492.301**	**2.381.107**	**16.243.000**	**800.197**

* Equity securities on Group include collective investment units

50. RISK MANAGEMENT (continued)

50.5 Operational Risk Management

Operational risk is defined as the risk of direct or indirect financial impact (costs/losses), business and/or reputational impacts resulting from inadequate or failed internal governance and business processes, people and systems/infrastructure or from external events. For the Bank, this definition includes legal and conduct risks, but excludes strategic and reputational risk. External events include floods, fires, earthquakes, vandalism and particularly external fraud and events related to vendors/suppliers.

The Bank has adopted the principles and provisions set out in the guidelines of the Directives of the Central Bank of Cyprus, the Single Supervisory Mechanism, Basel III framework as adopted by the EU and EBA.

The Bank within the context of its capital calculation process holds capital for its Operational Risks and complies with all regulatory requirements.

The Bank classifies operational risk as one of the significant risks it faces, as it is inherent in all activities, processes and systems and to its general behavior towards its customers. To this end, its actions focus on cultivating an appropriate culture as well as defining / implementing appropriate procedures and systems to effectively identify, evaluate and manage / mitigate operational risk, always in line with its risk appetite.

A single Operational Risk Management Framework (ORMF) has been adopted which is part of the Bank's Enterprise Risk Management Framework (ERMF). The ORMF sets out the principles, governance, structure and overall management architecture of the Bank's exposure to operational risk and it is developed based on the principles governed by the regulatory framework, best practices and direction set by the Board of Directors. The financial insurance coverage held by the Bank is considered as an effective tool of transferring operational risk and is part of this framework. The implementation of the ORMF is supported and overseen by the Operational Risk Management department (ORM) as well as the policies that fall under it.

The Board of Directors supports the development of a robust operational risk management culture where the roles of business and control functions, under a three line of defense model, are well defined and respected. The Board encourages open discussion, challenge and thorough analysis of operational risks identified, so as to ensure that they are appropriately managed within the Bank’s risk appetite.

The development and monitoring of Key Risk Indicators (KRIs) and Risk Appetite Statement (RAS) Limits as a control monitoring mechanism continues to be applied across the Bank. Concurrently, the operational risk incident management processes continue to be further enhanced.

Operational risk losses are being reviewed regularly by ORM with periodical monitoring for identification of trends, breaches of RAS limits and relevant escalations for their prompt management.

ORM continues to devote resources in various areas to become aware, provide support and ensure measures are taken to minimize relevant operational risks, while adhering to related regulatory reporting obligations by ECB.

50. RISK MANAGEMENT (continued)

50.6 Environmental, Social and Governance (ESG) Risks

The Bank recognizes that climate-related and environmental (CE) risks are a source of financial risks with several possible economic consequences in the Bank's business models and financial performance. The Bank considers relevant ESG principles when evaluating business risks and opportunities. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Bank has already enhanced its overall Risk Framework to include climate-related and environmental risks and it is continuously updating ESG risk quantification methodologies. A dedicated ESG department in the Bank is responsible for the development and delivery of the Bank's sustainability and ESG strategy and monitoring the Climate and Environmental Risk Action Plan following ECB guidelines. Group-wide policies including credit policies, processes, controls, qualitative risk appetite statements and appropriate risk appetite metrics have been developed to incorporate climate-related and environmental risks and encapsulate all relevant aspects into the overall group's risk management.

50.7 Insurance Risk Management

The Insurance Risk Management Unit is responsible for the entirety of the risk management function of the Insurance subsidiaries of Hellenic Bank (Pancyprian Insurance Ltd, Hellenic Life Insurance Company Ltd), under a Service Level Agreement signed between the Bank and each subsidiary.

The Manager of Insurance Risk Management unit is the Chief Risk Officer (CRO) of HB's Insurance subsidiaries and reports to the Group Chief Risk Officer for alignment of approach (where possible) and consolidation of risk at Group level.

The objective of the Unit is the efficient and effective management of risks in accordance with the risk appetite of each Insurance Company. To achieve its mission, the Unit designs and implements strategies, policies, processes and reporting procedures necessary to identify, measure, monitor and report the risks on an individual basis as well as on an aggregate level.

The roles and the responsibilities of the Unit for each Insurance Company are set out in the corresponding Risk Management Charter (annually reviewed and approved by the corresponding Board of Directors).

51. CAPITAL MANAGEMENT

The objective of the Bank's capital and leverage policy is to retain sufficient capital and leverage levels and ratios by complying with the legal and regulatory framework requirements as well as any internal capital buffers set while simultaneously safeguarding the best interests of shareholders and supporting the Group's business strategy.

51. CAPITAL MANAGEMENT (continued)

Regulatory framework overview

In accordance with the European Council's Regulation 1024/2013, the ECB has taken on full responsibility for the supervision of important credit institutions in participating Member States, including amongst others the Group, with the assistance of the local supervisory authorities. The Central Bank of Cyprus (CBC), as part of its supervisory role, has adopted the recommendations of the Basel Committee and the European Directives on banking supervisory matters.

Effective from 1 January 2014, the Capital Requirements Directive 2013/36/EU (the "CRD IV") and the Regulation (EU) No 575/2013 (the "CRR"), are in force and form the European regulatory framework 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.

In March 2018, the 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 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.

51. CAPITAL MANAGEMENT (continued)

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 i) 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 ii) advancing the implementation of the application of prudential treatment of software assets which came into force in the last quarter of 2020. Additionally, the CRR “quick-fix” introduced 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 measured at fair value through other comprehensive income. The Bank has elected not to adopt this temporary relief, for the year ended 31 December 2022 and for the year ended 31 December 2021.

On 27 October 2021, the European Commission 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) (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 (MPE) 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. The Daisy Chain Regulation provides amendments to the CRR and BRRD regarding the prudential treatment of G-SIIs with a MPE resolution strategy and methods for the indirect subscription of instruments eligible for meeting MREL in line with the treatment outlined in the Financial Stability Board’s Total Loss-Absorbing Capacity (TLAC) Standards.

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.

51. CAPITAL MANAGEMENT (continued)

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 examining the revised framework, so as to be prepared for the effects of these legislative amendments well before full implementation. The final standards must be transposed into local law before coming into effect at the national level.

Supervisory Review and Evaluation Process

Until the Bank receives the 2022 SREP decision, the capital requirements established by the 2021 SREP decision remain applicable.

The 2021 SREP, dated 2 February 2022, was based on the final decision received indicating of the 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 were effective from 1 March 2022 onwards.

The Group is required to maintain effective from 1 January 2023, on a consolidated basis, a phased-in Capital Adequacy Ratio of 14,95% (2021 SREP: 14,825%), 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 SREP: 3,45%) 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 2023 and 2022 includes the fully loaded capital conservation buffer of 2,5%, which has to be made up with CET 1 capital, the Other systematically important institutions buffer buffer (O-SII) of 1% (2022: 0,875%) and the Countercyclical capital buffer (CCyB) of 0% for 2023 and 2022 (excluding the CCyB rate for the risk weighted exposures in the Republic of Cyprus of 0,5% set by the CBC, effectively from 30 November 2023).

The capital conservation buffer was fully phased-in on 1 January 2019 at 2,50%.

The CBC set the O-SII buffer rate for the Bank at 1,5% and reduced it to 1% since November 2021, effectively from 1 January 2022. As per CBC circular received in December 2022, the O-SII buffer rate remains at 1% as from 1 January 2023. 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 is fully phased-in on 1 January 2023, instead of 1 January 2022, as was originally set.

51. CAPITAL MANAGEMENT (continued)

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 31 December 2022 has been calculated at 0%. For the remaining exposures, the CCyB rate for the year ended 31 December 2022 was also 0%. On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy and consultation with the ECB, decided to increase the CCyB rate for the risk weighted exposures in the Republic of Cyprus of each licensed credit institution incorporated in the Republic, from 0% to 0,5%. The new rate of 0,5% is applicable from 30 November 2023.

Based on the final 2021 SREP letter, the Pillar II requirement, effective from 1 March 2022, has increased to 3,45%, compared to the previous level of 3,2% which was applicable for 2021.

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, based on the SREP decisions of prior years, the Bank was refrained from making distributions to its shareholders. Therefore, no dividends were paid or declared during the years 2022 and 2021.

Taking the above into consideration, the Group's phased-in minimum Capital Adequacy Ratio, CET 1 and Tier 1 ratios effective from 1 January 2023, were set at 14,95% (2022: 14,825%), 9,94% (2022: 9,815%) and 12,09% (2022: 11,965%) respectively, excluding P2G and CCyB of 0,50%, effectively from 30 November 2023.

The Group's capital ratios remain above the minimum capital requirements.

In the context of the NPE addendum (refer to the previous section), 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 2023 has been included in 2022 SREP letter). Taking into account the specificities of the supervisory expectations, the Bank has estimated the prudential provision shortfalls and has subtracted them directly from own funds and risk weighted assets for the year ended 31 December 2022 and 2021.

Compliance with externally imposed capital requirements

The Group and the Bank have complied with the relevant minimum capital requirements (Pillar I and Pillar II) as at 31 December 2022 and 2021.

The insurance subsidiaries of the Group have complied with the requirements of Superintendent of Insurance and minimum solvency ratios as at 31 December 2022 and 2021. As per Article 436 (g) of the CRR there is no capital shortfall to be reported for the insurance subsidiaries of the Group. The Solvency and Financial Condition Reports of Hellenic Life Insurance Company Limited and Pancyprian Insurance Limited for 2022 were published on their official website.

Additional information on regulatory capital is disclosed in Section "Additional Risk and Capital Management information for the year ended 31 December 2022" included in the Annual Financial Report.

51. CAPITAL MANAGEMENT (continued)

Pillar III disclosures

The Pillar III disclosures of the Group are prepared in accordance with Part Eight of the CRR and the respective European Banking Authority (EBA) Guidelines on Pillar III disclosures requirements, where applicable, and the corresponding Commission Implementing Regulation (EU) 2021/637. The Pillar III disclosures provide disclosures on the Group's risk management strategies, processes, policies and objectives, as well as governance arrangements, together with transparent information on regulatory capital and internal liquidity adequacy and risk exposures, in order to allow market participants to have a comprehensive picture of the risk profile of the Group. The Pillar III disclosures for the year ended 31 December 2022 will be published at the end of April and will be available on the Bank's official website: Pillar 3 Disclosures (hellenicbank.com) (Investor Relations).

52. EVENTS AFTER THE REPORTING PERIOD

Issue of €200 million Tier 2 Subordinated Notes
On 8 March 2023, the Bank announced that it has successfully issued a new €200 million Tier 2 Subordinated Notes (the "Notes") under its EMTN Programme. This issue constitutes the Bank's inaugural Tier 2 transaction under the EMTN Programme.

The Notes were issued at par with a fixed coupon of 10,25% per annum. The maturity date of the Notes is 14 June 2033 and are callable at par for a 3-month period commencing on 14 March 2028 (10,25NC5,25). Settlement took place on 14 March 2023 and the Notes were admitted to trading on the Luxemburg Stock Exchange's Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange. The Notes were rated at B2 by Moody's Investors Service and at B by Fitch Ratings.

With the above Tier 2 issue, the Bank has completed its MREL issuance for 2023. Post 2023, the Bank will proceed with additional MREL issuances to comply with the MREL requirements by December 2025, with the instrument, size, duration and timing of issuance, subject to market conditions and investor interest and taking into account relevant advisor feedback.

Completion of Project Starlight
On 30 March 2023 the Bank announced the completion of Project Starlight.

Project Starlight refers to the sale of a non-performing exposures ("NPE") portfolio and the sale of APS Debt Servicing Cyprus Ltd (the "APS Debt Servicer") (refer to Note 18). This was a package transaction involving (a) the securitisation of c. €1,4 billion[1] NPEs (the "Starlight Portfolio") at 31 December 2022 and (b) the sale of the Bank's servicing platform, APS Debt Servicer, to Themis Portfolio Management Ltd (an indirect subsidiary of Oxalis Holding S.A.R.L. ("Oxalis") which is an entity managed and advised by Pacific Investment Management Company LLC ("PIMCO")) (the "Transaction").

The Transaction comprised:

- The transfer of the Starlight Portfolio to Themis Portfolio (S1) Management Holdings Ltd ("Themis S1"), a Cypriot Credit Acquiring Company, and the subsequent sale of Themis S1 to Oxalis,
- The securitisation of the Starlight Portfolio (the "Securitisation") and the issuance of Senior, Mezzanine and Junior notes,
- The acquisition by Oxalis of 95% of the Mezzanine and Junior Notes and of 33,3% of the Senior Note of the Securitisation, with the Bank retaining 66,7% of the Senior Note (c. €113 million) and 5% of each of the Mezzanine (c. €4,5 million) and the Junior Notes,

52. EVENTS AFTER THE REPORTING PERIOD (continued)

- The sale of 100% of the shares in the APS Debt Servicer[2] to Themis Portfolio Management Ltd ("Themis"), a Cypriot debt management and recovery and property management company, owned by funds managed by PIMCO, for a total consideration of €37[3] million, and

- The signing of a long-term exclusive servicing agreement for the management of the residual NPE portfolio of the Bank and any additional future defaults that might arise.

The Transaction, which was at arm's length, is estimated to result in a profit of c. €28 million and c. €21 million for the Group and the Bank respectively. The amounts will be finalised once the Group publisehs its first Financial Statements after the completion date of the Transaction. It is noted that Poppy S.A.R.L., which owns 17,3% of the Bank's share capital, is owned by investment funds managed by PIMCO.

1. €1,4 billion of Total Contractual Amount and €0,8 billion of Gross Book Value ("GBV"), including properties acquired for satisfaction of debt.
2. Formerly known as APS Holdings.
3. Comprising (a) €27,5 million consideration, (b) €4,5 million in the form of dividend from APS Debt Servicer before closing, and (c) €5 million deferred consideration linked with the management of the residual NPE portfolio.

Recent developments triggered by the collapse of US Banks
The Bank is closely monitoring the developments triggered by the collapse of Silicon Valley Bank, Silvergate Bank and Signature Bank in the United States and Switzerland's Credit Suisse rescue through the takeover by UBS in March 2023. The Bank and the Group did not have any exposure to the three US banks. The Group's exposure to Credit Suisse as at 31 December 2022 amounted to c. €15 million in the form of bonds held by the Bank and its insurance subsidiaries. These have been disposed between 13 March 2023 and 15 March 2023 with non-significant impact on 2023 Group's Financial Results and as at the date of these financial statements, the Bank and the Group are no longer exposed to Credit Suisse.

DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BANK OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

In accordance with article 9(3)(c) and (7) of the 2007 Law (L190(I)/2007) on Transparency Requirements (Securities Listed for Trading on a Regulated Market), we the Members of the Board of Directors and the Bank officials responsible for the drafting of the Financial Statements of Hellenic Bank Public Company Ltd (the Bank) for the year ended 31 December 2022, confirm that to the best of our knowledge:

(a) the annual Financial Statements presented on pages 33 to 212

  (i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of article 9, paragraph (4) of the Law 190(I) 2007, and

  (ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Hellenic Bank Public Company Ltd and of the entities included in the Consolidated Financial Statements, as a whole and

(a) the Management Report presented on pages 1 to 23 has been prepared in accordance with the provisions of article 10, paragraph (6) of the Law 190(I) 2007 and provides a fair review of the developments and performance of the business as well as the position of Hellenic Bank Public Company Ltd and of the entities included in the Consolidated Financial Statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors:

Dr Evripides A. Polykarpou	Non-Executive Chairman of the Board	....
Marco Comastri	Non-Executive Vice Chairman	Marco Comastri ....
Christos Themistocleous	Non-Executive Member of the Board	....
Stephen John Albutt	Non-Executive Member of the Board	....
Demetrios Efstathiou	Non-Executive Member of the Board	....
John Gregory Iossifidis	Non-Executive Member of the Board	....
Christodoulos Hadjistavris	Non-Executive Member of the Board	....
Kristofer Richard Kraus	Non-Executive Member of the Board	....
Andreas Persianis	Non-Executive Member of the Board	....
Marios Maratheftis	Non-Executive Member of the Board	....
Miranda Xafa	Non-Executive Member of the Board	M. Xafa ....
Oliver Gatzke	Executive Member of the Board	O. Gatzke ....
Antonis K. Rouvas	Executive Member of the Board	....

Company official responsible for the drafting of the Financial Statements

Antonis K. Rouvas, Chief Financial Officer……………………………….

Nicosia, 13 April 2023

GLOSSARY AND DEFINITIONS OF PERFORMANCE MEASURES

Name	Definition
Acquisition of ex-CCB	On 3 September 2018, pursuant to a BTA (Business Transfer Agreement) the Bank completed the acquisition of certain assets and liabilities of the ex-CCB.
Acquisition of RCB	On 21 March 2022, the Bank signed a Business Transfer Agreement to acquire part of RCB Bank's banking operations was completed in two tranches.
Basic earnings/(loss) per share (EPS)	Profit/(loss) attributable to shareholders of the parent company divided by the weighted average number of ordinary shares outstanding during the period.
Capital adequacy ratio	Total capital divided by Risk Weighted Assets
CET 1 ratio	Common Equity Tier 1 capital divided by Risk Weighted Assets
Cost of risk ratio (CoR)	Impairment losses on loan portfolio (excluding the Impact of net modification and cash flows re-estimation) divided by gross loans at the end of the period.
Cost to income ratio (CIR)	Total expenses (as defined) divided by total net income (as defined).
Cyprus Cooperative Bank	Cooperative Asset Management Company Ltd, previously known as Cyprus Cooperative Bank Ltd (the ex-CCB)
Debt to asset	Debt to asset arrangement between the Bank and the borrower
Exposures classified as HFS (held for sale)	Exposures classified as held for sale, that met the criteria of IFRS 5 for which the Bank is expected to sell within 12 months from the classification date.
Gross loans	Gross carrying amount of loans and advances to customers before deducting accumulated impairment losses
Gross loans with forbearance measures	Forborne exposures (EBA definition)
Interest-bearing assets	Consist of Cash and balances with Central Banks, placements with other banks, loans and advances to customers (including loans and advances to customers classified as held for sale), investments in debt securities (excluding any accrued interest) and indemnification assets. For calculating the average of the interest-bearing assets, the Bank uses the arithmetic average of total interest-bearing assets at each reporting date from the beginning of the year.
Investment assets	Investment assets comprise of cash and balances with Central Banks, placements with other banks, investments in debt securities and investments in equity securities and collective investment units.
Leverage ratio (LR)	Tier 1 capital measure divided by the total exposure measure, defined in accordance with the Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 (Tier 1/total exposure measure).
Liquidity Coverage ratio (LCR)	Liquidity Coverage ratio (LCR) is the ratio of the Bank's high quality liquid assets over the Bank's expected net liquidity outflows during the next 30 days, as these net outflows are specified under a liquidity stress scenario. The ratio is calculated as per the provisions of the Commission Delegated Regulation (EU) 2018/1620 amending Commission Delegated Regulation (EU) 2015/61 (which supplements Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 with regards to the liquidity coverage requirements for Credit Institutions). At times of stress, institutions may use their liquid assets to cover their net liquidity outflows.
Net fee and commission income	Fee and commission income less Fee and commission expense.
Net gains on disposal and revaluation of foreign currencies and financial instruments	Consist of net gain on foreign currency transactions, gain/(loss) on disposal of financial instruments at fair value through other comprehensive income and at fair value through profit and loss, gain/(loss) on revaluation of equity securities at fair value through profit and loss and changes in the fair value of financial instruments in fair value hedges.
Net interest income (NII)	Interest income less interest expense

GLOSSARY AND DEFINITIONS OF PERFORMANCE MEASURES (continued)

Name	Definition
Net Interest Margin ratio (NIM)	Net interest income divided by the average interest-bearing assets (as defined).
Net loans	Loans and advances to customers net of accumulated impairment losses.
Net loans to deposits ratio	Net loans and advances to customers (as defined) divided by customer deposits and other customer accounts.
Net NPE ratio	NPEs less accumulated impairment losses divided by Net Loans
Net NPEs	NPEs less accumulated impairment losses
Net NPEs collateral coverage ratio	NPEs Collateral (taking into account tangible collateral, based on open market values, capped at client exposure) divided by NPEs net of accumulated impairment losses.
Net NPEs collateral coverage ratio (excl. APS-NPEs)	NPEs Collateral (excl. APS-NPEs collateral) (taking into account tangible collateral, based on open market values, capped at client exposure) divided by NPEs net of accumulated impairment losses (excl. APS-NPEs).
Net NPEs to total assets ratio	NPEs less accumulated impairment losses divided by total assets.
Net NPEs excl. APS-NPEs	NPEs (exc. APS-NPEs) less accumulated impairment losses.
Net NPEs excl. APS-NPEs to total assets ratio	NPEs (exc. APS-NPEs) less accumulated impairment losses (exc. APS-NPEs) divided by total assets.
Net Stable Funding Ratio (NSFR)	The amount of available stable funding (the portion of capital and liabilities expected to be reliable over the one-year horizon) over the amount of required stable funding (based on the liquidity characteristics and residual maturities of the various assets held and off balance sheet exposures).
Non-interest income	Consists of net fee and commission income, net gains on disposal and revaluation of foreign currencies and financial instruments, net income from insurance operations and other income.
Non-performing exposures (NPEs)	Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021).
NPEs excl. APS-NPEs	NPEs (as defined) excluding NPEs covered by the APS.
NPEs provision coverage ratio	Accumulated impairment losses divided by gross non-performing exposures.
NPEs provision coverage ratio (excl. APS-NPEs)	Accumulated impairment losses (excl. accumulated impairment losses of APS-NPEs) divided by gross NPEs (excl. APS-NPEs).
NPEs ratio	Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021) divided by gross loans.
NPEs ratio excl. APS-NPEs	Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021) excluding NPEs covered by the APS, divided by gross loans.
Other income	Consists of dividend income, net gain from the disposal of stock of property, net gains from revaluation of investment properties and sundry income.
Pro forma for HFS (held for sale)	References to pro forma figures and ratios refer to non performing exposures classified as held for sale.
Project Starlight	Project Starlight refers to the sale of a NPE portfolio and the disposal of APS Cyprus.
Restructuring costs	Represent Voluntary Early Exit Scheme (VEES) and other related costs.
Return on tangible equity (ROTE)	Profit/(loss) attributable to shareholders of the parent company divided by average tangible equity attributable to shareholders of the parent company.

GLOSSARY AND DEFINITIONS OF PERFORMANCE MEASURES (continued)

Name	Definition
Tangible Equity	Equity attributable to shareholders of the parent company minus Intangible assets.
Terminated loans	The loan contract has been terminated by the Bank and such termination has been notified to the borrower and enforcement proceedings are initiated.
Tier 1 ratio	Tier 1 capital divided by Risk Weighted Assets
Total expenses	Consist of staff costs, restructuring costs (as defined), depreciation and amortisation and administrative and other expenses.
Total net income	Consists of net interest income (as defined) and non-interest income (as defined).
Total non-interest income	Consist of net fee and commission income, other income and net gains on disposal and revaluation of foreign currencies and financial instruments
Transformation costs	Comprise mainly fees to external advisors in relation to: (i) the prospective disposal of assets held for sale and the acquisition of part of the performing loan portfolio from RCB Bank (ii) the Transformation of the Bank as a result of the Strategic Plan announced on 21 December 2021.

ABBREVIATIONS

ALCO	Assets and Liabilities Management Committee
API	Alternative Performance Indicators
APS	Asset Protection Scheme
APS Cyprus	APS Debt Servicing Cyprus Ltd
ATMs	Automatic Teller Machines
Bps	Basis points
BTA	Business Transfer Agreement
CBC	Central Bank of Cyprus
CBR	Combined buffer requirement
CCB	Cyprus Cooperative Bank
CCS1	Convertible Capital Securities 1
CCS2	Convertible Capital Securities 2
CCyB	Countercyclical capital buffer
CE	Climate Related and Environmental
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 capital
CGBs	Cyprus Government Bonds
CLOs	Collateralised loan obligations
COLA	Cost of Living Adjustment
CP&IA	Credit Policies & Individual Assessments
CRD	Capital Requirements Directive
CRD IV	Capital Requirements Directive IV
CRM	Credit Risk Management
CRR	Capital Requirements Regulation
CSE	Cyprus Stock Exchange
CyCac	Credit acquiring Companies
CYSTAT	Cyprus Statistical Service
D2A	Debt to asset
DGS	Deposit Guarantee Scheme
DoLR	Department of Labour relations
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses

ABBREVIATIONS (continued)

EIB	European Investment Bank
EMTN Programme	Euro Medium-Term Note Programme
ERMG	Enterprise Risk Management and Governance
ESG	Environmental, Social and Governance
EU	European Union
Ex-CCI/CCB	ex-Cooperative Credit Institutions/Cooperative Central Bank
EZ	Eurozone
FY	Financial year
FY2022	Period from 1 January 2022 until 31 December 2022
GDP	Gross Domestic Product
HICP	Harmonized Index of Consumer Prices
ICT	Information and communications technology
IFRSs	International Financial Reporting Standards
KEDIPES	Cyprus Asset Management Company
KPIs	Key Performance Indicators
LGD	Loss Given Default
LRE	Leverage Ratio Exposures
MREL	Minimum requirement for own funds and eligible liabilities
MTF	Multilateral Trading Facility
MTT	Medium-Term Targets
NEL	Net Eligible Lending
NII	Net interest income
NPE	Non Performing Exposures
NPL	Non Performing Loans
O-SII	Other Systemically Important Institution
P2G	Pillar II guidance
P2R	Pillar II requirement
PD	Probability of default
PE	Performing Exposures
PPA	Purchase Price Allocation
QoQ	Quarter on quarter
RCB	Russian Commercial Bank
REO	Real Estate Owned

ABBREVIATIONS (continued)

RMBS	Residential mortgage backed security
RoC	Republic of Cyprus
RRF	Recovery and Resilience Facility
RWAs/TREA	Risk Weighted Assets/Total risk exposure amounts
SDG	Sustainable Development Goals
SEDIPES	Cooperative Asset Management Company Ltd
SFTs	Securities financing transactions
SMEs	Small and Medium sized enterprises
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
TLTROs	Targeted longer-term refinancing operations
TREA	Total risk exposure amounts
YoY	Year on year

RECONCILIATIONS

The below tables present reconciliations of the APIs with the reported results calculated and presented in accordance with IFRSs in these Annual Financial Statements. For the definition of APIs, refer to "Glossary and Definitions of Performance Measures".

References to "Note" relate to the respective note in the Financial Statements for the year ended 31 December 2022.

Apart from the reconciliations below, ratios stated in the Management Report for the year ended 31 December 2022 can be calculated based on figures disclosed in the Financial Statements for the year ended 31 December 2022.

1.Reconciliation of loans and advances to customers:

1.1. Reconciliation of gross loans (excluding held for sale) (Group and Bank)

	Note	**2022** **€'000**	2021 €'000
Gross PEs		**5.613.261**	5.302.414
Gross NPEs		**609.668**	649.812
Gross loans	22	**6.222.929**	5.952.226

1.2. Reconciliation of gross loans classified as held for sale (Group and Bank)

	Note	**2022** **€'000**	2021 €'000
Gross PEs - classified as held for sale		**14.572**	12.059
Gross NPEs - classified as held for sale		**725.717**	764.060
Gross loans classified as held for sale	31	**740.289**	776.119

1.3. Reconciliation of total gross loans (including held for sale) (Group and Bank)

	Note	**2022** **€'000**	2021 €'000
Gross PEs - including loans and advances classified as held for sale		**5.627.833**	5.314.473
Gross NPEs - including loans and advances classified as held for sale		**1.335.385**	1.413.872
Total gross loans - including loans and advances classified as held for sale	22, 31	**6.963.218**	6.728.345

1.4. Reconciliation of Accumulated Impairment losses on loans and advances to customers (including held for sale) (Group and Bank)

	Note	**2022** **€'000**	2021 €'000
Accumulated impairment losses on loans and advances to customers	22	**189.659**	220.119
Accumulated impairment on losses loans and advances to customers classified as held for sale	31	**548.627**	535.231
Total Accumulated impairment losses on loans and advances to customers		**738.286**	755.350

RECONCILIATIONS (continued)

2. Reconciliation of gross NPEs (Group and Bank)

	Note	2022 €'000	2021 €'000
Total gross loans (including held for sale) classified as Stage 3	22, 31	**1.099.305**	1.148.692
Add: Purchased or originated credit impaired NPEs		**236.080**	265.180
Total gross NPEs-including Loans and advances to customers classified as held for sale		**1.335.385**	1.413.872
Gross loans held for sale classified as Stage 3	31	**718.745**	754.517
Add: Purchased or originated credit impaired NPEs - classified as held for sale		**6.972**	9.543
Gross NPEs - classified as held for sale		**725.717**	764.060
Gross loans classified as Stage 3 (excluding held for sale)	22	**380.560**	394.175
Add: Purchased or originated credit impaired NPEs		**229.108**	255.637
Gross NPEs-excluding held for sale		**609.668**	649.812

3. Ratios' components reconciliations

3.1. Net Interest Margin ratio (NIM) (Group)

	Note	2022 €'000	2021 €'000
Interest income	6	**341.378**	289.991
Interest expense	7	**40.617**	33.987
Net interest income		**300.761**	256.004
Less:			
TLTRO NII impact		**17.390**	-
Net interest income - adjusted for the TLTRO NII impact		**283.371**	256.004
Interest bearing assets (average)		**18.800.373**	16.871.337
Funding by Central Banks (TLTROs) (average)		**2.282.243**	1.378.709
Interest bearing assets - adjusted for funding by Central Banks (TLTROs) (average)		**16.518.130**	15.492.628

3.2. Cost to income ratio

	Note	The Group 2022 €'000	The Group 2021 €'000	The Bank 2022 €'000	The Bank 2021 €'000
Total expenses		**351.204**	263.480	**348.080**	265.785
Less:					
Special Levy	14	**22.951**	21.607	**22.951**	21.607
DGS contribution	14	**5.808**	4.518	**5.808**	4.518
Transformation costs	14	**6.669**	5.146	**6.669**	5.146
Termination Benefits	14	**130**	680	**130**	680
Restructuring costs	15	**70.860**	-	**66.423**	-
Adjusted total expenses		**244.786**	231.529	**246.099**	233.834
Total net income		**414.125**	358.968	**404.848**	349.587

RECONCILIATIONS (continued)

3.3. Cost of risk ratio (Group and Bank)

	Note	2022 €'000	2021 €'000
Reversal/(charge) of impairment losses on loans and advances to customers	16	**9.030**	(99.492)
Less:			
Impact of net modification and cash flows re- estimation	16	**8.600**	4.926
		430	(104.418)
Add:			
Cash flows re-estimation of the APS indemnification asset	16	**(14.585)**	344
Impairment losses on loans and advances to customers adjusted for the cash flows re-estimation of the APS indemnification asset		**(14.155)**	(104.074)

3.4. NPEs ratios (Group and Bank)

	Note	2022 €'000	2021 €'000
Excluding loans and advances classified as held for sale			
Gross NPEs		**609.668**	649.812
Less: Accumulated impairment losses	22	**189.659**	220.119
Net NPEs		**420.009**	429.693
Gross NPEs - Covered by APS		**387.764**	434.788
Less: Accumulated impairment losses relating to APS - NPEs		**75.604**	71.556
Net NPEs covered by APS		**312.160**	363.232
Gross NPEs - excluding APS		**221.904**	215.024
Less: Accumulated impairment losses - excluding APS		**114.055**	148.563
Net NPEs - excluding APS		**107.849**	66.461
Including loans and advances classified as held for sale			
Gross NPEs		**1.335.385**	1.413.872
Less: Accumulated impairment losses		**738.286**	755.350
Net NPEs		**597.099**	658.522
Gross NPEs - covered by APS		**396.402**	445.166
Less: Accumulated impairment losses - covered by APS-NPEs		**79.143**	75.941
Net NPEs - covered by APS		**317.259**	369.225
Gross NPEs - excluding APS		**938.983**	968.706
Less: Accumulated impairment losses - excluding APS		**659.143**	679.409
Net NPEs - excluding APS		**279.840**	289.297

RECONCILIATIONS (continued)

3.5. Value of collaterals on loans and advances (Group and Bank)

	2022 €'000	2021 €'000
Excluding loans and advances classified as held for sale		
Value of collaterals on loans and advances classified as Stage 3 and purchased or originated credit impaired	**1.611.380**	1.566.978
of which: NPEs collateral taking into account tangible collateral, based on open market values, capped at client exposure	**505.000**	520.000
of which: NPEs collateral covered by APS	**341.000**	384.000
of which: NPEs collateral - excluding APS	**164.000**	136.000
Including loans and advances classified as held for sale		
Value of collaterals on loans and advances classified as Stage 3 and purchased or originated credit impaired	**2.218.712**	2.229.119
of which: NPEs collateral taking into account tangible collateral, based on open market values, capped at client exposure	**938.000**	996.000
of which: NPEs collateral covered by APS	**349.000**	393.000
of which: NPEs collateral - excluding APS	**589.000**	603.000

3.6. Net loans to deposits ratio (Group and Bank)

	Note	**2022 €'000**	2021 €'000
Loans and advances to customers	22	**6.033.270**	5.732.107
Loans and advances to customers - including loans and advances classified as held for sale	22, 31	**6.224.932**	5.972.995
Customer deposits and other customer accounts	35	**15.928.247**	14.941.933

3.7. Return on tangible equity (ROTE) (Group)

	Note	**2022 €'000**	2021 €'000
Profit/(loss) attributable to shareholders of the parent company		**24.186**	(11.680)
Add:			
Restructuring costs	15	**70.860**	-
Profit attributable to shareholders of the parent company - adjusted for the Restructuring costs		**95.046**	(11.680)
Average equity attributable to the shareholders of the parent company		**1.113.326**	1.117.004
Less: Intangible assets (average)		**45.138**	49.051
Average tangible equity attributable to shareholders of the parent company		**1.068.188**	1.067.953

ADDITIONAL RISK AND CAPITAL MANAGEMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

This report includes additional risk and capital management disclosures.

1. Credit risk

1.1. Loans and advances

The tables below provide analysis of loans and advances as per EBA guidelines.

Analysis of loan portfolio according to the counterparty sector as at 31 December 2022

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures	of which on non-performing exposures		of which non-performing exposures	of which exposures with forbearance measures	of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**6.222.929**	**609.668**	**584.036**	**318.497**	**189.659**	**168.578**	**77.423**	**70.170**
General Governments	3.700	-	-	-	18	-	-	-
Other financial corporations	118.197	1.589	2.877	1.214	2.893	462	368	290
Non-financial corporations	2.563.088	138.804	280.008	84.174	74.542	49.578	36.072	26.418
of which: Small and Medium-sized enterprises	1.938.040	130.737	267.319	79.742	64.624	45.283	32.944	24.059
of which: Commercial real estate	1.742.458	96.023	246.795	60.100	48.933	29.712	24.520	15.496
By sector								
1. Construction	151.855	33.524			15.391			
2. Wholesale and retail trade	506.219	46.102			25.854			
3. Real estate activities	200.861	12.008			2.703			
4. Accommodation and food service activities	545.165	19.940			14.913			
5. Manufacturing	449.980	7.754			5.230			
6. Other sectors	709.008	19.476			10.451			
Households	3.537.944	469.275	301.151	233.109	112.206	118.538	40.983	43.462
of which: Residential mortgage loans	2.692.588	326.330	225.583	170.412	54.967	59.362	20.983	22.859
of which: Credit for consumption	361.123	56.385	26.326	19.824	18.364	18.275	2.865	3.098

*Excluding loans and advances to central banks and credit institutions.

1. Credit risk (continued)

1.1. Loans and advances (continued)

Analysis of loan portfolio according to the counterparty sector as at 31 December 2021

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures			of which non-performing exposures	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**5.952.226**	**649.812**	**741.426**	**345.234**	**220.119**	**162.886**	**86.454**	**65.884**
General Governments	5.241	95	95	95	76	2	2	2
Other financial corporations	127.208	296	1.698	254	1.710	30	118	6
Non-financial corporations	2.285.900	144.508	391.409	84.705	104.620	55.594	50.029	26.161
of which: Small and Medium-sized enterprises	1.902.318	144.508	382.487	84.705	101.812	55.594	49.087	26.161
of which: Commercial real estate	1.567.339	83.293	348.942	56.427	63.609	22.442	36.445	13.073
By sector								
1. Construction	162.929	20.953			12.759			
2. Wholesale and retail trade	434.015	51.725			37.240			
3. Real estate activities	219.650	15.291			17.023			
4. Accommodation and food service activities	441.986	17.457			18.896			
5. Manufacturing	365.339	11.896			7.444			
6. Other sectors	661.981	27.186			11.258			
Households	3.533.877	504.913	348.224	260.180	113.713	107.260	36.305	39.715
of which: Residential mortgage loans	2.652.908	349.887	256.692	189.458	47.472	48.286	17.040	19.160
of which: Credit for consumption	372.420	56.729	29.225	21.915	22.683	17.668	2.747	3.192

*Excluding loans and advances to central banks and credit institutions.

1. Credit risk (continued)

1.1. Loans and advances (continued)

Analysis of loan portfolio* on the basis of loan origination date as at 31 December 2022

Loan origination date**	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	764.517	2.253	4.634	435.124	1.429	3.517	4.660	-	63	324.733	824	1.054
1 - 2 years	721.356	3.836	5.084	408.288	786	2.453	7.694	-	88	305.374	3.050	2.543
2 - 3 years	666.731	3.048	6.493	327.717	879	2.573	79.284	5	2.198	259.730	2.164	1.722
3 - 5 years	783.397	14.256	4.513	373.521	1.759	4.386	6.979	-	17	402.897	12.497	110
5 - 7 years	834.107	109.892	16.039	334.630	15.936	7.816	14.786	-	35	484.691	93.956	8.188
7 - 10 years	549.287	99.811	17.275	145.272	15.776	3.569	1.341	3	5	402.674	84.032	13.701
Over 10 years	1.899.834	376.572	135.603	538.536	102.239	50.228	3.453	1.581	487	1.357.845	272.752	84.888
Total	6.219.229	609.668	189.641	2.563.088	138.804	74.542	118.197	1.589	2.893	3.537.944	469.275	112.206

*Excluding loans and advances to general governments.
**Loan origination date is defined as the contractual loan origination date for each account. For restructured loans the origination date was derived based on the origination date of the original loan that was restructured. For the acquired portfolio as a result of the Acquisition the origination date is defined as the origination date of the loan as of the Acquisition date.

1. Credit risk (continued)

1.1. Loans and advances (continued)

Analysis of loan portfolio* on the basis of loan origination date as at 31 December 2021

Loan origination date**	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	608.096	3.664	5.430	322.975	235	2.743	13.378	-	155	271.743	3.429	2.532
1 - 2 years	729.977	2.060	6.544	371.759	404	3.477	86.483	-	1.290	271.735	1.656	1.777
2 - 3 years	473.393	1.378	4.958	251.122	547	4.067	5.251	-	18	217.020	831	873
3 - 5 years	889.274	39.697	13.904	409.828	6.687	11.614	13.289	-	37	466.157	33.010	2.253
5 - 7 years	736.454	148.112	16.983	211.972	16.854	2.979	4.108	-	13	520.374	131.258	13.991
7 - 10 years	568.275	98.610	21.631	87.294	16.633	5.501	970	209	14	480.011	81.768	16.116
Over 10 years	1.941.516	356.196	150.593	630.950	103.148	74.239	3.729	87	183	1.306.837	252.961	76.171
Total	5.946.985	649.717	220.043	2.285.900	144.508	104.620	127.208	296	1.710	3.533.877	504.913	113.713

*Excluding loans and advances to general governments.
**Loan origination date is defined as the contractual loan origination date for each account. For restructured loans the origination date was derived based on the origination date of the original loan that was restructured. For the acquired portfolio as a result of the Acquisition the origination date is defined as the origination date of the loan as of the Acquisition date.

1. Credit risk (continued)

1.2. Assets held for sale

The tables below provide analysis of loans and advances classified as held for sale as per EBA guidelines.

Analysis of loan portfolio held for sale according to the counterparty sector as at 31 December 2022

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures			of which non-performing exposures	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**740.289**	**725.717**	**274.645**	**270.016**	**548.627**	**543.481**	**189.056**	**187.445**
General Governments	-	-	-	-	-	-	-	-
Other financial corporations	4.806	4.806	2.564	2.563	2.670	2.670	1.246	1.245
Non-financial corporations	478.022	471.956	210.560	209.330	358.859	356.712	146.593	146.166
of which: Small and Medium-sized enterprises	471.858	465.792	204.937	203.707	356.036	353.890	144.055	143.627
of which: Commercial real estate	342.485	337.383	163.341	162.157	245.409	243.633	108.173	107.768
By sector								
1. Construction	168.632	168.338			121.759			
2. Wholesale and retail trade	114.269	111.771			90.630			
3. Real estate activities	39.466	39.462			28.385			
4. Accommodation and food service activities	57.913	56.361			47.306			
5. Manufacturing	44.208	43.953			33.186			
6. Other sectors	53.534	52.071			37.593			
Households	257.461	248.955	61.521	58.123	187.098	184.099	41.217	40.034
of which: Residential mortgage loans	183.075	176.456	42.283	39.470	124.743	122.422	25.963	24.991
of which: Credit for consumption	35.892	34.689	4.259	3.779	30.630	30.260	3.064	2.937

*Excluding loans and advances to central banks and credit institutions.

1. Credit risk (continued)

1.2. Assets held for sale (continued)

Analysis of loan portfolio held for sale according to the counterparty sector as at 31 December 2021

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures			of which non-performing exposures	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**776.119**	**764.060**	**289.377**	**287.731**	**535.231**	**531.525**	**180.868**	**180.330**
General Governments	-	-	-	-	-	-	-	-
Other financial corporations	9.582	9.575	5.934	5.934	5.313	5.314	2.960	2.960
Non-financial corporations	489.147	483.817	213.087	212.935	345.397	343.771	136.699	136.635
of which: Small and Medium-sized enterprises	481.838	476.556	207.551	207.399	341.677	340.052	133.863	133.799
of which: Commercial real estate	358.283	354.639	170.393	170.393	242.314	241.243	104.447	104.447
By sector								
1. Construction	170.569	170.221			116.507			
2. Wholesale and retail trade	115.205	113.593			86.699			
3. Real estate activities	41.550	41.495			26.290			
4. Accommodation and food service activities	63.614	61.822			47.316			
5. Manufacturing	43.345	43.012			31.421			
6. Other sectors	54.864	53.674			37.164			
Households	277.390	270.668	70.356	68.862	184.521	182.440	41.209	40.735
of which: Residential mortgage loans	194.794	190.057	45.763	44.394	121.506	120.054	24.851	24.417
of which: Credit for consumption	41.523	40.883	10.781	10.764	31.911	31.692	6.059	6.052

*Excluding loans and advances to central banks and credit institutions.

1. Credit risk (continued)

1.2. Assets held for sale (continued)

Analysis of loan portfolio* held for sale on the basis of loan origination date as at 31 December 2022

Loan origination date**	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	1.080	968	967	24	-	8	-	-	-	1.056	968	959
1 - 2 years	608	255	374	34	14	19	-	-	-	574	241	355
2 - 3 years	47	41	27	1	1	-	-	-	-	46	40	27
3 - 5 years	1.554	1.188	974	514	446	453	-	-	-	1.040	742	521
5 - 7 years	15.374	14.827	8.462	10.969	10.864	6.421	3	3	2	4.402	3.960	2.039
7 - 10 years	50.563	49.857	32.159	43.710	43.627	27.391	-	-	-	6.853	6.230	4.768
Over 10 years	671.063	658.581	505.664	422.770	417.004	324.567	4.803	4.803	2.668	243.490	236.774	178.429
Total	740.289	725.717	548.627	478.022	471.956	358.859	4.806	4.806	2.670	257.461	248.955	187.098

*Excluding loans and advances to general governments.
**Loan origination date is defined as the contractual loan origination date for each account. For restructured loans the origination date was derived based on the origination date of the original loan that was restructured. For the acquired portfolio as a result of the Acquisition the origination date is defined as the origination date of the loan as of the Acquisition date.

1. Credit risk (continued)

1.2. Assets held for sale (continued)

Analysis of loan portfolio* held for sale on the basis of loan origination date as at 31 December 2021

	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
Loan origination date**	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses	Total exposures	Non-performing exposures	Cumulative Impairment losses
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	788	251	362	40	2	14	-	-	-	748	249	348
1 - 2 years	53	42	25	-	-	-	-	-	-	53	42	25
2 - 3 years	221	163	124	39	31	30	-	-	-	182	132	94
3 - 5 years	4.102	4.018	2.655	2.189	2.134	1.733	2	2	2	1.911	1.882	920
5 - 7 years	33.827	32.957	16.127	28.484	28.345	13.975	2	2	1	5.341	4.610	2.151
7 - 10 years	74.319	72.869	52.113	50.688	50.099	35.104	1.048	1.048	635	22.583	21.722	16.374
Over 10 years	662.809	653.760	463.825	407.707	403.206	294.541	8.530	8.523	4.675	246.572	242.031	164.609
Total	776.119	764.060	535.231	489.147	483.817	345.397	9.582	9.575	5.313	277.390	270.668	184.521

*Excluding loans and advances to general governments.
**Loan origination date is defined as the contractual loan origination date for each account. For restructured loans the origination date was derived based on the origination date of the original loan that was restructured. For the acquired portfolio as a result of the Acquisition the origination date is defined as the origination date of the loan as of the Acquisition date.

1. Credit risk (continued)

1.3. COVID-19 related disclosures

Information on measures applied in response to the COVID-19 outbreak is disclosed in the Pillar III disclosures for the year ended 31 December 2022 which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

2. Capital management

The objective of the Bank's capital and leverage policy is to retain sufficient capital and leverage levels and ratios by complying with the legal and regulatory framework requirements as well as any internal capital buffers set while safeguarding the best interests of shareholders and supporting the Group's business strategy.

2.1. Regulatory framework overview

Effective from 1 January 2014, the Capital Requirements Directive 2013/36/EU (the "CRD IV") and the Regulation (EU) No 575/2013 (the "CRR"), are in force and form the European regulatory framework 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.

In March 2018, the 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 onwards.

The CRR II amended significantly the CRR in 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.

2. Capital management (continued)

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: i) the acceleration of the implementation of the new SME-discount factor, ii) 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 iii) advancing the implementation of the application of prudential treatment of software assets which came into force in the last quarter of 2020. Additionally, the CRR “quick-fix” introduced 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 measured at fair value through other comprehensive income. The Bank has elected not to adopt this temporary relief, for the year ended 31 December 2022 and 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 (MPE) 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.The Daisy Chain Regulation provides amendments to the CRR and BRRD regarding the prudential treatment of G-SIIs with a MPE resolution strategy and methods for the indirect subscription of instruments eligible for meeting MREL in line with the treatment outlined in the Financial Stability Board’s Total Loss-Absorbing Capacity (TLAC) Standards.

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.

2. Capital management (continued)

The 2021 Banking Package is being discussed by the European Parliament and Council and is subject to further amendments prior to its implementation, and it will take some time until it is fully implemented (currently expected implementation date is set in 2025) while certain reforms are expected to be subject to transitional arrangements or to be phased-in over time.

The Bank is currently examining the revised framework, so as to be prepared for the effects of these legislative amendments well before its full implementation. The final standards must be transposed into local law before coming into effect at the national level.

2.2. Regulatory capital

The Group's regulatory capital under Pillar I is calculated in accordance with the provisions of the CRR, as amended by CRR II where applicable, and is analysed in this section.

The capital base of the Group, as at the reporting date, for regulatory purposes is divided into two main categories, namely the Common Equity Tier 1 (CET 1) capital and the Additional Tier 1 (AT 1) capital, which are described below in detail. The Group's CET 1 instruments consist only of ordinary shares (refer to Note 38).

I.Common Equity Tier 1 capital

Common Equity Tier 1 capital includes the Bank's share capital, share premium, retained earnings including the loss/profit for the year, accumulated other comprehensive income (i.e., revaluation reserve of investments in debt securities, revaluation reserve of investments in equity securities and property revaluation reserve) and other reserves such as reduction of share capital reserve. As per Article 26 (1) of the CRR and EBA Guidelines on prudent valuations, a part of property revaluation reserve is not allowed to be included in CET 1 capital.

Further information on the prudential filters and deductions from CET 1 capital, as well as items not deducted from CET1 capital is disclosed in the Pillar III disclosures for the year ended 31 December 2022, which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

IFRS 9 transitional arrangements

The Group has elected to apply Regulation (EU) 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9, where 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 (the CRR “quick-fix”) 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. Specifically, the IFRS 9 transitional arrangements have been extended by 2 years (up until 31 December 2024), where 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.

Since 2018, as per the notification to the regulator, the Group has been applying to the full extent the IFRS 9 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).

2. Capital management (continued)

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 current reporting date allowing for an extended phased-in period until 2024.

II.Additional Tier 1 capital

Additional Tier 1 capital includes hybrid instruments, composed by Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2) (refer to Note 37).

III.Tier 2 capital

Tier 2 capital includes subordinated loan capital. For the years 2022 and 2021 the Group did not hold any Tier 2 instruments.

In March 2023, the Bank successfully priced a new €200 million Tier 2 Subordinated Notes (the "Notes"), under its EMTN Programme (refer to Note 37). As at 31 March 2023, the Notes will be recognised as regulatory capital.

IV.Regulatory capital position

The Group and the Bank have complied with the relevant minimum capital requirements (Pillar I and Pillar II) as at 31 December 2022 and 2021. The insurance subsidiaries of the Group have complied with the requirements of Superintendent of Insurance and minimum solvency ratios as at 31 December 2022 and 2021.

Additional information on regulatory capital will be provided in the Pillar III disclosures for the year ended 31 December 2022, which will be available on the Bank's website: Pillar 3 Disclosures (hellenicbank.com) (Investor Relations).

	The Group		The Bank	
	2022[1]	2021[2]	**2022**[1]	2021[2]
	€'000	€'000	**€'000**	€'000
Own funds				
Common Equity Tier 1 (CET 1)	**1.037.208**	1.057.562	**1.034.411**	1.056.221
Additional Tier 1 (AT1)	**129.666**	129.666	**129.666**	129.666
Tier 1 (T1)	**1.166.874**	1.187.228	**1.164.077**	1.185.887
Total regulatory capital	**1.166.874**	1.187.228	**1.164.077**	1.185.887
Risk weighted assets				
Credit risk	**4.968.279**	4.778.447	**4.986.240**	4.795.734
Market risk	**560**	677	**560**	677
Operational risk	**699.466**	695.586	**702.823**	696.049
Total risk exposure amount for credit valuation adjustments (CVA)	**5.512**	4.301	**5.512**	4.301
Total risk weighted assets	**5.673.817**	5.479.011	**5.695.135**	5.496.761

2. Capital management (continued)

	The Group		The Bank	
	2022[1]	2021[2]	**2022[1]**	2021[2]
Capital Adequacy Ratios (%)				
Capital Adequacy Ratio	**20,57%**	21,67%	**20,44%**	21,57%
Tier 1 Ratio	**20,57%**	21,67%	**20,44%**	21,57%
Common Equity Tier 1 (CET 1) Ratio	**18,28%**	19,30%	**18,16%**	19,22%
Leverage ratio	**5,69%**	6,14%	**5,67%**	6,13%

During the year ended 31 December 2022, the Group's CET 1 ratio, on an IFRS 9 transitional basis, has decreased by 102 basis points mainly as a result of the decrease in CET1 capital and the overall increase in risk weighted assets. Specifically,

- The decrease in CET1 capital was mainly due to (i) the reduced amount of IFRS 9 transitional arrangements added back to CET 1 compared to 2021 (refer to Section above "IFRS 9 transitional arrangements") and (ii) the decrease in other comprehensive income mainly due to the decrease in revaluation reserve from bonds as a result of Cyprus Government Bonds (CGBs) matured during 2022, which have been netted off by current year profits incurred.

- The increase in RWAs was mainly due to the increased credit risk weighted assets driven by the increase in net funded exposures as a result of the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank.

Similarly, during the year ended 31 December 2022, the Group's Total capital ratio has decreased by 110 bps as explained above.

During the year ended 31 December 2022, the Group's Leverage ratio on an IFRS 9 transitional basis, has decreased by 45 basis points, which is above the minimum leverage ratio set at 3%, mainly due to the increase in "Leverage ratio total exposure measure" as well as the decrease in Tier 1 capital. The main reason for the increase in "Leverage ratio total exposure measure" was derived from the increase in customer deposits and the issuance of Senior Preferred notes during 2022 which was reflected in the net increase in balances with Central Banks and the increase in loans and advances primarily due to the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank. The decrease in Tier 1 capital was as a result of the main drivers for the change in CET 1 capital explained above.

The capital ratios and leverage ratio of the Group and the Bank as at the reporting date, on an IFRS 9 fully loaded basis, which are above the minimum regulatory requirements, are presented below:

	The Group		The Bank	
	2022[1]	2021[2]	**2022[1]**	2021[2]
Capital Ratios (%)				
Capital Adequacy Ratio	**20,37%**	20,96%	**20,24%**	20,87%
Tier 1 Ratio	**20,37%**	20,96%	**20,24%**	20,87%
Common Equity Tier 1 (CET 1) Ratio	**18,08%**	18,58%	**17,96%**	18,49%
Leverage ratio	**5,61%**	5,90%	**5,59%**	5,89%

1. Including audited profits for the year ended 31 December 2022.
2. As per 2021 Annual Report and Pillar III disclosures for the year ended 31 December 2021.

The phased-in minimum regulatory capital requirements of the Group and the Bank are presented in the table set out below. In addition to the capital requirements disclosed below, 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.

2. Capital management (continued)

	2023*	2022**	2021***
	%	%	%
Pillar I			
CET 1	4,50	4,50	0,45
AT 1	1,50	1,50	1,50
Tier 1	6,00	6,00	6,00
Tier 2	2,00	2,00	2,00
Capital adequacy – Pillar I	**8,00**	**8,00**	**8,00**
Pillar II			
CET 1	1,94	1,94	1,80
AT 1	0,65	0,65	0,60
Tier 1	2,59	2,59	2,40
Tier 2	0,86	0,86	0,80
Capital adequacy – Pillar II	**3,45**	**3,45**	**3,20**
Combined buffer requirement			
Capital conservation buffer (CCB)	2,50	2,50	2,50
Countercyclical capital buffer (CCyB)	-	-	-
Other systematically important institutions buffer (O-SII)	1,00	0,88	0,75
Minimum CET 1 requirement	**9,94**	**9,815**	**9,55**
Minimum Capital adequacy requirement	**14,95**	**14,825**	**14,45**

* Until the Bank receives the 2022 SREP decision, the capital requirements established by the 2021 SREP decision remain applicable.
** As per 2021 final SREP letter, the new capital requirements are effective from 1 March 2022.
*** The ECB did not issue a SREP decision for the 2020 SREP cycle and the capital requirements established by the 2019 SREP decision continued to apply for 2021.

Countercyclical capital buffer
The capital conservation buffer (CCB) was fully phased-in on 1 January 2019 at 2,50%.

Countercyclical capital buffer
The Central Bank of Cyprus (CBC), in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, reassesses the countercyclical capital buffer rate (CCyB) on a quarterly basis and adjusts, if necessary, in accordance with the methodology described in this Law. 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 31 December 2022 has been calculated at 0%. For the remaining exposures, the CCyB rate for the year ended 31 December 2022 was also 0%.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy and consultation with the ECB, decided to increase the CCyB rate for the risk weighted exposures in the Republic of Cyprus of each licensed credit institution incorporated in the Republic, from 0% to 0,5%. The new rate of 0,5% is applicable from 30 November 2023. Minimum capital ratios disclosed in the above table exclude the CCyB rate for the risk weighted exposures in the Republic of Cyprus of 0,5% set by the CBC, effectively from 30 November 2023.

Therefore, as from 30 November 2023 the minimum Capital Adequacy Ratio and CET 1 ratio, are expected to increase to 15,45% and 10,44% respectively, assuming all the Bank's exposures are located in the Republic of Cyprus.

2. Capital management (continued)

Other systematically important institutions buffer
In accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015, 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.

Based on these 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, effectively from 1 January 2022. As per CBC circular received in December 2022, the O-SII buffer rate remains at 1% as from 1 January 2023.

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 was 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 was 0,875% (2021: 0,75%) and from 1 January 2023 the O-SII buffer is set at 1%.

2.3. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP) and Supervisory Review and Evaluation Process (SREP) (Pillar II)

The Bank prepares annual ICAAP and ILAAP exercises. Both ICAAP and ILAAP exercises for 2022 were submitted to the ECB by end of April 2022 following their approval by the Board of Directors. Additionally, both ICAAP and ILAAP for 2023 were submitted to the ECB in March 2023, following their approval by the Board of Directors.

Pillar II covers the assessment of the Group's risk management processes, capital and liquidity adequacy and governance framework as part of the ICAAP and ILAAP. Pillar II is reviewed and evaluated by the Single Supervisory Mechanism (SSM) as part of its SREP, which occurs periodically and contributes to SSM's assessment of capital adequacy and additional own funds requirements. The Supervisory Review and Evaluation Process assesses the Group's internal capital adequacy and aims at enhancing the link between an institution's risk profile, risk management, risk mitigation systems and its capital planning. The purpose of SREP is to allow banks' risk profiles to be assessed consistently and decisions about necessary supervisory measures to be taken.

The ICAAP is an integral part within the holistic risk management approach of the Group, and it is integrated with the Bank's strategic processes, including the Risk Appetite Framework and the business and capital planning. The Bank assesses the adequacy of its internal capital on an annual basis through the ICAAP exercise, while it also caters for quarterly monitoring or more frequent stress tests depending on any material deviations and in line with the ICAAP Governance Framework. The ICAAP is an integral part of Pillar II of the Basel III regulatory framework (CRR). The ICAAP allows the Bank to arrive at a forward-looking assessment of its capital requirements taking into account the business strategy, risk profile and risk appetite utilising internal stress tests. The ICAAP incorporates the assessment of the Bank's risk management processes and governance framework.

The ILAAP ensures that the Bank holds sufficient liquidity to support its current banking operations and the implementation of its Strategic Plan under stressed conditions/adverse scenarios.

The ICAAP and the ILAAP incorporate the assessment of the Bank's risk management processes and governance framework.

2. Capital management (continued)

The Bank has also participated in the 2022 Climate Risk Stress Test conducted by the ECB. The submission included a qualitative and quantitative assessment, which run across January to May 2022, with published results published in July 2022. The exercise aimed to identify best practices and limitations banks are facing as a result of climate risk, with results indicating that banks have considerable climate risk stress-testing challenges. The results will be integrated into the SREP process on qualitative aspects with no direct quantitative impact.

The Group will be participating in the 2023 EU-wide Stress Test. The 2023 exercise will assess EU banks' resilience to an adverse economic shock and inform the 2023 Supervisory Review and Evaluation Process (SREP). The Stress test is a constrained bottom-up exercise that provides banks with a common methodology and templates to project in a consistent way the impact of common scenarios. The exercise is performed for banks under the direct supervision of the ECB and are not included in the EBA-led stress test sample as part of the EU-wide stress test. The methodology is consistent with the EBA exercise and applies the same scenarios and static balance sheet assumptions, while also including proportionality elements as suggested by the overall smaller size and lower complexity of these banks. A baseline and an adverse scenario are used to project a consolidated balance sheet and income statement across 36 months from 31 December 2022.

The Bank will be participating in the exercise from January to June 2023 and the results are expected to be published by the ECB by the end of July 2023. It is noted that the stress test does not contain a pass or fail threshold and no threshold is set to define the failure or success of banks for the purpose of the exercise. Results are used to assess the bank's Pillar 2 Guidance capital needs in the context of the SREP, taking the Bank's specific risk profile and sensitivity towards the stress scenarios.

Supervisory Review and Evaluation Process
Until the Bank receives the 2022 SREP decision, the capital requirements established by the 2021 SREP decision remain applicable.

The 2021 SREP, dated 2 February 2022, was based on the final decision received indicating of the 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 were effective from 1 March 2022 onwards.

The Group is required to maintain effective from 1 January 2023, on a consolidated basis, a phased-in Capital Adequacy Ratio of 14,95% (2021 SREP: 14,825%), 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 SREP: 3,45%) 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 2023 and 2022 includes the fully loaded capital conservation buffer of 2,5%, which has to be made up with CET 1 capital, the O-SII buffer of 1% (2022: 0,875%) and the CCyB of 0% for 2023 and 2022 (excluding the CCyB rate for the risk weighted exposures in the Republic of Cyprus of 0,5% set by the CBC, effectively from 30 November 2023).

Based on the final 2021 SREP letter, the Pillar II requirement, effective from 1 March 2022, has increased to 3,45%, compared to the previous level of 3,2% which was applicable for 2021.

2. Capital management (continued)

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, based on the SREP decisions of prior years, the Bank was refrained from making distributions to its shareholders. Therefore, no dividends were paid or declared during the years 2022 and 2021.

Taking the above into consideration, the Group's phased-in minimum Capital Adequacy Ratio, CET 1 and Tier 1 ratios effective from 1 January 2023, were set at 14,95% (2022: 14,825%), 9,94% (2022: 9,816%) and 12,09% (2022: 11,965%) respectively, excluding P2G and CCyB of 0,50%, effectively from 30 November 2023.

The Group's capital ratios remain above the minimum capital requirements

In the context of the NPE addendum (refer to the previous section), 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 2023 has been included in 2022 SREP letter). Taking into account the specificities of the supervisory expectations, the Bank has estimated the prudential provision shortfalls and has subtracted them directly from own funds and risk weighted assets for the year ended 31 December 2022 and 2021.

3. Bank Recovery and Resolution Directive (BRRD)

Minimum requirement for own funds and eligible liabilities (MREL)

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 February 2023, the Bank received notification from the Single Resolution Board (SRB) of its final 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) 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. Furthermore, the Bank must continue to meet a part of both MREL requirements equal to 16,57% of TREA and 5,91% of LRE that were set as intermediate targets in the previous resolution planning cycle for 1 January 2022. The own funds used by the Bank to meet the combined buffer requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of risk weighted assets.

3. Bank Recovery and Resolution Directive (BRRD) (continued)

Taking into consideration the applicable CBR requirements, as at 31 December 2022 the intermediate binding target for MREL requirements resulted to 19,95% of TREA. As from 1 January 2023, the intermediate binding target for MREL requirements resulted to 20,07% and the final target to 27,88% of TREA to be met by 31 December 2025 while as from 30 November 2023, following the increase of the countercyclical capital buffer rate (CCyB) rate from 0% to 0,5%, the MREL requirements for the intermediate and the final targets will result to 20,57% and 28,38% respectively.

The Group's MREL ratio as at 31 December 2022 was 23,2% of TREA and 6,4% of LRE. The MREL ratios disclosed include profits for the year ended 31 December 2022. After adjusting for the Project Starlight, the pro forma MREL ratio (Pro forma taking into account for the positive impact from the Project Starlight completion (includes mainly the servicer sale gain, the RWA/LRE relief from the NPE disposal and the RWA/LRE increase from retaining the Senior Note and the Mezzanine)) of the Group as at 31 December 2022 was c.24,1% 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. For further details refer to Note 37 of the Financial Statements. Additionally, in March 2023 the Bank successfully priced a new €200 million Tier 2 Subordinated Notes (the "Notes"), under its EMTN Programme. For further details refer to Note 52 of the Financial Statements.

With the above Tier 2 issue, the Bank has completed its MREL issuance for 2023. Post 2023, the Bank will proceed with additional MREL issuances to comply with the MREL requirements by December 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 and the SRB, apply from 1 January 2024 at the earliest and the first reference date for reporting in accordance with the implementing technical standards was the 30 June 2021.

4. Liquidity risk

The CRD IV/CRR sets forth the guidelines for calculating liquidity measures such as the Liquidity Coverage Requirement Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As at 31 December 2022 and 2021, the Group was in compliance with all regulatory liquidity requirements.

The LCR ratio is calculated as per the provisions of the Commission Delegated Regulation (EU) 2018/1620 amending Commission Delegated Regulation (EU) 2015/61 (which supplements Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 with regards to the liquidity coverage requirements for Credit Institutions). The LCR ratio is the ratio of the Bank's high quality liquid assets over the Bank's expected net liquidity outflows during the next 30 days, as these net outflows are specified under a liquidity stress scenario. At times of stress, credit institutions may use their liquid assets to cover their net liquidity outflows.

The LCR of the Group stood at 444% as at 31 December 2022 compared to 499% as at 31 December 2021, which is above the minimum regulatory limit of 100%. The liquidity surplus in LCR as at 31 December 2022 amounted to €6,8 billion compared to €6,4 billion as at 31 December 2021.

4. Liquidity risk (continued)

The NSFR ratio is calculated as the amount of available stable funding (the portion of capital and liabilities expected to be reliable over the one-year horizon) over the amount of required stable funding (based on the liquidity characteristics and residual maturities of the various assets held and off balance sheet exposures).

The NSFR of the Group was at 184% as at 31 December 2022 compared to 197% as at 31 December 2021, which is above the binding minimum NSFR ratio of 100% introduced, applicable from June 2021 as per Regulation (EU) No 2019/876 (CRR II). The NSFR liquidity surplus as at 31 December 2022 reached €7,8 billion and has increased compared to €6,8 billion as at 31 December 2021 level.

Additional information on liquidity requirements will be provided in the Pillar III disclosures for the year ended 31 December 2022, which will be available on the Bank's official website: Pillar 3 Disclosures (hellenicbank.com) (Investor Relations).

DISCLAIMER FORWARD LOOKING STATEMENT

Certain statements in this document include discussions with respect to the business strategy and plans of the Group, its current goals and expectations, its projections, beliefs, possibilities relating to its future financial condition and performance are forward looking.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Therefore these risks and uncertainties could adversely affect the outcome and financial effect of what is described herein and the audience of these Financial Statements are cautioned not to place undue reliance on such forward looking statements. When relying on forward looking statements, readers should carefully consider that there are important factors that could cause actual results to differ materially from those in forward looking statements, certain of which are beyond the control of the Group, including, but not limited to, domestic and global economic and business conditions, market related risks such as interest or exchange rate risk, unexpected changes to regulation, competition, technological conditions and other. The forward looking statements contained in this document are made as at the date of this publication and the Group undertakes no obligation to update or revise any of same unless otherwise required by applicable law. Analyses and opinions contained herein may be based on assumptions and projections that, if altered, can change the analyses or opinions expressed.

HELLENIC BANK PUBLIC COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2022

INTRODUCTION

The Board of Directors of Hellenic Bank Public Company Limited (the "Company" or the "Bank") fully adopted the Code of Corporate Governance, which was published by the Cyprus Stock Exchange (5th revised edition – January 2019), hereinafter referred to as the "Code". In compliance with the provisions included in the Code's introduction, the Board of Directors of the Company (the "Board" or "BOD") incorporates the present Report on Corporate Governance in the Company's 2022 Annual Financial Report.

PART A

The Company states that the full implementation of the Code's principles constitutes the Company's policy and that it had already taken the initiative of applying many of these principles well before the establishment of the Code. The Board believes that good corporate governance, based on the Code, in conjunction with the terms of reference and the practices followed by the various Board Committees, constitutes a fundamental factor in achieving the corporate goal of maximising shareholder value. The Board acknowledges that there is an on-going process of formulating principles of corporate governance based on both international and local conditions. As such, the Board continually follows a policy of reviewing and readjusting the various aspects of corporate governance accordingly.

PART B

The Company confirms that it has complied with the provisions of the Code.

The Company applies the provisions of the Code throughout the Group of Companies to which it belongs i.e., and to its subsidiary companies through Committees of the Company or the subsidiary companies. As at the date of this Report the significant subsidiary companies, Pancyprian Insurance Ltd and Hellenic Life Insurance Company Ltd, maintain an Audit Committee and a Risk Management Committee as shown in paragraph (13) (Board Committees) below. The non-significant subsidiary companies of the Group (owned Special Purpose Vehicles used for debt to asset swaps, companies with insignificant turnover, dormant companies) apply the provisions of the Code through Committees of the Bank.

In light of the above, the following confirmations and reports are made:

Board of Directors

The Company is governed and controlled by the Board of Directors, which operates on the basis of the Code, the relevant Companies, Stock Exchange and Business of Credit Institutions Laws and the Company's Articles of Association.

The Board of Directors sets the strategic aims of the group of Hellenic Bank (the "Group") and ensures that the necessary financial and human resources are in place to meet the strategic and operational objectives of the Group.

The Board of Directors has the overall responsibility for:

- Setting and overseeing the values and standards of the Group.
- Setting and overseeing the business model of the Group.
- Maintaining effective systems and controls to ensure effective operation of the Group and compliance with applicable laws and regulations.
- Setting the framework and policy for effective governance and oversight of the Group.

- Monitoring business performance against the strategic objectives, risk appetite and expected standards.

The BoD is responsible for ensuring that Board and Committees composition and organisation are appropriate.

The Bank's Corporate Governance Framework includes a list of matters reserved for the Board. Such matters include, inter alia, setting of the Group's overall strategy and targets, approval of the annual budget, approval of capital and funding plans, decisions relating to the capital structure of the Company, decisions on important matters and material transactions, transactions with Board Members and Senior Executives or major shareholders, appointment or removal of the Chief Executive Officer, matters concerning the composition and organisation of the Board and Board Committees, governance matters, etc.

On 31st December 2022, the Board was composed of eleven non-Executive Directors and two Executive Directors, being sufficiently diversified in terms of age, educational and professional background in order to reflect a sufficiently wide range of experiences and facilitate the extraction of a variety of independent opinions and critical challenges. The Board's composition as at 31st December 2022, as well as the changes in the composition and distribution of responsibilities of the Board throughout the year and up to the date of the present Report, appear in the Management Report for the year 2022.

During 2022, the Board of Directors held thirty meetings, fourteen of which were special meetings. Seven of the abovementioned Board meetings were held without the presence of the Executive Directors. In accordance with the provisions of the Internal Governance Directive to Credit Institutions of 2021 of the Central Bank of Cyprus (the "Internal Governance Directive"), one of the abovementioned meetings was held without the presence of the Chairman of the Board of Directors and without the presence of the Executive Directors, was chaired by the Senior Independent Director and its purpose was to assess the performance of the Chairman. The overall attendance record at the 2022 Board meetings, scheduled and special, was 95%.

It is ensured that all Members of the Board are duly informed in writing of forthcoming Board meetings and all necessary documentation related to the meeting is provided, so that they have sufficient time to review it.

The participation of the Board Members in other boards is such, so as, to allow them to devote the necessary time and attention to their duties as Members of the Board of the Company.

There is a clear division of responsibilities between the Chairperson of the Board of Directors and the Chief Executive Officer.

The Chairperson of the Board of Directors leads and manages the Board of Directors in a manner such as to ensure that it discharges its legal and regulatory responsibilities fully and effectively. The primary role of the Chairperson of the Board of Directors is to ensure that the Board of Directors is organised and operates properly and efficiently, to promote the required team spirit to the Board of Directors, to promote high standards of corporate governance and probity and to ensure that appropriate management information is provided to the Board to enable it to discharge its management and supervisory roles.

The Chief Executive Officer, under the delegated authority from the Board of Directors, has the responsibility for the day-to-day running of the Group, leads and directs the implementation of the Group strategy, which is determined by the Board of Directors and ensures that the Group's activities are executed in line with the performance targets set by the Board of Directors, the Laws, Regulations and Group Policies. The Chief Executive Officer of the Group is accountable to the Board of Directors.

The Board of Directors appoints an Independent Director as the Senior Independent Director. The Senior Independent Director is available to shareholders if they have concerns, which have failed to be resolved through normal communication channels. In addition, the Senior Independent Director, at least annually, chairs a meeting with the Non-Executive Directors without the Chairperson present, in order to appraise the performance of the Chairperson.

The Company Secretary and the Executive Officer ensuring compliance with the Code of Corporate Governance provide information and advisory services to the Members of the Board related to board procedures and the Code.

Based on the provisions of the Code and for the purposes of this Report, the following are the Directors in 2022 and up to the date of the Report:

(1) Independent Non-Executive Directors in 2022

- Dr. Evripides A. Polykarpou, Chairman
- Marco Comastri, Vice-Chairman
- Stephen John Albutt, Senior Independent Director
- Demetrios Efstathiou
- Christos Themistocleous[1] (Interim Director until 10th February 2022, appointed Member of the Board on 10th February 2022)
- Marianna Pantelidou Neophytou[3] (Member of the Board until 26th January 2023)
- Kristofer Richard Kraus[3]
- Marios Maratheftis[3]
- John Gregory Iossifidis
- Andreas Persianis
- Miranda Xafa[2] (appointed Member of the Board on 14th February 2022)
- Christodoulos Hadjistavris[3] (appointed Member of the Board on 26th January 2023).

A relevant "Confirmation of Independence" based on the minimum independence criteria in accordance with provision A.2.3. of the Code is signed by each of the Independent Non-Executive Directors and is submitted to the Cyprus Stock Exchange together with the present Report on Corporate Governance.

(2) Non-Independent Non-Executive Directors in 2022

- None.

(3) Executive Directors in 2022

- Oliver Gatzke, Executive Director / Chief Executive Officer
- Antonis Rouvas, Executive Director / Chief Financial Officer.

At least 50% of the Board of Directors (excluding the Chairperson) consists of Independent Non-Executive Directors.

(4) Chief Executive Officer

- Oliver Gatzke.

From 10th October 2022 until 11th December 2022, the duties of the Chief Executive Officer were officiated by Mr Petros Arsalides, Company Secretary / General Manager, Chairman's Office & Company Secretariat, as in view of certain investigations being undertaken in relation to alleged statements and actions of the Chief Executive Officer, the Board of Directors had decided, in order to ensure the smooth conduct of the said investigations, that it was proper that Mr O. Gatzke abstained from his duties until the completion of the said investigations.

Notes:

1 Mr Christos Themistocleous was not re-elected as Member of the Board of Directors at the Annual General Meeting of the Shareholders held on 23rd June 2021. On 1st July 2021, Mr Chr. Themistocleous was appointed as Interim Director by the Board of Directors of the Bank, in accordance with Regulation 110 of the Bank's Articles of Association. On 10th February 2022, the Board of Directors terminated Mr Themistocleous' appointment as Interim Director and on the same day appointed him as an Independent Non-Executive Director of the Board of Directors of the Bank. Mr Themistocleous was re-elected as Member of the Board of Directors at the Annual General Meeting of the Shareholders held on 28th September 2022.

2 Mrs Miranda Xafa and Mr Kyriacos Riris were elected as Members of the Board of Directors of the Bank at the Annual General Meeting of the Shareholders held on 23rd June 2021. Mrs M. Xafa was appointed as Independent Non-Executive Director on 14th February 2022, following the relevant consent of the European Central Bank / Central Bank of Cyprus. On 25th January 2022, the Bank announced that it had been notified by Mr K. Riris that he had withdrawn his interest to be appointed as a Member of the Board of Directors, for personal / professional reasons.

3 Under the independence criteria listed in the Directives on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions of 2020 & 2022 of the Central Bank of Cyprus, which differ from those of the Corporate Governance Code, Messrs Kristofer Richard Kraus, Marios Maratheftis and Christodoulos Hadjistavris are not independent, and Mrs Marianna Pantelidou Neophytou was also not independent until the end of her tenure on 26th January 2023.

(5) Application of best possible practices of Corporate and Internal Governance in the Company

Directors' Induction and Ongoing Development

All newly appointed Board Members receive an induction and training. They receive an induction information pack, participate in an induction programme and have the opportunity to meet with senior officers of the Bank, be briefed by them and participate in introductory presentations.

In addition, the Chairperson of the Board, with the assistance of the Company Secretary, must ensure that Members of the Board possess at all times sufficient knowledge and skills to perform their duties and that their education and development needs are addressed on a continuing basis. For this purpose, at the beginning of each year, a Board annual training schedule is prepared, which includes specialised programmes covering technical matters and matters for the development of business and personal skills. In addition, depending on the responsibilities and personal training needs of each Board Member, they are given the opportunity to participate in specialised induction programmes and seminars that relate to their responsibilities as Members of Board Committees.

Evaluation of Performance of the Board of Directors

Pursuant to the provisions of the Internal Governance Directive and best practices on Corporate

Governance, the Board performs an assessment of the Board of Directors and its Committees at least on an annual basis.

In addition, in accordance with the Internal Governance Directive, the Bank must assign at least every three years the review and evaluation of the composition, efficiency and effectiveness of the Board and its Committees to an independent external consultant. Both the internal and external evaluations are submitted to the Central Bank of Cyprus.

The Bank has established policies and procedures that govern the evaluation of the performance of the Board and its Committees.

In the first quarter of 2023 the Board of Directors performed the annual evaluation of the Board and its Committees for 2022.

The first external evaluation by external advisors was conducted in June 2015. A second external evaluation followed in the first quarter of 2018. The third external evaluation was completed during the first quarter of 2021.

The Board's Chairperson ensures that a clear improvement plan is put in place, which includes clear actions to address the development areas and it is regularly monitored by the Board.

The results of each annual self-assessment and the progress on the implementation of the actions in the improvement plan will constitute the basis for a review in the following year.

Corporate Governance Framework

The Bank has established a Corporate Governance Framework purporting to provide a comprehensive document, which clearly sets out the Company's corporate governance arrangements.

The Corporate Governance Framework provides information on the structures, responsibilities and processes established that ensure proper and effective management and oversight of the Company's affairs.

The Company's corporate governance policies purport to ensure the independence of the Board of Directors and its ability to effectively supervise Management's orderly operation of the Company. The policies are reviewed annually and in accordance with changing regulation and emerging best practice information.

The Corporate Governance Framework is reviewed at least annually by the Board.

Approval, Revision and Review of Policies, Frameworks and Charters

During 2022 and 2023 until the date of this Report, taking into account the provisions of the Internal Governance Directive and within the framework of the continuous efforts of the Company to improve its Corporate Governance, the Board has approved or revised or reviewed, inter alia, the following Policies and/or Frameworks and/or Charters:

- Corporate Governance Framework
- Board Nomination, Evaluation, Selection, Succession and Ongoing Assessment Policy
- Board Induction / Ongoing Education Policy
- Board Diversity Policy
- Directors Remuneration Policy
- Remuneration Policy
- Recruitment, Selection and Ongoing Assessment of Key Function Holders Policy
- Succession Planning of Key Function Holders Policy
- Key Function Holders' Diversity Policy
- Recruitment Policy
- Disciplinary Code

- Code for Dealing with Harassment in the Workplace
- Code of Business Conduct and Ethics Framework
- Anti-Bribery & Corruption Policy
- Anti-Money Laundering, Counter-Terrorism Financing & Economic Sanctions Policy
- Conflicts of Interest Policy
- Whistleblowing Policy
- Market Abuse Policy
- Compliance Charter and Framework
- Compliance Policy
- Internal Audit Charter
- Data Protection Office Charter
- Personal Data Protection Policy
- Dividends Policy
- Customer Acceptance Policy
- Risk Management Charter
- Risk Appetite Framework
- Risk Appetite Statement
- Credit Risk Management Framework
- Liquidity and Funding Risk Management Framework
- Market Risks Management Framework
- Operational Risk Management Framework
- Enterprise Risk Management Framework
- Compliance Policy to the Pillar III Disclosure Requirements as per CRR / CRD IV
- Credit Policy – various Chapters
- Information Security & Fraud Charter
- Information Security & Fraud Policy
- Capital & Leverage Policy
- Funding Policy
- Stress Testing Policy
- Investment Framework
- Operational Risk Policies Manual – various Chapters
- Operational Resilience Policy
- Insurance Distribution Policy
- Arrears Management Policies Manual – various Chapters

The Chairperson of the Board of Directors, the Chief Executive Officer, the Company Secretary and the Executive Officer ensuring compliance with the Corporate Governance Code confirm that compliance with the relevant laws, regulations and directives, the implementation of best practices of corporate governance within the Company and the application of an adequate and transparent framework of internal governance are amongst the priorities of the Bank.

Percentages of Major Shareholders as at 6th April 2023

The percentages of the Shareholders holding more than 5% of the Company's issued share capital as at 6th April 2023 were as follows:

EUROBANK S.A.	29,20%
DEMETRA HOLDINGS PLC	21,33%
POPPY S.A.R.L.	17,30%
WARGAMING GROUP LIMITED	7,20%

(6) Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Remuneration Committee in accordance with Appendix 1 of the Code. It is presented after the present Board of Directors' Report on Corporate Governance. The Remuneration Policy Report will be presented to the Annual General Meeting of the Shareholders for approval.

Information on the remuneration / fees of the Members of the Board of Directors and the Executive Directors for the year 2022 is disclosed in the notes to the Financial Statements contained in this Annual Financial Report (Note 45) as well as in the Remuneration Policy Report itself.

(7) Going Concern

The Board of Directors states that the Company intends to continue to operate on a going concern basis for the next twelve months.

(8) System of Internal Control

The Board of Directors has ensured that the Bank maintained an effective System of Internal Control in 2022. The adequacy and effectiveness of the System of Internal Control is reviewed by the Board at least annually. The review covers all systems of internal control, including financial and operational systems, as well as compliance systems and systems for the management of risks that threaten the attainment of the Group's objectives.

To meet this requirement, procedures have been designed for safeguarding the Group's assets for maintaining proper accounting records and for ensuring the accuracy, completeness and validity of the information provided to the Group's stakeholders. These procedures can only provide reasonable but not absolute assurance against material misstatement, errors, losses, fraud or breaches of laws and regulations.

In this context, all Group operational management units are suitably staffed and responsible for the introduction and operation of appropriate control systems according to their respective business and responsibilities. Within this framework, the abovementioned management units:

- Operate on the basis of a specific organisational structure and allocation of responsibilities.
- Prepare and monitor the implementation of the strategic and business plans and annual budgets.
- Follow written procedures, receive and disseminate information and advice through circulars and training programmes.
- Adopt a policy of adequate segregation of duties in order to avoid potential conflict(s) of interest wherever this is deemed necessary.
- Apply, at branch level, performance evaluation and measurement models based on specific targets.
- Are supported by appropriate software and hardware systems.
- Are subject to regular internal and external audits.

The effectiveness of the System of Internal Control is reviewed on a more regular basis by the Audit and Risk Management Committees through regular reports to the Board. In carrying out their reviews, the Audit and Risk Management Committees receive reports on internal controls, both financial and non-financial, internal audit reports, external audit reports and regulatory reports.

The Executive Management of the Group is responsible for addressing weaknesses arising out of these reviews and for ensuring that mitigating actions are implemented within an appropriate and agreed timetable.

The Internal Audit Unit reports directly to the Audit Committee and the Board of Directors. It consists of 43 persons and is headed by Mrs Niki Nicolaidou-Hadjixenophontos (B.Sc. Honours in Financial Services, M.B.A., A.C.I.B., F.C.C.A.).

The following audit assignments have been outsourced in 2022 to external audit firms:
(a) Audit of the Insurance subsidiary companies of the Group (Pancyprian Insurance and Hellenic Life),
(b) Internal Audit Services in the areas of:
- Operating Systems and Databases,
- Core Banking System (Non-stop) Operating System & Database,
- Next-generation Network Firewalls.

(9) Confirmation in Accordance with the Provision C.2.1. of the Code

In relation to paragraph (8) above (System of Internal Control), the Members of the Board of Directors confirm that they have reviewed the adequacy of the systems of internal control of the Company as well as the procedures for verification of correctness, accuracy and validity of information disseminated to investors.

The Board also confirms that, to its knowledge, no violation in the Stock Exchange Legislation and Regulations has occurred, except in cases already reported to the relevant authorities (where this applies).

(10) Independent Auditors – Provision C.2.2. of the Code

In 2022, Ernst & Young Cyprus Limited, Independent Auditors of the Company, offered non-audit services e.g., tax services, general and specialised advisory services, review of various returns, training seminars, etc. Their objectivity and independence are ensured in the following ways:

(i) Ernst & Young Cyprus Limited and its professional team members comply with the independence requirements, for assurance engagements, outlined in the EY Group Independence Policy, which is as per the IESBA Code of Ethics for professional accountants, the EU Audit Regulation 537/2014 and the EU Audit Directive 2006/43/EC.

(ii) Relevant procedures are also performed, as required by their Conflict of Interest Policy, and they have not identified any potential independence issues or any conflict of interest threat, which would impact on their ability to provide an independent and unbiased opinion.

(iii) In addition, Ernst & Young Cyprus Limited monitors, on an ongoing basis, the commercial banking relationship between the Independent Auditors and Hellenic Bank Group and fee dependency.

(iv) The offer of non-audit services by the Independent Auditors is monitored by the Audit Committee in a manner aiming to ensure that their objectivity and independence are not compromised.

Ernst & Young Cyprus Limited have confirmed in writing to the Company items (i) to (iii) above. The Independent Auditors do not offer internal audit services to the Company.

(11) Credit Facilities to Directors

Information as to credit facilities provided to Company Directors (and related parties) is to be found in the relevant notes to the Financial Statements (Note 45) contained within the present Annual Financial Report. It is confirmed that credit facilities to Company Directors (and related parties) or to its subsidiary or associated company Directors are granted in the normal course of the Company's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of Bank facilities to Company Directors and its subsidiary company Directors are forwarded for approval to the Board, after the relevant proposal of the Board's Audit Committee on the "arm's length" nature of the cases. The interested Member of the Board is neither present nor participates in the procedure.

(12) Executive Officer ensuring compliance with the Code of Corporate Governance

The Company has appointed Mrs Maria Vovides-Iliescu, Assistant Company Secretary, as Executive Officer ensuring compliance with the Code of Corporate Governance.

(13) Board Committees

The following Board Committees operate within the Company:

(a) Audit Committee

Chairperson: Christos Themistocleous (Chairman from 11th February 2022)
Demetrios Efstathiou (Chairman until 11th February 2022)

Members: Christos Themistocleous (Member until 11th February 2022)
John Gregory Iossifidis
Andreas Persianis.

(b) Remuneration Committee

Chairperson: Andreas Persianis

Members: Kristofer Richard Kraus (until 11th February 2022)
Demetrios Efstathiou
Christos Themistocleous (from 11th February 2022)
Miranda Xafa (from 28th February 2022).

(c) Nominations / Internal Governance Committee

Chairperson: Dr. Evripides A. Polykarpou

Members: Marianna Pantelidou Neophytou (until 26th January 2023)
Kristofer Richard Kraus
Marco Comastri
Stephen John Albutt
Marios Maratheftis
John Gregory Iossifidis
Christodoulos Hadjistavris (from 8th February 2023).

(d) Risk Management Committee

Chairperson: Stephen John Albutt

Members: Demetrios Efstathiou (from 11th February 2022)
Marios Maratheftis
Christos Themistocleous (until 11th February 2022)
Kristofer Richard Kraus (from 28th February 2022)
Miranda Xafa (from 28th February 2022).

(e) Transformation Committee

Chairperson: Marco Comastri

Members: Marianna Pantelidou Neophytou (until 26th January 2023)
Dr. Evripides A. Polykarpou
Christodoulos Hadjistavris (from 8th February 2023).

The terms of reference of the above Committees (except the temporary / ad hoc Transformation Committee) are based both on the relevant provisions of the Code pertaining to them and the relevant guiding Directives of the Central Bank of Cyprus. They are published in paragraph 14 below while those of the Remuneration Committee are included in the Remuneration Policy Report. Within the framework of the provisions of the Code concerning relations with shareholders, the Chairpersons of these Committees are available to answer any questions at the Annual General Meeting, at which all shareholders are encouraged to participate. The Chairpersons and Members of the Committees periodically submit reports or proposals to the Board of Directors following meetings of the corresponding Committees, depending on the subjects being addressed.

The **Audit Committee** meets before the announcement of the quarterly financial results, to monitor the integrity, accuracy and reliability of the Group’s quarterly and annual financial reporting process and Financial Statements as well as any formal announcements relating to the Group’s financial performance, to assess the adequacy of the provisions in line with accounting policies and standards and to monitor the establishment of accounting policies and practices, paying particular attention to (i) changes to critical accounting policies and practices, (ii) decisions requiring a significant element of judgement and (iii) unusual transactions and how these are disclosed. It then proceeds with the relevant suggestions to the Board of Directors through a detailed memo.

The Audit Committee submits proposals to the Board regarding the appointment, compensation, terms and scope of engagement and substitution or rotation of the External Auditors and any other external auditors of Group companies. The Committee monitors and ensures the independence and effectiveness of the Auditors and oversees the relationship between them and the Group.

The Audit Committee also meets (without the presence of Members of the Executive Management, unless the Audit Committee deems their attendance necessary, but with the presence of the Control Functions that report to it) to review matters that are within its responsibility and terms of reference, especially in relation to the design, operation, adequacy and effectiveness of the Systems of Internal Control and Compliance. The Committee makes recommendations or suggestions to the Board on issues under its jurisdiction.

The Audit Committee assesses and monitors the independence, adequacy and effectiveness of the Internal Audit and Compliance Functions and also of the Data Protection Office.

It is noted that Pancyprian Insurance Ltd and Hellenic Life Insurance Company Ltd also maintain an Audit Committee.

During 2022, the Audit Committee held twenty three meetings, three of which were held jointly with the Risk Management Committee.

The current Committee’s Chairman (from 11th February 2022) holds a Bachelor of Science degree in Economics (Accounting & Finance) from the London School of Economics and Political Science and he is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He retired as a partner from PwC Cyprus in 2017, following a 36-year career as an Accountant and Auditor and he has extensive audit experience of local and international companies in the hotel, construction & development, manufacturing and retail industries. The previous Committee’s Chairman (until 11th February 2022) has a Bachelor of Engineering degree in Information Systems Engineering and he holds a Master of Business Administration (M.B.A.). He has extensive investment banking experience in multinational companies in London. One of the Committee Members holds a Bachelor’s degree in Economics (Accounting major, Economics minor) and a Master’s degree in Business Administration (Executive MBA) and has extensive experience, predominantly in the Financial Sector, in large multinational and regional financial institutions. Another Member holds a Master of Business Administration (M.B.A.) majoring in Finance and Investment Banking, and he has extensive fund management experience in London and Cyprus.

The **Risk Management Committee** assists the Board of Directors in fulfilling its responsibilities and obligations concerning the identification, measurement, monitoring and effective management of all the Group's risks (including but not limited to credit, interest-rates, operational, market, liquidity, foreign exchange, reputation, capital, information security & fraud, environmental, social and governance (ESG), outsourcing and other risks). Amongst other duties, the Committee prepares and submits proposals for approval to the Board concerning the principles, framework, policies, recovery plan and risk appetite in relation to undertaking and managing all forms of risk and the use of capital that corresponds to the business objectives of the Company, the Group and/or each subsidiary company separately. The Committee’s mission includes promoting a culture of risk awareness and appropriate risk undertaking across the Group and assisting the Board of Directors in overseeing the effective implementation of the

Risk Appetite Framework and Strategy.

It is noted that Pancyprian Insurance Ltd and Hellenic Life Insurance Company Ltd also maintain a Risk Management Committee.

The Risk Management Committee meets whenever necessary and at least every month. During 2022, the Committee held fourteen meetings.

The **Remuneration Committee** defines and recommends for approval by the Board of Directors the Remuneration Policy, including pensions and variable compensation and the Remuneration Principles of the Group, which are aligned to the Group's strategic objectives and values. The Committee meets whenever it is necessary to fix or review the remuneration of Executive and Non-Executive Members of the Board of Directors, the Company Secretary, the Chief Executive Officer, and Key Function Holders, including the Heads of Control Functions. After considering all relevant parameters and data, it makes relevant recommendations to the Board for making decisions, in the absence of the involved Executive Member(s) of the Board or other Officers involved. It is also engaged in reviewing and making proposals on the remuneration of the Non-Executive Members of the Board of Directors of the subsidiaries or associated companies of the Group.

The Committee's suggestions and the Group's Remuneration Policy take into consideration the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration at other levels in the Group as well as non-financial criteria e.g., compliance with applicable rules and procedures. The Committee's aim is to attract and retain good quality officers at Executive and Key Function Holder levels, in order to better serve the interests of the Group as well as those of its Shareholders and other stakeholders.

The Committee also reviews and recommends for approval by the Board of Directors the Directors' Remuneration Policy, which is voted at the Annual General Meeting of the Shareholders in accordance with the provisions of the Encouragement of the Long-Term Active Participation of the Shareholders Law of 2021, Law 111(I)/2021.

The Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Financial Report of the Company, which is submitted to the Annual General Meeting of the Shareholders for approval. The Committee also reviews and approves the Disclosure of Information regarding the Annual Remuneration of the Directors, which is prepared by Human Resources for inclusion in the notes to the annual Financial Statements of the Company and the Remuneration Policy Report itself.

During 2022, the Remuneration Committee held three meetings.

The **Nominations / Internal Governance Committee** is engaged in selecting fit and proper individuals for appointment as Board Members of the Company or its subsidiaries or associated companies of the Group or any other company in which the Company has the right to appoint Members of the Board, either for positions extraordinarily vacated or after the retirement of Board Members. The Committee then submits its suggestion(s) to the Board of Directors for reaching a relevant decision. The new Members of the Board undergo a detailed induction programme.

The Committee is also engaged in identifying, evaluating and recommending for approval by the Board of Directors candidates for the position of the CEO of the Company or any other company in which the Bank has the right to appoint and/or recommend the CEO, as well as in evaluating and recommending for approval by the Board of Directors the appointment of Key Function Holders excluding the Heads of Control Functions, following a relevant recommendation by the CEO.

The Committee also has the responsibility of implementing the Group's policies on Internal Governance as well as to oversee the Board's Evaluation and Succession Plan. The Committee has the overall responsibility for the development and implementation of the Bank's Environmental, Social and Governance (ESG) strategy. The Nominations / Internal Governance Committee meets whenever issues within its competency arise.

During 2022, the Nominations / Internal Governance Committee held seven meetings.

The Board of Directors decided to establish a temporary / ad hoc **Transformation Committee** of the Board as from 4th May 2020. The primary role of this Committee is to oversee the implementation of the Bank's Transformation Strategy, with special emphasis on the monitoring of the implementation of the Digital Transformation Strategy which forms part of the Bank's overall Transformation Strategy and to keep the Board of Directors informed of the progress, risks and mitigating plans of such implementation.

The Transformation Committee meets whenever necessary. During 2022, the Committee held ten meetings.

(14) Terms of Reference of the Board of Directors' Committees (except the Remuneration Committee and the temporary / ad hoc Transformation Committee)

Terms of Reference of the Audit Committee

1. <u>Establishment / Mission</u>

The Board Audit Committee (the 'Committee') was established to fulfil the following mission in relation to Hellenic Bank Public Company Limited (the 'Company' or the 'Bank' or the 'Group'):

The primary mission of the Committee is to ensure compliance with the applicable legal and regulatory framework, including but not limited to the requirements of the Business of Credit Institutions Laws, the relevant Central Bank of Cyprus and European Central Bank Directives and requirements and the Cyprus Stock Exchange Code of Corporate Governance, in relation to Internal Audit and Compliance.

The Committee reviews and challenges, where necessary, Group Policies / Frameworks, practices, controls as well as actions and judgements of the Management team that contribute to the sound management and conduct of the operations and activities of the Company.

The Committee is responsible for assisting the Board of Directors (the 'Board') in the effective monitoring of the activities and operations of the Group.

The detailed duties and responsibilities of the Committee are set out in section 5.

To accomplish its mission, the Committee has under its direct monitoring and control Internal Audit, which is independent of the Executive Management and accountable to the Committee. Also, the Compliance Unit and the Data Protection Office reports quarterly to the Committee on matters related to the adequacy and effectiveness of the Compliance Framework and the Framework for Business Conduct and the Data Protection Framework respectively.

The Committee has adequate access to the Internal Control Functions, and it obtains independent professional advice whenever it deems this necessary.

2. <u>Composition and Term-in-Office of Members of the Audit Committee</u>

The Board appoints at least three and up to seven non-Executive Directors as Members of the Committee. The majority of the Members of the Committee must be independent non-Executive Members of the Board.

The Committee should have:

(a) Recent and relevant practical experience in financial markets or professional experience directly linked to financial markets activity and

(b) Knowledge of the Group’s broader business environment, including information systems, technology, compliance and internal audit.

Members of the Committee must not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Terms of Reference of the Committee.

Members of the Committee cannot participate in more than two (2) statutory committees, including the Committee.

The Chairperson of the Committee shall be independent and have specialist knowledge and experience in the application of accounting principles and internal control processes and will be appointed by the Board.

The Chairperson of the Board shall not be a Member of the Committee.

The term-in-office of the Members of the Committee is decided by the Board.

3. Meetings of the Audit Committee

The Committee holds meetings, at least quarterly, which, where appropriate, must coincide with important financial reporting dates.

When participating in scheduled meetings of the Committee, at least half, plus one (1) member, rounded down, shall be physically present. For unforeseen issues the Committee may convene via teleconferencing / videoconferencing for decision-taking. A Committee resolution in writing signed or approved by email or any other means of transmission (e.g., Diligent) by ALL Committee Members shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Every effort shall be made to carry out a regular meeting at least once a year with the physical presence of all Committee Members.

The arrangement for attending regular or extraordinary meetings via teleconference / videoconference shall not be used abusively but with caution at member or committee level ensuring that, as a rule and unless there are special circumstances to justify the opposite, at least the majority of Committee Members are physically present at each regular or extraordinary meeting.

Committee Members shall not be absent from the regular and extraordinary meetings either physically or via teleconference / videoconference, for more than two (2) consecutive meetings or twenty-five percent (25%) of the annual meetings.

The next integral number of one half of the Members comprises a quorum.

The Committee invites regularly to its meetings the Head of Internal Audit, the Head of the Compliance Unit, the Manager of the Data Protection Office and any executives of the Group, whose input / opinion it considers necessary to enable it to best discharge its duties and comply with its terms of reference.

The Chairperson of the Committee shall ensure that no person other than its Members is present at a meeting, including other Board Members, unless he/she is formally invited for a specific item or items on the agenda to contribute towards that specific item. Such person is present only during the discussion of the specific item and leaves the meeting immediately after, without any participation in the decision-making process.

Prior to the commencement of a Committee meeting, the Chairperson shall read all the items on the agenda and request that any Member, who has a potential interest and/or conflict of interest in any of the agenda items, to explain such conflict and not participate in the discussion of such agenda topic. Also, during a committee meeting, a Member must declare any potential interest and/or conflict of interest as soon as it becomes apparent. For any agenda item / other specific issue with conflicts of interest by a Committee Member, he/she is asked to leave the meeting when discussing / voting for that agenda item / specific issue and the relevant material and minutes relating to that agenda item / specific issue are restricted to be viewed by that Member.

The Company Secretariat must be closely involved in the preparation of the meeting's agenda and ensure it is distributed, including supporting papers where relevant, at least three (3) business days in advance of the meeting, except of the supporting papers regarding the annual preliminary financial results and the Quarter 1 and Quarter 3 financial results, for which Company Secretariat must ensure that are distributed at least two (2) business days in advance of the meeting. Any envisaged late material submission, deemed necessary and justified, must be authorised by the Chairperson in advance.

The material submitted should include summarising cover memos or executive summaries and/or dashboards and should highlight the risks, opportunities, costs, and benefits of the various items on which the Committee is expected to make recommendations to the Board.

The Committee reports regularly to the Board. The Company Secretariat must ensure that minutes and decisions are kept for each Committee meeting, they are finalised not later than fifteen (15) business days following the meeting and are formally approved at the next scheduled meeting.

The Company Secretariat must ensure that the final minutes of the Board Audit Committee meetings are submitted to the Central Bank of Cyprus (in accordance with paragraphs 12 and 19 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus) within one (1) month from the date of the meeting. In case no Committee meeting is held within one (1) month, the minutes shall be approved by written procedure by all Members present at the meeting and submitted within the specified deadline to the Central Bank of Cyprus. The approved and signed minutes are subsequently circulated to all Board Members (by uploading on Diligent Board Resources).

4. Operational and Decision-making Process of the Audit Committee

4.1 The Committee is authorized by the Board to:

(a) Investigate any activity within its Terms of Reference,

(b) Seek any information and clarifications from any employee of the Company. All employees are required to co-operate with any request made by this Committee.

4.2 The Committee should follow the arrangements established / approved and supervised by the Board that are intended to ensure the internal operation of the Committee, for the proper flow of information, including the verification documents for the Committee's recommendations and conclusions, and the reference channels between the Committee and the Board, the Central Bank of Cyprus, and other parties.

4.3 The Committee, in exercising its supervisory responsibilities, shall have adequate access to resources and information relevant to its duties. The Committee shall follow the framework and appropriate and transparent procedures for such access, and appropriate and transparent procedures in the event that it allows the Committee Members to communicate individually and directly with senior management and/or members of staff, in exercising their supervisory responsibilities as Members of the Committee (abovementioned framework / procedures are established by the Board).

4.4 The Chairperson of the Committee is responsible for the efficient operation of the Committee and for adhering to proper governance procedures. He/she encourages and promotes open discussions with a critical spirit, ensuring that divergent views can be expressed and discussed within the decision-making process. The Chairperson of the Committee sets and prioritises the items on the agenda and ensures that Committee decisions are taken on a sound basis based on sufficient information received in a timely manner before meetings. He/she also ensures that sufficient time is provided to Committee Members for examining important issues and receiving answers to any questions or concerns they may have, without being confronted with unrealistic deadlines for decision making.

4.5 The Committee should interact with other committees in an appropriate way. Subject to subparagraph (4) of paragraph 18 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus, such interaction may take the form of multiple participation so that the Chairperson or a Member of the Committee may also be a member of another committee.

4.6 The decisions of the Committee are taken by majority voting. In the event of an equality of votes, the Chairperson of the meeting shall not have a second or casting vote and the item in discussion must be escalated to the Board.

4.7 The Committee, in exercising its duties, needs to ensure, to the extent possible and on an ongoing basis, that decision making is not dominated by one individual or by a small group of individuals in a way that it affects the interests of the Company as a whole.

5. <u>Duties and Responsibilities of the Audit Committee</u>

The duties and responsibilities of the Committee are the following:

5.1 Financial Statements

5.1.1 It monitors the integrity, accuracy and reliability of the Group's quarterly and annual financial reporting process and Financial Statements, as well as any formal announcements relating to the Group's financial performance and other disclosures and makes relevant recommendations to the Board. It reviews the quarterly and annual Financial Statements of the main subsidiaries of the Group.

5.1.2 It assesses the adequacy of the provisions in line with applicable accounting policies and standards and submits a relevant report to the Board and the Board Risk Management Committee on a quarterly basis.

5.1.3 It monitors the establishment of applicable accounting policies and practices, paying particular attention to the following:

(a) Changes to critical accounting policies and practices,
(b) Decisions requiring a significant element of judgement,
(c) Unusual transactions and how these are disclosed.

5.1.4 It monitors the effectiveness of the internal quality control and risk management systems and its Internal Audit function in relation to the Group's quarterly and annual financial reporting.

5.2 External Audit

5.2.1 It submits proposals to the Board regarding the appointment, compensation, terms and scope of engagement and substitution or rotation of the approved Auditors and other external Auditors of the Group. It is responsible for the selection process of external / statutory auditors and proposal for approval to a General Meeting of Shareholders of the Bank regarding their appointment, in accordance with relevant regulatory requirements, their remuneration and termination.

It reviews the scope of the audit and the frequency of a Statutory Audit of the Annual Financial Statements.

5.2.2 It monitors and ensures the independence and effectiveness of the External Auditors, including:

(a) Seeking from the Auditors information about the policies and procedures for maintaining independence and compliance with relevant requirements, at least on an annual basis.

(b) Seeking reassurance that the Auditors and their staff have no family, financial, employment or business relationship with the Company (other than in the normal course of business).

(c) Discussing with the Auditors the threats to independence and applicable safeguards as well as the key issues related to independence in the Auditors' Additional Report to the Board Audit Committee and mitigation actions.

(d) Taking account of the Audit Firm's Partners rotation policy.

(e) Overseeing the Auditors' compliance with the reporting requirements in relation to the Audit Report and the Auditors' Additional Report to the Board Audit Committee.

(f) Monitoring the history of new key management staff joining the Group in relation to previous employment by the incumbent Auditors.

5.2.3 It oversees the relationship between the Group and its Auditors.

5.2.4 It evaluates the extent and effectiveness of the audits and examines ways to better co-ordinate the audit effort to ensure complete coverage, avoidance of overlapping work and the best use of available audit resources (cost effectiveness).

5.2.5 It monitors the Statutory Audit of the Annual Financial Statements, and in particular its performance, considering any findings and conclusions of the Cyprus Public Audit Oversight Board.

5.2.6 It informs the Board of the outcome of the Statutory Audit, explaining its contribution to the integrity of the Group Financial Statements and what was the role of the Committee in this procedure.

5.2.7 It evaluates and considers the statements made / matters identified in the Audit Report and the Auditors' Additional Report to the Board Audit Committee and any other audit reports.

The Committee liaises and holds meetings with the Auditors frequently to discuss matters arising from their audit findings.

5.2.8 It evaluates the comments and proposals of the Auditors regarding the management of the Group, the preparation and presentation of its Financial Statements and the monitoring of their application.

5.2.9 It is responsible for the oversight of permissible non-audit services ('NAS') to the Bank and its subsidiary or affiliated companies by their Auditors, considering into account the nature of the services offered, the threats to their independence and the safeguards applied.

5.2.10 The Committee Members must satisfy themselves that the NAS provided by the Auditors do not compromise the Auditors' independence. Factors that the Committee Members should consider include:

(a) The level of fees paid for the provision of NAS as a proportion of total fees paid to the Auditors. The Committee is informed quarterly by Finance and the Auditors about the nature, extent and fees of NAS or other advisory assignments of the Auditors.

(b) Regarding the NAS provided, the aim is to maintain the balance between objectivity and the value added by the NAS at Group level.

(c) In the case where NAS are offered to a subsidiary or affiliated company of the Bank and the volume is such that it downgrades the objectivity of their audits, the Committee informs the corresponding Committee (where it exists) of the subsidiary company or its Board of Directors.

(d) The Auditors must provide a written confirmation of independence for all NAS, approved by the appropriate authority within the external audit firm (typically the principal engagement partner).

5.2.11 It is responsible for confirming that the Group's NAS provided by the Auditors are permissible and ensuring the Auditors' independence by monitoring the volume, nature and fees of NAS. All requests for review of NAS provided by the Auditors are submitted to the Committee through Finance.

5.2.12 As per the Framework for Related-Party Transactions - NAS by the Auditors approved by the Board, the Board delegated to the Chief Financial Officer the approval of NAS, if certain criteria are met, including the arm's length assessment of NAS by the Auditors and the evaluation of independence and permissibility of NAS by the Auditors (instead of the latter being performed by the Committee as above).

Finance provides relevant quarterly reports to the Committee as part of the quarterly analysis of the NAS and fees by the Auditors, and the Board is informed retrospectively by the Committee.

5.2.13 Finance prepares annually a report in which the audit services and NAS are recorded by category, timing, duration and fees paid to the Auditors. The report is submitted to the Committee for review and subsequent submission to the Board, along with the relevant comments of the Committee and its recommendation for the independence of the Auditors.

5.3 Internal Audit

5.3.1 It reviews the Internal Audit Charter and recommends it for approval to the Board.

5.3.2 Internal Audit submits its annual audit plan and budget to the Committee for review and approval, including any outsourcing arrangements, ensuring appropriate coverage, prioritisation, and flexibility to adapt to variations in response to developments. Changes to the annual audit plan and/or the budget during the year must have the prior approval of the Committee.

5.3.3 It submits to the Board its recommendations on the appointment and replacement of the Head of Internal Audit.

5.3.4 It assesses, on an annual basis, the performance of the Head of Internal Audit and submits his/her annual appraisal to the Board.

5.3.5 It assesses and monitors the independence, adequacy, and effectiveness of Internal Audit.

5.3.6 It monitors the effectiveness of the Group's internal quality control and risk management systems and its Internal Audit function, with regards to the Group's financial reporting, without compromising its independence.

5.3.7 It reviews the quarterly and annual reports submitted by the Chief Internal Auditor, which are subsequently submitted for the Board's review, as well as all other Internal Audit reports submitted by the Chief Internal Auditor. Internal Audit reports relating to the main subsidiaries of the Group are also included in the quarterly and annual reports.

5.3.8 It submits to the Board reports regarding the following:

(a) Proposals for addressing any weaknesses of the internal control systems and information systems, which have been identified based on reports of Internal Audit and the observations and comments of the External Auditors and the regulatory authorities.

(b) Matters relating to the independence and smooth execution of the audit work carried out by Internal Audit.

5.3.9 (a) It confirms that the Company assigns the assessment, at least once every three years, of the adequacy and effectiveness of the internal control framework, on an individual and consolidated base, to external Auditors, other than the Bank's approved External Auditors, who have the necessary know-how to carry out the required assessment in accordance with paragraph 82 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus.

(b) It evaluates the findings of the above assessment and proposes corrective measures to the Board.

5.3.10 It ensures that Internal Audit has appropriate standing and authority within the Company and adequate resources.

5.3.11 It reviews, assesses, and approves any changes in the organisation structure of Internal Audit prepared by the Head of Internal Audit in consultation with Human Resources.

5.4 Compliance

5.4.1 It reviews the Compliance Charter & Framework and recommends it for approval to the Board.

5.4.2 It assesses and monitors the independence, adequacy, and effectiveness of the Compliance Unit.

5.4.3 It submits to the Board its recommendations on the appointment and replacement of the Head of the Compliance Unit.

5.4.4 It assesses, on an annual basis, the performance of the Head of the Compliance Unit and submits his/her annual appraisal to the Board.

5.4.5 It advises the Board, drawing on the work of the Compliance Unit, on the adequacy and effectiveness of the Code of Business Conduct and Ethics.

5.4.6 It advises the Board, drawing on the work of the Compliance Unit and the External Auditors, on the adequacy and effectiveness of the Compliance Framework (including the Compliance Monitoring Programme and Compliance Policies). Anti-Money Laundering Compliance is also included therein, following delegation by the Board of its direct responsibility for monitoring Anti-Money Laundering Compliance, to the Committee.

5.4.7 The Compliance Unit submits its annual Compliance action plan and monitoring programme and budget to the Committee for approval, ensuring that they are sufficiently flexible to adapt to variations in response to developments. Changes to the action plan and monitoring programme and/or the budget during the year must have the prior approval of the Committee.

5.4.8 It reviews the quarterly and annual compliance reports submitted by the Head of the Compliance Unit, which are subsequently submitted for the Board's review. The annual reports of the Anti-Money Laundering Compliance Officer are submitted directly to the Board. Issues relating to the main subsidiaries of the Group are also included in the abovementioned reports.

5.4.9 It ensures that the Compliance Unit has appropriate standing and authority within the Company and adequate resources.

5.4.10 It reviews, assesses, and approves any changes in the organisation structure of the Compliance Unit prepared by the Head of the Compliance Unit in consultation with Human Resources.

5.4.11 It reviews and submits to the Board the Head of the Compliance Unit's recommendation on the appointment and replacement of the Anti-Money Laundering Compliance Officer (AMLCO). The Head of the Compliance Unit submits, on an annual basis, the performance appraisal of the AMLCO to the Committee for notification.

5.5 Data Protection

5.5.1 It reviews the Data Protection Office Charter and recommends it for approval to the Board.

5.5.2 It assesses and monitors the independence, adequacy, and effectiveness of the Data Protection Office.

5.5.3 It approves the appointment and replacement of the Manager of the Data Protection Office and notifies the Board accordingly.

5.5.4 It assesses, on an annual basis, the performance of the Manager of the Data Protection Office and notifies the Board accordingly.

5.5.5 The Data Protection Office submits its annual Data Protection action plan and budget to the Committee for approval, ensuring that they are sufficiently flexible to adapt to variations in response to developments. Changes to the action plan and/or the budget during the year must have the prior approval of the Committee.

5.5.6 It reviews the quarterly and annual Data Protection Office reports submitted by the Manager of the Data Protection Office, which are subsequently submitted for the Board's review.

5.5.7 It ensures that the Data Protection Office has appropriate standing and authority within the Company and adequate resources. It supports and empowers the Manager of the Data Protection Office to ensure implementation of any General Data Protection Regulation-related remedial actions.

5.6 Miscellaneous Issues

5.6.1 It assigns to Internal Audit or to independent experts, the investigation of any matters, which fall within its mission and responsibilities, and it obtains independent professional advice whenever it deems this necessary. The Committee has an annual budget of €100.000 to use for the services of independent experts / consultants. In case the annual budget needs to be exceeded, the Committee should request the approval of the Board before any additional expenditure is incurred.

5.6.2 It requests information from Senior Management on the significant risks to which the Group is exposed; it evaluates the measures taken by Senior Management and the Board to minimise these risks and submits its recommendations for the improvement of those measures.

5.6.3 It investigates any other important data, information or facts that concern and influence the performance and operation of the Company or its compliance with the relevant legal and regulatory framework that govern it.

5.6.4 It oversees that Senior Management takes the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other weaknesses identified by external Auditors, Internal Audit, the Compliance Unit, and the regulatory authorities.

5.6.5 Following a decision of the Committee, the Chairperson of the Committee convenes a joint meeting with the Members of the Board Audit Committee of a subsidiary company to discuss and study any matters concerning that company as may be deemed necessary.

5.6.6 The Committee has the responsibility for examining any significant transactions, of any nature, carried out by the Bank and/or its subsidiary companies, in which a Member of the Board, the Chief Executive Officer, a Senior Executive, the Company Secretary, the Auditors or a major shareholder of the Company (who directly or indirectly holds more than 5% of the issued share capital of the Company or its voting rights) has, directly or indirectly, any significant interest, so as to ensure that these transactions are carried out within the framework of the Company's normal commercial practices (at arm's length).

The above definition includes the Members of the Board of subsidiary companies.

5.6.7 It prepares, with the assistance of the Executive Officer responsible for ensuring compliance with the Corporate Governance Code, the Report of the Board of Directors on Corporate Governance to be included in the Group's Annual Financial Report.

5.6.8 It handles any eponymous or anonymous reports by employees / associated third parties, submitted in the context of the Group's relevant policy.

5.6.9 It assesses the adequacy and effectiveness of the appeals process, based on reports of the Appeals Committee, and of the Appeals Committee itself. It identifies any weaknesses or gaps in the loans restructuring process and it subsequently informs the executive Management and the Board on further action as it considers necessary.

5.6.10 It carries out an annual self-assessment and reports to the Board its conclusions and recommendations for improvements and changes in relation to the structure, the responsibilities, and the work of the Committee.

5.6.11 The Chairperson of the Committee is available for personal, telephone, electronic or written communication, upon request of the Company's shareholders, regarding issues concerning the work of the Committee. He/She is also available to answer any questions raised during the Annual General Meeting or any other informative meeting of the Company's shareholders.

5.6.12 Information regarding the structure and work of the Committee is also included in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

6. <u>Duty & Responsibility of the Audit Committee's Chairperson arising from Article 58D of the Prevention and Combating of Money Laundering Law of 2007</u>

The Chairperson of the Committee is appointed by the Board, according to the requirements of Article 58D of the Prevention and Combating of Money Laundering Law of 2007, to be responsible at Board level for the implementation of the laws, regulations and administrative provisions required to be complied with for the purposes of compliance with the Prevention and Combating of Money Laundering Law of 2007, and the Directives and/or circulars and/or regulations issued thereunder, including any relevant acts of the European Union, including the relevant arrangements and procedures of the credit institution for preventing and combating money laundering.

7. <u>Validity and Amendments of the Terms of Reference of the Audit Committee</u>

The Terms of Reference are reviewed regularly, at least annually, to ensure continuing appropriateness. The reviews must be documented and include, where necessary, recommendations to the Board on revisions to reflect any new practices that may be adopted by the Group. These may include organisational restructuring, Directives of the Central Bank of Cyprus, amendments in the relevant legislation, new Directives of the Securities and Exchange Commission or new Regulations of the Cyprus Stock Exchange which are added to the Code.

8. <u>Corporate Governance Code issued by the Cyprus Stock Exchange</u>

Notwithstanding the above, the Committee will function strictly within the framework of the relevant provisions of the Corporate Governance Code issued by the Cyprus Stock Exchange, as determined in Chapter C of the Code.

Terms of Reference of the Risk Management Committee

1. Establishment / Mission

The Board Risk Management Committee ('BRMC' or the 'Committee') of Hellenic Bank Public Company Limited (the 'Company' or the 'Bank' or the 'Group') was established to fulfil the following mission:

1.1 Set a well-defined and clearly communicated strategy for risk management and information security and fraud throughout the Group and embedding of the Risk Appetite Framework ('RAF') and the Risk Appetite Statement ('RAS').

1.2 Promote and embed a culture of risk / information security and fraud awareness and appropriate risk taking across the Group and assist the Board of Directors of the Bank in implementing the strategy.

1.3 Promote risk-informed decision making across the Group.

1.4 Ensure compliance with all required laws and regulations including but not limited to the requirements of the Business of Credit Institutions Laws, the relevant Central Bank of Cyprus' and European Central Bank's Directives and requirements, and the Cyprus Stock Exchange's Code of Corporate Governance in relation to Risk Management and Information Security & Fraud.

1.5 Periodically review the Bank's Enterprise Risk Management Framework and the Information Security & Fraud Framework (Policy).

1.6 Ensure that the Risk Management and Information Security & Fraud Functions fulfill their responsibilities and obligations concerning the identification, measurement, monitoring and effective management of all Group risks.

2. Composition of the Risk Management Committee

The Committee is appointed by the Board of Directors ('BoD' or 'Board') and consists of three to seven Non-Executive Directors with sufficient knowledge and experience in the Risk Management sector. The majority of the Members of the Committee must be independent Non-Executive Members of the Board.

Members of the Risk Management Committee can be members of only one other Board Committee.

The Chairperson of the Committee is appointed by the Board and should be an independent Non-Executive Member.

The term-in-office of the Members of the Committee is decided by the Board.

The Board can, during the term-in-office of the Committee: (a) replace any Member of the Committee, including the Chairperson and (b) fill positions in the Committee which are vacated for any reason.

Committee Members shall not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Terms of Reference of the Committee.

Committee Members shall have, individually and collectively, appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company, as well as the risk management and control practices.

3. Meetings / Decision-making Process of the Risk Management Committee

The Committee shall meet whenever necessary and at least twice every quarter. When participating in scheduled meetings of the BRMC, at least half, plus one (1) Member, rounded down, shall be physically present. For unforeseen issues, the Committee may convene via teleconferencing for decision-taking. A Committee resolution in writing signed or approved by email, text message, fax or any other means of transmission (e.g., Diligent) by ALL Committee Members shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

The Committee, in exercising its supervisory responsibilities, shall have adequate access to resources and information relevant to their duties from within the Company. The Committee shall establish a framework and appropriate and transparent procedures for such access, and appropriate and transparent procedures in the event that it allows Committee Members to communicate individually and directly with senior management and/or members of staff, in exercising their supervisory responsibilities.

Every effort shall be made to carry out a regular meeting at least once a year with the physical presence of all Committee Members.

The arrangement for attending regular or extraordinary meetings via teleconference shall not to be used abusively but with caution at member or committee level ensuring that, as a rule and unless there are special circumstances to justify the opposite, at least the majority of Committee Members are physically present at each regular or extraordinary meeting.

Committee Members shall not be absent from the regular and extraordinary meetings either physically or via teleconference, for more than two (2) consecutive meetings or twenty-five percent (25%) of the annual meetings.

The Committee, in exercising its duties, shall take into account, to the extent possible and on an ongoing basis, the need to ensure that decision making is not dominated by one individual or by a small group of individuals in a way that it affects the interests of the Company as a whole.

Prior to the commencement of a Committee meeting, the Chairperson shall read all the items on the agenda and request that any Member, who has a potential interest and/or conflict of interest in any of the agenda items, to explain such conflict and not participate in the discussion of such agenda topic. Also, during a Committee meeting, a Member must declare any potential interest and/or conflict of interest as soon as it becomes apparent. For any agenda item / other specific issue with conflicts of interest by a Committee Member, he / she is asked to leave the meeting when discussing / voting for that agenda item / specific issue and the relevant material and minutes relating to that agenda item / specific issue are restricted to be viewed by that Member.

The majority of Committee Members shall comprise a quorum. A majority of Committee Members shall be considered to be the next integral number of one half of the Members. A decision of the Committee may be adopted by the majority of attending Committee Members. In the case of a tie, the Chairperson shall not have a second or casting vote and the item in discussion must be escalated to the Board.

The Company Secretariat must be closely involved in the preparation of the meeting's agenda and ensure it is distributed, including any supporting papers where relevant, at least three (3) business days in advance of the meeting. Any envisaged late material submission, deemed necessary and justified, must be authorised by the Chairperson in advance.

The material submitted should include summarising cover memos or executive summaries and/or dashboards and should highlight the risks, opportunities, costs and benefits of the various items on which the Committee is expected to make recommendations to the Board.

The Committee reports regularly to the Board. The Company Secretariat must ensure that the final minutes of the Committee meetings are submitted to the Central Bank of Cyprus (and they must be in accordance with Paragraphs 12 and 19 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus) within one (1) month from the date of the meeting. In case no Committee meeting is held within one (1) month, the minutes shall be approved by written procedure by all Members present at the meeting and submitted within the specified deadline to the Central Bank of Cyprus.

The Company Secretariat works in close cooperation with Risk Management and Information Security & Fraud Functions to coordinate: (i) the submission of support material and information to the Risk Management Committee and (ii) the communication between the Risk Management Committee and relevant stakeholders.

The Committee has the amount of €100.000 per year as a budget to use for obtaining independent professional advice whenever it deems this necessary. In case the annual budget is exceeded, the Committee should request the approval of the Board for any additional expenditure to be incurred.

The Committee may formally invite to any of its meetings, for a specific item or items on the agenda, any person who may contribute towards that specific item. Such person is present only during the discussion of the specific item and leaves the meeting immediately after without any participation in the decision-making process.

The Committee should follow the arrangements established / approved and supervised by the Board that are intended to ensure the internal operation of the Committee, for the proper flow of information, including the verification documents for the Committee's recommendations and conclusions, and the reference channels between the Committee and the Board, the Central Bank of Cyprus and other parties.

The Committee, in exercising its supervisory responsibilities, shall have adequate access to resources and information relevant to its duties. The Committee shall follow the framework and appropriate and transparent procedures for such access, and appropriate and transparent procedures in the event that it allows the Committee Members to communicate individually and directly with senior management and/or members of staff, in exercising their supervisory responsibilities as Members of the Committee (above mentioned framework / procedures are established by the Board).

The Committee should interact with other committees in an appropriate way. Subject to subparagraph (4) of paragraph 18 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus, such interaction may take the form of multiple participation so that the Chairperson or a Member of the Committee may also be a member of another committee.

4. <u>Chairperson of the Risk Management Committee</u>

The Chairperson of the Committee is responsible for the efficient operation of the Committee and for adhering to proper governance procedures. He/she encourages and promotes open discussions with a critical spirit, ensuring that divergent views can be expressed and discussed within the decision-making process. The Chairperson of the Committee sets and prioritises the items on the agenda and ensures that Committee decisions are taken on a sound basis based on sufficient information received on time before meetings. He/she also ensures that sufficient time is provided to Committee Members for examining important issues and receiving answers to any questions or concerns they may have, without being confronted with unrealistic deadlines for decision making.

The Chairperson of the Committee shall ensure that no person other than its Members is present at a meeting, including other Board Members, unless he/she is formally invited for a specific item or items on the agenda to contribute towards that specific item. Such person is present only during the discussion of the specific item and leaves the meeting immediately afterwards, without any participation in the decision-making process.

The Chairperson of the Committee shall be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. The Chairperson shall also be available to answer any questions during the Annual General Meeting of the Shareholders or any meeting for the purposes of briefing the Shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. Duties and Responsibilities of the Risk Management Committee

The Committee shall carry out the duties set out below:

Framework and Policies

5.1 Define and submit for periodic review, prior to Board approval:

5.1.1 The principles which should govern risk management as set out by the Enterprise Risk Management Framework ('ERMF'), the framework for undertaking all forms of risk, and the risk frameworks covering individual risks.

5.1.2 The principles which should be considered in the recruitment of employees, the selection of vendors, the development of products, services, and processes as well as in the implementation and operation of information systems and information processing facilities as set out by the Information Security & Fraud Framework (Policy) itself.

5.1.3 The appropriate allocation of capital across the various divisions of the Group that would enable the Company, Group and/or each subsidiary separately to achieve their business objectives, in accordance with the Strategic Plan of the Group, and within the constraints and guidelines laid out in the Capital Plan and in the Risk Appetite Framework and Statement.

5.1.4 The policies of the Group with regard to the limits and pricing of undertaking Group risks.

5.1.5 All other risk related policies cascading from ERMF and the risk frameworks.

5.2 Cultivate an internal environment of risk management, information security and fraud, appropriate risk taking and control, that will govern the business decision-making processes across the activities and Units of the Group and its subsidiaries, and which will be consistent with the Board's communicated Business Strategy and Risk Appetite Statement.

Risk Appetite / Risk Strategy

5.3 Review and recommend approval of the Risk Appetite Statement ('RAS') and Risk Appetite Framework ('RAF') to the Board

- for regular updates, arising through the annual review process and
- ad-hoc updates, induced by material changes or events.

5.4 Advise, support and develop recommendations for the Board regarding the monitoring of the Group's overall actual and future risk strategy and risk appetite, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Group, ensuring that the Bank maintains at all times sufficient capital at both Bank and Group level.

5.5 Assist the Board in overseeing the effective implementation of the risk appetite framework and strategy and the corresponding risk limits set by senior management including:

(i) The development of mechanisms to ensure material exposures that are close to or exceed approved risk limits are managed and, where necessary, mitigated in an effective and timely manner.
(ii) The escalation of breaches (Red Zone) and Early Warnings (Amber Zone) in Risk Appetite limits and of material risk exposures in a timely manner.
(iii) Submitting proposals and recommendations for corrective actions whenever weaknesses are identified in implementing the risk appetite and the risk strategy.
(iv) Embedding attitudes around risk taking, management and control in line with the Board's communicated Strategy and Risk Appetite Statement.

5.6 Provide the Board with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the Risk Management Function.

5.7 Timely escalation from BRMC to the Board, where applicable, of RAS breaches (Red Zone) and Early Warnings (Amber Zone), as per the approved Risk Appetite Escalation Process as described within the Risk Appetite Framework ('RAF').

5.8 Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks, such as market, credit, operational (including legal and IT risks) and reputational risks, and drawing on the work of the Board Audit Committee, Risk Management Function and External Auditors, assess:

(i) Their adequacy against the approved risk strategy and risk appetite.
(ii) The adequacy of the provisions.
(iii) The effectiveness of strategies and policies regarding the maintenance, on an ongoing basis, of sufficient amounts, types and distribution of internal capital and equity to cover the risks of the Bank/Group.

5.9 Review a number of possible scenarios, including stressed scenarios, to assess how the Bank/Group's risk profile would react to external and internal events.

5.10 Oversee the alignment between all material financial products and services offered to clients and the business model and risk strategy of the Bank/Group taking into consideration European Banking Authority's Guidelines on product oversight and governance arrangements for retail banking products.

5.11 Assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services.

5.12 Assess / oversee whether the prices of liabilities and assets offered to clients fully take into account the business model and risk strategy of the Bank/Group. In case the prices do not accurately reflect the risks according to the business model and risk strategy, the Committee review and submit a corrective action plan to the Board.

5.13 Collaborate with other Board Committees whose activities may have an impact on the risk strategy (e.g., the Audit and Remuneration Committees) and regularly communicate with the Bank/Group's Control Functions, in particular the Risk Management and Information Security & Fraud Functions.

Recovery Plan

5.14 Review and recommend approval of the Recovery Plan to the Board
(i) for regular updates arising through the annual review process and
(ii) ad-hoc updates induced by material changes or events as these are defined herein.

Capital Management

5.15 Review and recommend to the Board for approval relevant regulatory submissions after review and approval at Executive level such as the Group's Internal Capital Adequacy Assessment Process ('ICAAP'), the Group's Stress Testing Process and the Group's Recovery Plan.

5.16 Approve the methodology, assumptions and parameters used for the calculation of the provisions by the Risk Management Function.

Liquidity Management

5.17 Review and recommend to the Board for approval relevant regulatory submissions after review and approval at Executive level such as the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP') and the Group's Liquidity Contingency Plan.

Environmental, Social and Governance (ESG) Risk

5.18 Monitor ESG risk through the semi-annual submission and discussion of the Bank's ESG Action Plan.

5.19 While reviewing relevant strategy / policies, assess whether ESG risk considerations are taken into account.

5.20 Ensure that ESG risk is adequately managed through the Bank's Risk Appetite Framework and through embedding ESG-related matters within the relevant risk frameworks.

Risk Data Aggregation and Reporting

5.21 Oversee the implementation of the Basel Risk Data Aggregation and Risk Reporting Principles and in particular review the Framework for Risk Data Aggregation and Reporting.

Pillar III Disclosures

5.22 Review and recommend to the Board for approval the Group's Compliance Policy to the Pillar III Disclosure Requirements as per CRR / CRD IV, as amended by CRR II / CRD V.

5.23 Review and endorse statements in relation to risk disclosures of the Pillar III Disclosures.

Remuneration

5.24 Review, without prejudice to the tasks of the Remuneration Committee, whether incentives provided by the remuneration policies and practices take into consideration Bank's risk, capital, liquidity and the likelihood and timing of earnings.

5.25 Review the process for Identified Staff as per the requirements of the CRR / CRD IV and the Regulatory Technical Standards (RTS) set by EBA, to identify all staff members whose professional activities have or may have a material impact on the Bank's / Group's risk profile.

Control Functions

5.26 Assess and monitor the independence, adequacy and effectiveness of the Risk Management and Information Security & Fraud Functions, including carrying out the annual appraisals of the Heads of the Risk Management and Information Security & Fraud Functions, and submit the relevant reports to the Board, as well as assess the adequacy and effectiveness of the Information Security Framework, which, among other things, ensures the adequate protection of the confidential and proprietary information of the Group.

5.27 Submit to the Board recommendations for the appointment or removal of the Heads of the Risk Management and Information Security & Fraud Functions.

5.28 Advise the Board, drawing on the work of the Board Audit Committee, Risk Management Function, Information Security & Fraud Function and External Auditors, on:

(i) The adequacy and effectiveness of the risk management and information security and fraud frameworks and propose improvements where necessary.
(ii) The adequacy and robustness of information and communication systems to enable identification, measurement, assessment and reporting of risk in a timely and accurate manner and ensure the adequate protection of the Company's confidential and proprietary information.
(iii) The adequacy of provisions and effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds, adequate to cover the risks of the Company.

5.29 Review and approve the budgets of the Risk Management and Information Security & Fraud Functions, ensuring that they are sufficiently flexible to adapt to variations in response to developments.

Risk Management and Information Security & Fraud Information

5.30 Determine the nature, the amount, the format and the frequency of the information which it is to receive on the risk situation of the Company and for each type of risk and each business unit. The Committee must:

(i) Approve metrics or a process to satisfy itself that the risk reports and information it receives are accurate, comprehensive and depict an appropriate view of the Company's risk profile.
(ii) Ensure that risk parameters and risk models developed and used to quantify them are subject to periodic independent validation.

5.31 Review and make recommendations and requests considering the Group's risk profile in relation to its strategy and risk appetite and monitor material risks, key risk trends, concentrations and exposures by evaluating all appropriate information and reports including but not limited to the following:

(i) The quarterly reports submitted by the Chief Risk Officer within two (2) months from the end of each quarter and inform the Board accordingly.
(ii) The Flash Risk Report submitted eight (8) working days following each calendar month end and submit this to the Board.
(iii) The monthly RAS Breaches and RAS Dashboard by 22nd of the month following each calendar month end and by the end of the month submit this to the Board.
(iv) The quarterly reports submitted by the Chief Information Security Officer within two (2) months from the end of each quarter and inform the Board accordingly.
(v) The annual report submitted by the Head of the Risk Management Function within two (2) months from the end of each year and submit this to the Board, accompanied by the Committee's assessment of the reports.
(vi) The annual report submitted by the Head of the Information Security & Fraud Function within one (1) month from the end of each year and submit this to the Board, accompanied by the Committee's assessment of the report.
(vii) The relevant reports prepared by the Internal Audit Unit, Subsidiary Boards and/or Risk Committees and the Regulators and oversee that corrective measures are implemented where these are necessary.

5.32 Promote the development of relevant Early Warning Indicators and other loan portfolio management tools, analytics and strategies.

Evaluation of Risks

5.33 The Committee reviews the evaluation and recommendations of the Risk Management Function related to the involvement of the Group in new markets, new companies or business ventures and submit its respective recommendations to the Board.

5.34 The Committee shall evaluate the Arrears Management Strategy and its underlying hypothesis and assumptions, as well as ensure appropriate control mechanisms to effectively manage NPE and Forborne loans, via the quarterly reports submitted by the Chief Risk Officer or other such reporting as agreed by the Committee, and report to the Board accordingly.

5.35 The Risk Management Committee shall work with the Board Audit Committee to ensure that a global view is taken in the management of risk.

5.36 Provide advice on the appointment of external consultants that the Board may decide to engage for advice or support.

5.37 Assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken.

5.38 Have access to all relevant information and data necessary to perform their role, including information and data from relevant corporate and Control Functions (e.g., legal, finance, human resources, IT, internal audit, risk, compliance, including information on AML/CTF compliance and aggregated information on suspicious transaction reports, and ML/TF risk factors).

5.39 The Committee shall receive regular reports, ad hoc information, announcements and the opinion of the Heads of Control Functions in relation to the Company's existing risk profile, risk culture and limits as well as any significant violations that may have emerged, with detailed information and recommendations on the corrective action taken.

5.40 The Committee shall review on a periodic basis and decide on the content, form and frequency of the information to be provided regarding risk and where necessary, to ensure the necessary participation of the Control Functions and other related functions (Human Resources, Legal Services, Economic Research) within their respective fields of expertise and/or to seek advice from external advisors.

6. <u>Committee Governance</u>

6.1 The Committee shall conduct a self-assessment and report its conclusions and recommendations for improvements and changes to the Board.

6.2 The Committee shall review its Terms of Reference regularly, at least annually, to ensure continuing appropriateness. The reviews must be documented and include, where necessary, recommendations to the Board on revisions. Earlier update may be deemed necessary following relevant recommendations by the Regulatory Authorities and the Board.

Terms of Reference of the Nominations / Internal Governance Committee

1. <u>Role of the Nominations / Internal Governance Committee</u>

The Nominations / Internal Governance Committee is primarily responsible to prepare proposals for the Board of Directors (the "Board") regarding the selection of individuals for nomination as Members of the Board of the Company or of any other company in which Hellenic Bank Public

Company Limited (the "Company") has the right to appoint any member of the board, either to fill extraordinarily vacated or vacant seats or after the retirement of a Member in accordance with the retirement policy due to age.

In addition, the Committee is responsible to prepare proposals for the Board regarding the selection of the Chief Executive Officer ("CEO") of the Company or any other company in which the Company has the right to appoint a CEO or the appointment of any Executive Member of the Board. The Committee is also responsible for the development, implementation and oversight of policies of internal governance arrangements within the Group.

The Committee also ensures that the Company complies with the requirements of the Business of Credit Institutions Laws, the relevant Central Bank of Cyprus' Directives and the Cyprus Stock Exchange's Code of Corporate Governance.

2. Composition of the Nominations / Internal Governance Committee

The Committee is appointed by the Board and consists of three to seven exclusively non-Executive Directors. The majority of the Members of the Committee must be independent non-Executive Members of the Board.

Members of the Nominations / Internal Governance Committee can be members of only one other Board Committee.

The Chairperson of the Committee is appointed by the Board and should be an independent Non-Executive Member.

The term-in-office of the Members of the Committee is decided by the Board.

Committee Members should have, individually and collectively, appropriate knowledge, skills and expertise regarding the selection process and the suitability requirements of individuals for nomination as Members of the Board of the Company or of any other company in which the Company has the right to appoint any member of the Board.

Committee Members shall not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Terms of Reference of the Committee.

3. Meetings / Decision-making Process of the Nominations / Internal Governance Committee

The Committee shall meet whenever necessary and at least on a quarterly basis. The Committee may convene via teleconferencing for decision-taking. A Committee resolution in writing signed or approved by email, text message, fax or any other means of transmission (e.g., Diligent) by ALL Committee Members shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. When participating in scheduled meetings of the Committee, at least half, plus one (1) Member, rounded down, shall be physically present.

Every effort shall be made to carry out a regular meeting at least once a year with the physical presence of all Committee Members.

The arrangement for attending regular or extraordinary meetings via teleconference shall not be used abusively but with caution at member or committee level ensuring that, as a rule and unless there are special circumstances to justify the opposite, at least the majority of Committee Members are physically present at each regular or extraordinary meeting.

Committee Members shall not be absent from the regular and extraordinary meetings either physically or via teleconference, for more than two (2) consecutive meetings or twenty-five percent (25%) of the annual meetings.

The majority of Committee Members shall comprise a quorum. A majority of Committee Members shall be considered to be the next integral number of one half of the Members.

The decisions of the Committee are taken by majority voting. In the event of an equality of votes, the Chairperson of the meeting shall not have a second or casting vote and the item in discussion must be escalated to the Board of Directors.

The Company Secretariat must be closely involved in the preparation of the meeting's agenda and ensure it is distributed, including any supporting papers where relevant, at least three (3) business days in advance of the meeting. Any envisaged late material submission, deemed necessary and justified, has to be authorised by the Committee Chairperson in advance.

The material submitted should include summarising cover memos or executive summaries and/or dashboards and should highlight the risks, opportunities, costs and benefits of the various items on which the Committee is expected to make recommendations to the Board.

The Committee reports regularly to the Board. The Company Secretariat must ensure that minutes and decisions are kept for each Committee meeting, they are finalised not later than fifteen (15) business days following the meeting and are formally approved at the next scheduled meeting. The Company Secretariat ensures that the minutes are in accordance with Paragraph 12 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus. The approved and signed minutes are subsequently circulated to all Board Members (by uploading on Diligent Board Resources).

Prior to the commencement of a Committee meeting, the Chairperson shall read all the items on the agenda and request that any Member, who has a potential interest and/or conflict of interest in any of the agenda items, to explain such conflict and not participate in the discussion of such agenda topic. Also, during a Committee meeting, a Member must declare any potential interest and/or conflict of interest as soon as it becomes apparent. For any agenda item / other specific issue with conflicts of interest by a Committee Member, he/she is asked to leave the meeting when discussing / voting for that agenda item / specific issue and the relevant material and minutes relating to that agenda item / specific issue are restricted to be viewed by that Member.

The Committee, in exercising its duties, shall take into account, to the extent possible and on an ongoing basis, the need to ensure that decision making is not dominated by one individual or by a small group of individuals in a way that it affects the interests of the Company as a whole.

The Chairperson of the Committee shall ensure that no person other than its Members is present at a meeting, including other Board Members, unless he/she is formally invited for a specific item or items on the agenda to contribute towards that specific item. Such person is present only during the discussion of the specific item and leaves the meeting immediately after without any participation in the decision-making process.

The Chairperson of the Committee is responsible for the efficient operation of the Committee and for adhering to proper governance procedures. He/she encourages and promotes open discussions with a critical spirit, ensuring that divergent views can be expressed and discussed within the decision-making process. The Chairperson of the Committee sets and prioritises the items on the agenda and ensures that Committee decisions are taken on a sound basis based on sufficient information received on time before meetings. He/she also ensures that sufficient time is provided to Committee Members for examining important issues and receiving answers to any questions or concerns they may have, without being confronted with unrealistic deadlines for decision making.

The Committee should follow the arrangements established / approved and supervised by the Board that are intended to ensure the internal operation of the Committee, for the proper flow of information, including the verification documents for the Committee's recommendations and conclusions, and the reference channels between the Committee and the Board, the Central Bank of Cyprus and other parties.

The Committee, in exercising its supervisory responsibilities, shall have adequate access to resources and information relevant to their duties. The Committee shall follow the framework and appropriate and transparent procedures for such access, and appropriate and transparent procedures in the event that it allows Committee Members to communicate individually and directly with senior management and/or members of staff, in exercising their supervisory responsibilities as Members of the Committee (abovementioned framework / procedures are established by the Board).

The Committee shall receive regular reports, ad hoc information, announcements and the opinion of the Heads of Control Functions in relation to the Company's existing risk profile, risk culture and limits as well as any significant violations that may have emerged, with detailed information and recommendations on the corrective action taken.

The Committee shall review on a periodic basis and decide on the content, form and frequency of the information to be provided regarding risk and where necessary, to ensure the necessary participation of the Control Functions and other related functions (Human Resources, Legal Services, Economic Research) within their respective fields of expertise and/or to seek advice from external advisors.

The Committee has the approval of the Board to obtain independent professional advice whenever it deems this necessary. The Committee has an annual budget of €100.000 to use for the services of independent experts / consultants. In case the annual budget needs to be exceeded, the Committee should request the approval of the Board before any additional expenditure is incurred.

4. Duties and Responsibilities of the Nominations / Internal Governance Committee

The Committee shall carry out the duties set out below for the Company and its subsidiaries:

Board Evaluation

4.1 Assess periodically and at least annually, the collective suitability (using the relevant template uploaded in the website of the Central Bank of Cyprus), structure, size, composition and performance of the Board and make recommendation regarding any changes to Board membership.

4.2 Evaluate periodically and at least annually, the skills, knowledge, experience, diversity and expertise of Members of the Board of Directors and those of the Group's subsidiary companies, individually and collectively, reporting accordingly to the Board.

4.3 Assign at least every three (3) years the review and evaluation of the composition, efficiency and effectiveness of the Board and its Committees to an independent external consultant to bring an objective perspective and share leading industry practices.

Board Succession Plans

4.4 Review periodically and at least annually, succession plans for the Board to ensure that on the one hand successions occur smoothly and an appropriate balance of diversity, skills and experience is maintained, and on the other hand the progressive renewal of the Board, reporting accordingly to the Board.

Policies

4.5 Define, for the approval by the Board, and periodically review policies for:

(a) Appointment of Board Members, including the necessary qualifications that an individual should possess in order to serve as a member of the Board of Directors of any of the Group's companies; and

(b) Board diversity, including a target representation of the underrepresented gender and how to reach and maintain this target.

4.6 Review periodically and at least annually, the policy for selection, development, appointment and replacement of senior management and Heads of Control Functions and make recommendations to the Board.

4.7 Review periodically the policy for recruitment, rotation and promotion of staff, reporting accordingly to the Board.

Board and CEO Appointments

4.8 Identify, evaluate and recommend, for the approval by the Board or for election at the Shareholders' Annual General Meeting, candidates to fill vacancies in the board of directors of the Company or of any other company in which the Company has the right to appoint any member to its board of directors.

In identifying candidates, the Committee shall:

a) Consider candidates from a wide range of backgrounds;

b) pay due regard to the Fitness and Probity (Suitability) regulatory requirements; and

c) consider candidates on merit and against objective criteria, as defined in the relevant policy, with due regard to the benefits of diversity, taking care that appointees will have sufficient time to devote to the position.

4.9 Identify, evaluate and recommend, for the approval by the Board, candidates for the position of the CEO of the Company or any other company in which the Bank has the right to appoint and/or recommend the Chief Executive Officer.

4.10 In its recommendation to the Board to appoint a candidate as Director or CEO, the Committee shall provide a full rationale of how it arrived at its decision. In addition, the relevant discussions and accompanying justification for selecting / rejecting proposed candidates will be appropriately documented in the minutes of the Committee.

4.11 Prior to the appointment of a Director, the proposed appointee shall be required by the Committee to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.

4.12 The Committee is responsible for

(a) assessing whether any interests or relationships declared by Members of the Board present an actual or potential conflict of interest and

(b) approving Members of the Board's requests related to directorships with other companies or intra-Group.

Appointment of Key Function Holders

4.13 Identify, evaluate and recommend, for the approval by the Board, the appointment of Key Function Holders (other than Heads of Control Functions), following a relevant recommendation by the CEO.

Suitability

4.14 The Committee shall continuously monitor the collective and individual suitability of members and key function holders, on the basis of the assessment criteria included in the Directives on the Assessment of Suitability of the Members of the Management Body and

Key Function Holders of Authorised Credit Institutions of 2020 & 2022 of the Central Bank of Cyprus.

4.15 When events make reassessment necessary in order to verify the ongoing suitability of the Board collectively or of the individual member / key function holder in question, and taking into account the relevant provisions of the Internal Governance of Credit Institutions Directive of 2021, such a reassessment should be undertaken immediately and any conclusions / proposed action should be submitted to the Board for final decision and subsequent communication to the Central Bank of Cyprus.

4.16 If at any given time, persons who hold the post of an independent Director do not satisfy or seem not to satisfy any of the independence criteria due to developments, then the Committee must address the issue immediately and proceed with a relevant recommendation to the Board as to the issue and as to the necessary remedial measures, including removing the said Member from the Board or redefining his/her role in the Board and/or appointing a new independent Director. All necessary remedial measures should be implemented as soon as possible. The said Member should be released from any of his/her duties as an independent Member of the Board from the date the non-compliance with the independence criteria is identified.

Control Functions

4.17 Review periodically, and at least annually, in collaboration with the Audit and Risk Management Committees, the composition, authority and independence of the Control Functions, reporting accordingly to the Board.

Internal Governance Arrangements

4.18 Ensure effective internal governance arrangements are in place and evaluate the extent of compliance with the policies of internal governance as approved by the Board.

Environmental, Social and Governance

4.19 The Committee has the overall responsibility for the development and implementation of the Bank's Environmental, Social and Governance (ESG) strategy with the aim of a positive impact on the stakeholders, the environment and the society in general. The Committee also supports the Board in overseeing and challenging actions related to it.

4.20 The Committee reviews and recommends for approval by the Board the Annual ESG Impact Report.

Committee Governance

4.21 The Committee shall review its Terms of Reference regularly, at least annually, to ensure continuing appropriateness. The reviews must be documented and include, where necessary, recommendations to the Board on revisions.

4.22 The Committee shall conduct annually a self-assessment and report its conclusions, recommendations for improvements and changes to the Board.

Annual General Meeting

4.23 The Chairperson of the Committee shall be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He/She shall also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing the shareholders of the Company. Information concerning the structure and work of the Committee shall also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

Reporting to the Central Bank of Cyprus

4.24 The Annual Evaluation Reports referred to in Paragraphs 4.1 and 4.2 shall be submitted to the Central Bank of Cyprus within three (3) months of the end of every year.

Job Descriptions

4.25 The Committee shall review and approve, where this is deemed necessary, the Job Description (roles, responsibilities, main duties, powers, etc.) of the Executive Members of the Board, the Chief Executive Officer, Key Function Holders (other than Heads of Control Functions).

5. <u>Code of Corporate Governance</u>

It is understood that the Nominations / Internal Governance Committee will operate strictly within the framework of the relevant provisions of the Code of Corporate Governance, as determined in Chapter A of the Code.

(15) Part D of the Code which refers to the Relations of the Company with its Shareholders

The Board of Directors of the Company utilises the occasions of the announcements of financial results, as well as of the Annual General Meeting of the Shareholders itself for organising analytical presentations of the Financial Statements. These are usually undertaken by the Chief Financial Officer and the Company's Executive Management for the benefit of shareholders, financial analysts, members of the Stock Exchange and representatives of the media.

Regarding the Annual General Meeting, the Company takes into consideration the relevant provisions of the legislation, the Company's Articles of Association and the Code.

Mr Constantinos Pittalis, Manager Investor Relations, has been appointed as Investor Relations Officer (tel. 22500794, e-mail: ir@hellenicbank.com), responsible for the communication between shareholders and the Company. Information concerning the Group is provided to shareholders, prospective investors, analysts and brokers in a prompt and unbiased manner.

(16) Rotating Directors eligible for Re-Election

At the Extraordinary General Meeting of the Shareholders of the Bank, which was held on 31st August 2022, Regulation 108 of the Bank's Articles of Association was replaced so that paragraph 15(5) of the Internal Governance Directive, providing that "the appointed members of the management body are subject to re-election at the annual general meeting, every 3 years from the date of their appointment", is being complied with.

Furthermore, the existing Regulation 114 of the Bank's Articles of Association provides that "any director [appointed at any time and from time to time by the directors, either to fill a casual vacancy or as an addition to the existing directors,] shall hold office, only until the next following annual general meeting, and shall then be eligible for re-election".

Hence, the retiring Director, who is eligible and will offer himself for re-election at the Annual General Meeting of the Shareholders on 28th June 2023, is Mr Christodoulos Hadjistavris, whose curriculum vitae is uploaded on the Bank's website www.hellenicbank.com (Investor Relations / Corporate Governance [Board of Directors]).

Nicosia, 13 April 2023

HELLENIC BANK PUBLIC COMPANY LIMITED

REMUNERATION POLICY REPORT FOR THE YEAR 2022

INTRODUCTION

The Board of Directors (the “Board”) of Hellenic Bank Public Company Limited (the “Company” or the “Bank”), in compliance with the provisions of the Code of Corporate Governance, published by the Cyprus Stock Exchange (5th revised edition - January 2019) and particularly Appendix 1 of the Code, as well as the provisions of the Encouragement of the Long-Term Active Participation of the Shareholders Law of 2021, Law 111(I)/2021, as amended (the “SRD Law”), incorporates the present Remuneration Policy Report in the Company’s 2022 Annual Financial Report. The Company’s 2022 Annual Financial Report is published in the Company’s website.

REMUNERATION COMMITTEE

The Committee reviews and recommends for approval by the Board of Directors the Remuneration Policy and the Remuneration Principles of the Group, as well as the Directors’ Remuneration Policy, which is voted at the Annual General Meeting of the Shareholders in accordance with the provisions of the SRD Law. The Committee reviews the remuneration of Executive and Non-Executive Members of the Board, the Company Secretary, the Chief Executive Officer and Key Function Holders including the Heads of Control Functions and makes relevant recommendations to the Board. The aim of the Committee is to attract and retain good quality officers at Executive and Key Function Holder levels in order to better serve the interests of the Group as well as those of its Shareholders and other stakeholders. The Committee’s suggestions and the Group’s Remuneration Policy take into consideration the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration at other levels in the Group as well as non-financial criteria e.g., compliance with applicable rules and procedures.

Each year, the Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Financial Report of the Company, which is submitted to the Annual General Meeting of the Shareholders for approval. The Committee also reviews and approves the Disclosure of Information regarding the Annual Remuneration of the Directors, which is prepared by Human Resources for inclusion in the notes to the annual Financial Statements of the Company and the Remuneration Policy Report itself.

The composition of the Remuneration Committee during 2022 and until the date of this Report is as follows:

Chairperson: Andreas Persianis

Members: Kristofer Richard Kraus (until 11th February 2022)
Demetrios Efstathiou
Christos Themistocleous (from 11th February 2022)
Miranda Xafa (from 28th February 2022).

The terms of reference of the Remuneration Committee appear below:

Terms of Reference of the Remuneration Committee

1. <u>Role of the Remuneration Committee</u>

The Remuneration Committee was established to ensure that Hellenic Bank Public Company Limited (the “Company”) complies with the requirements of the Business of Credit Institutions Laws / other relevant Laws, the relevant Central Bank of Cyprus’ Directives and the Cyprus Stock Exchange’s Code of Corporate Governance and is responsible for the evaluation of proposals regarding remuneration matters, including those proposals which have an implication on the risk and risk management of the Group.

The primary role of the Committee is to define and recommend for approval by the Board of Directors of the Company (the "Board") the Remuneration Policy, including pensions and variable compensation, and the Remuneration Principles for the Group that are aligned to the Group's strategic objectives and values. Also, the Committee prepares proposals for the approval by the Board on the remuneration packages, including retirement and other benefits, of Executive and non-Executive Members of the Board, the Company Secretary, as well as of the Chief Executive Officer and Key Function Holders (including Heads of the Control Functions). Furthermore, the Committee is engaged in reviewing and making proposals on the remuneration (Directors' Fees) of the Members of the Board of Directors of any company in which the Bank has the right to appoint and/or recommend Members of the Board.

2. Composition of the Remuneration Committee

The Committee is appointed by the Board and consists of three to six exclusively non-Executive Directors who shall exercise competent and independent judgment on remuneration policies and practices. The majority of the Members of the Committee must be independent non-Executive Members of the Board.

Members of the Remuneration Committee can be members of only one other Board Committee.

The Chairperson of the Committee is appointed by the Board and should be an Independent Member.

The term-in-office of the Members of the Committee is decided by the Board.

Committee Members shall not hold any other posts or positions or conduct transactions which could be considered to be in conflict with the Terms of Reference of the Committee.

3. Meetings / Decision-making Process of the Remuneration Committee

The Committee shall meet whenever necessary and at least twice a year. The Committee may convene via teleconferencing for decision-taking. A Committee resolution in writing signed or approved by email, text message, fax or any other means of transmission (e.g., Diligent) by ALL Committee Members shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. When participating in scheduled meetings of the Remuneration Committee, at least half, plus one (1) Member, rounded down, shall be physically present.

Every effort shall be made to carry out a regular meeting at least once a year with the physical presence of all Committee Members.

The arrangement for attending regular or extraordinary meetings via teleconference shall not to be used abusively but with caution at member or committee level ensuring that, as a rule and unless there are special circumstances to justify the opposite, at least the majority of Committee Members are physically present at each regular or extraordinary meeting.

Committee Members shall not be absent from the regular and extraordinary meetings either physically or via teleconference, for more than two (2) consecutive meetings or twenty-five percent (25%) of the annual meetings.

The majority of Committee Members shall comprise a quorum. A majority of Committee Members shall be considered to be the next integral number of one half of the Members.

The decisions of the Committee are taken by majority voting. In the event of an equality of votes, the Chairperson of the meeting shall not have a second or casting vote and the item in discussion must be escalated to the Board of Directors.

The Company Secretariat must be closely involved in the preparation of the meeting's agenda and ensures it is distributed, including any supporting papers, where relevant, at least three (3) business days in advance of the meeting. Any envisaged late material submission, deemed necessary and justified, has to be authorised by the Committee Chairperson in advance.

The material submitted should include summarising cover memos or executive summaries and/or dashboards and should highlight the risks, opportunities, costs and benefits of the various items on which the Committee is expected to make recommendations to the Board.

The Committee reports regularly to the Board. The Company Secretariat must ensure that minutes and decisions are kept for each Committee meeting, they are finalised not later than fifteen (15) business days following the meeting and are formally approved at the next scheduled meeting. The Company Secretariat ensures that the minutes are in accordance with Paragraph 12 of the Internal Governance of Credit Institutions Directive of 2021 of the Central Bank of Cyprus. The approved and signed minutes are subsequently circulated to all Board Members (by uploading on Diligent Board Resources).

Prior to the commencement of a Committee meeting, the Chairperson shall read all the items on the agenda and request that any Member, who has a potential interest and/or conflict of interest in any of the agenda items, to explain such conflict and not participate in the discussion of such agenda topic. Also, during a Committee meeting, a Member must declare any potential interest and/or conflict of interest as soon as it becomes apparent. For any agenda item with conflicts of interest by a Committee Member, he / she is asked to leave the meeting when discussing that agenda item and the relevant material and minutes relating to that agenda item are restricted to be viewed by that Member.

The Committee, in exercising its duties, shall take into account, to the extent possible and on an ongoing basis, the need to ensure that decision making is not dominated by one individual or by a small group of individuals in a way that it affects the interests of the Company as a whole.

The Chairperson of the Committee shall ensure that no person other than its Members is present at a meeting, including other Board Members, unless he/she is formally invited for a specific item or items on the agenda to contribute towards that specific item. Such person is present only during the discussion of the specific item and leaves the meeting room immediately after without any participation in the decision-making process.

The Chairperson of the Committee is responsible for the efficient operation of the Committee and for adhering to proper governance procedures. He / she encourages and promotes open discussions with a critical spirit, ensuring that divergent views can be expressed and discussed within the decision-making process. The Chairperson of the Committee sets and prioritises the items on the agenda and ensures that Committee decisions are taken on a sound basis based on sufficient information received on time before meetings. He / she also ensures that sufficient time is provided to Committee Members for examining important issues and receiving answers to any questions or concerns they may have, without being confronted with unrealistic deadlines for decision making.

The Committee should follow the arrangements established / approved and supervised by the Board that are intended to ensure the internal operation of the Committee, for the proper flow of information, including the verification documents for the Committee's recommendations and conclusions, and the reference channels between the Committee and the Board, the Central Bank of Cyprus and other parties.

The Committee, in exercising its supervisory responsibilities, shall have adequate access to resources and information relevant to their duties. The Committee shall follow a framework and appropriate and transparent procedures for such access, and appropriate and transparent procedures in the event that it allows Committee Members to communicate individually and directly with senior management and / or members of staff, in exercising their supervisory responsibilities as Members of the Committee (abovementioned framework / procedures are established by the Board).

The Committee has the amount of €100.000 per year as a budget to use for obtaining independent professional advice whenever it deems this necessary. In case the annual budget is exceeded, the Committee should request the approval of the Board for any additional expenditure to be incurred.

4. Duties and Responsibilities of the Remuneration Committee

Remuneration Framework

4.1 The Committee shall submit to the Board, within its terms of reference agreed upon and without the presence of the party interested in their evaluation, proposals concerning the framework and level of remuneration (including fixed pay, performance-related pay, bonuses, pension rights and any compensation payments, share options, etc.) of Executive and non-Executive Members of the Board of the Company, the Company Secretary, the Chief Executive Officer ("CEO") of the Company, Key Function Holders, the CEO of any company in which the Bank has the right to appoint and/or recommend the CEO and the Heads of the Control Functions. The Committee shall also submit to the Board proposals on the remuneration (Directors' Fees) of the Members of the Board of Directors of any company in which the Bank has the right to appoint and/or recommend Members of the Board.

The Committee will take into consideration factors such as the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration in other levels of the Group and non-financial criteria e.g., compliance with applicable rules and procedures. It will also consider the need to attract and retain the most suitable Directors (Executive and non-Executive) / Senior Executives in the Company.

4.2 During the formulation of the above-mentioned proposals, the Committee should take care so that:

(a) These proposals are consistent with the relevant legal and regulatory requirements and

(b) the performance-related systems:

- should not extend any benefits before the gains expected by the Company materialise in a satisfactory degree,
- should not include non-Executive Members of the Board among the beneficiaries,
- should specify targets and evaluation criteria so that the remuneration of the Company Executives is properly aligned with the long-term interests of the shareholders, investors, other stakeholders and the public interest, the Company's business objectives and strategies with a view of delivering sustainable value and maintaining a sound capital base, always within the risk framework of the Company.

4.3 During the preparation of its proposals, the Committee shall provide the opportunity to the Chairperson and the Chief Executive Officer to express an opinion with regard to its proposals concerning the salaries of other Executive Board Members. It should also have access to professional advice, both internal and external.

Remuneration Policy

4.4 The Committee shall support and advise the Board regarding the design and/or update and monitoring of the implementation of the remuneration policy and practices and compliance with them.

4.5 The Committee shall assist the Board in fulfilling its duty in ensuring that the remuneration policy and practices are consistent with the risk appetite of the Company, prevent conflicts of interest and promote sound and effective risk management.

4.6 The Committee shall ensure that staff members, who are involved in the design, review and implementation of the remuneration policies and practices, have relevant expertise and are capable of forming independent judgment on the suitability of the remuneration policies and practices, including their suitability for risk management. Independent external advice may also be sought.

4.7 The Committee shall assist, through relevant studies / proposals, the Board in fulfilling its duties in approving and periodically reviewing the Principles that govern the Remuneration Policy and the Policy itself and in overseeing the latter's implementation.

4.8 The Committee shall ensure that Control Functions are involved in the design, review and implementation of the Remuneration Policy.

4.9 In addition to setting the Remuneration Policy, the Committee shall:

a. Determine and periodically review target and measures to be applied for variable compensation, liaising with the Risk Management Committee of the Board,

b. assess the achievement of performance targets to be applied for variable compensation and the need for ex post risk adjustment, including the application of malus and clawback arrangements and

c. set budget for annual staff increases.

4.10 The Committee shall review a number of possible scenarios to test how the Remuneration Policy and practices react to external and internal events, and back-test the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.

4.11 The Committee shall be actively involved in the identification process of staff whose professional activities have a material impact on the Bank's risk profile, in line with its responsibilities for the preparation of decisions regarding remuneration. In doing so, the Remuneration Committee has delegated the preparation of the list of Identified Staff to the Risk Management Unit, with the support of Human Resources.

4.12 The Committee shall ensure that the Remuneration Policy and Practices are subject to a central and independent review by the Internal Audit Unit at least on an annual basis.

Remuneration of Non-Executive Members of the Board

4.13 In relation to the level of remuneration of the non-Executive Members of the Board, the Committee shall take the following into consideration:

a. The available time that the Members have to prepare for attending meetings,

b. the responsibilities assumed by each Member,

c. the non-correlation of remuneration to the profitability of the Company and

d. the non-participation in any insurance or pension plan.

The proposal of the Remuneration Committee will be submitted by the Board to the Shareholders' General Meeting for approval.

Policy for the Remuneration of the Members of the Board

4.14 The Committee shall review and submit to the Board for approval the Directors' Remuneration Policy, which will be voted at the Annual General Meeting of the Shareholders in accordance with the provisions of the Encouragement of the Long-Term Active Participation of the Shareholders Law of 2021, Law 111(I)/2021.

Readjustment of Benefits

4.15 The Committee shall submit to the Board proposals for the determination of each readjustment of benefits of the Members of the Board, the Chief Executive Officer and his/her direct reports, being sensitive to the terms of remuneration and conditions of employment at other levels of the Group.

External Advice

4.16 The Committee shall review the appointment of external remuneration consultants that the Board or the Remuneration Committee may decide to engage for advice or support.

4.17 The Committee shall, when using the services of a consultant to obtain information on market standards for remuneration systems, ensure that this consultant does not also give advice to the Human Resources Department or the Executive Members of the Board.

Control Functions

4.18 The Committee reviews the remuneration of the Heads of the Control Functions for submission to the Board for its approval, following the recommendations of the Committees of the Board, as per reporting lines of the Control Functions.

The remuneration of employees in Control Functions is predominantly fixed, to reflect the nature of their responsibilities.

In this respect, the maximum award for variable pay for members of Control Functions has been set at 50% of annual basic salary.

In addition, the remuneration of these employees is linked to the performance of their Functions and is not dependent on the performance of the units they are tasked with controlling, to avoid any conflict of interest.

Key Function Holders

4.19 Remuneration is reviewed and agreed by the Remuneration Committee for submission to the Board for its approval, following input from the Risk Management Unit (where required).

The Chief Executive Officer makes recommendations to the Remuneration Committee regarding the remuneration of Key Function Holders, other than members of the Control Functions, the Company Secretary and Executive Members of the Board.

The Committees of the Board, as per the reporting lines of the Control Functions, make recommendations to the Remuneration Committee regarding the remuneration of Heads and Senior Staff (if deemed appropriate) of the Control Functions.

Remuneration Reports / Statements

4.20 The Committee shall prepare, for submission to the Board, the Annual Remuneration Policy Report, which will comprise part of or be attached to the Annual Financial Report of the Company.

4.21 The Committee shall review and approve the Annual Remuneration Statement, prepared by Human Resources for inclusion in the Company's annual Accounts or in the notes to the annual Accounts, in accordance with Appendix 2 of the Code of Corporate Governance and the relevant Cyprus Central Bank's Directives / Guidelines.

4.22 The Committee shall review and approve the content of any resolutions submitted for approval at the General Meeting of the Shareholders, which will be prepared by the Company Secretariat in cooperation with the Company's Legal Advisors, in accordance with Appendix 3 of the Code of Corporate Governance, and concern possible plans for the remuneration of Executive Members of the Board in the form of shares, share warrants or share options and of any resolutions submitted for approval at the General Meeting of the shareholders, which will be prepared by the Company Secretariat in cooperation with the Company's Legal Advisors concerning possible plans for remuneration of employees of the Group in the form of shares, share warrants or share options.

Committee Governance

4.23 The Committee shall review its Terms of Reference at least annually, to ensure continuing appropriateness. The reviews must be documented and include, where necessary, recommendations to the Board on revisions.

4.24 The Committee shall conduct annually a self-assessment and report its conclusions, recommendations for improvement and changes to the Board.

Annual General Meeting

4.25 The Chairperson of the Committee shall be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He/She will also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. <u>Code of Corporate Governance</u>

It is understood that the Remuneration Committee will act strictly within the framework of the relevant provisions of the Code of Corporate Governance, as determined in Chapter B of the Code.

DIRECTORS' REMUNERATION POLICY

The Board of Directors, following relevant recommendation of the Remuneration Committee, recognising

a) the significant increase in the responsibilities undertaken and the workload of the Board, as well as of its Committees, arising due to increased regulatory requirements,
b) the time commitment the Members of the Board are required to devote to the Company for Board matters and Board Committee matters,
c) the substantial risks based on the conditions prevailing in the financial environment that the Group is operating in, and

d) the desire to attract and retain Board Members with high qualifications, know-how, experience, academic background and performance,

has decided to propose to the Annual General Meeting of the Shareholders for approval increased remuneration for the Members of the Board for the year 2023 as follows:

(i) Chairperson: €210.000
(ii) Vice-Chairperson: €75.000
(iii) Senior Independent Director: €75.000
(iv) Board Members: €60.000.

Furthermore, the Board has decided to propose remuneration for the Members of the following Committees of the Board for the year 2023 as follows:

(i) Chairperson of the Audit Committee: €50.000
(ii) Chairperson of the Risk Management Committee: €50.000
(iii) Chairperson of the Remuneration Committee: €25.000
(iv) Chairperson of the Nominations / Internal Governance Committee: €25.000
(v) Chairperson of the Transformation Committee: €45.000
(vi) Member of the Audit Committee: €30.000
(vii) Member of the Risk Management Committee: €30.000
(viii) Member of the Remuneration Committee: €15.000
(ix) Member of the Nominations / Internal Governance Committee: €15.000
(x) Member of the Transformation Committee: €20.000.

The remuneration of the Members of the Board of Directors for the year 2022 was fixed as approved in the Annual General Meeting of the Shareholders held on 28th September 2022:

(i) Chairperson: €140.000
(ii) Vice-Chairperson: €50.000
(iii) Senior Independent Director: €50.000
(iv) Board Members: €45.000.

Furthermore, the remuneration of the Members of the following Committees of the Board for the year 2022 was fixed as follows:

(i) Chairperson of the Audit Committee: €45.000
(ii) Chairperson of the Risk Management Committee: €45.000
(iii) Chairperson of the Remuneration Committee: €15.000
(iv) Chairperson of the Nominations / Internal Governance Committee: €15.000
(v) Chairperson of the Transformation Committee: €45.000
(vi) Member of the Audit Committee: €20.000
(vii) Member of the Risk Management Committee: €20.000
(viii) Member of the Remuneration Committee: €10.000
(ix) Member of the Nominations / Internal Governance Committee: €10.000
(x) Member of the Transformation Committee: €20.000.

Pursuant to Regulation 88 of the Company's Articles of Association, the Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board of Directors or in connection with the business of the Company.

The Directors' Remuneration Policy, voted at the Annual General Meeting of the Shareholders held on 28th September 2022, can be found in the Company's website at www.hellenicbank.com (Investor Relations / Corporate Governance (scroll to the end) / Directors Remuneration Policy). There was no deviation from this Policy during 2022.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTOR / CHIEF EXECUTIVE OFFICER

Mr Oliver Gatzke was appointed as an Executive Member of the Board of Directors of Hellenic Bank and as Chief Executive Officer of the Group on 23rd July 2021.

Mr O. Gatzke is rewarded with a remuneration package based on a contract of employment, the terms of which take into account the relevant provisions of the Code of Corporate Governance published by the Cyprus Stock Exchange, the Central Bank of Cyprus' Internal Governance Directive, the European Banking Authority's Guidelines on Sound Remuneration Policies and the Group's Remuneration Policy. The remuneration package includes a non-variable annual salary and has an option for variable remuneration.

The non-variable annual salary is paid monthly and is inclusive of any directors' or any other fees payable to him by reason of his directorship or holding of any other office in the Company or any Group company, and takes into consideration his knowledge, extensive experience in senior managerial positions, academic background, expertise and leadership skills. In addition, it takes into consideration the services he offers, the time devoted to the Group, the scope of his responsibilities, the benefits and remuneration of officers in corresponding positions in other comparable organisations and the market at the time when his employment contract was entered into.

In addition to the salary, the remuneration package also includes fringe benefits such as private medical insurance cover or participation in a medical plan (including dental care) for the Chief Executive Officer and his family, life and permanent disability insurance and accident cover for him during the employment as per the Company's policy, use of a company car and payment by the Company of all expenses in connection with such use, and use of a mobile phone, tablet, personal computer and other electronic devices.

An annual housing and travelling allowance is payable monthly at the same time as the payment of his salary. A reasonable cost for services, for example tax advice in relation to his personal tax affairs and filing of tax returns may be paid by the Company, if required.

Subject to Shareholders' approval at a General Meeting of a variable remuneration scheme and, also, approval from regulatory authorities, the Company may offer the Chief Executive Officer a variable remuneration package.

The Chief Executive Officer's employment contract has a three-year duration and can be renewed for a further period of up to three years if the Company, at its sole discretion, gives Mr O. Gatzke six months' notice before its expiry. The employment contract will, in such a case, be renewed, on such terms as will be agreed between the two parties.

The Chief Executive Officer may, at any time after 24 months from the commencement date (i.e., 23rd July 2023), terminate his employment contract by giving not less than six months' notice to the Company.

The Company reserves the right, in its sole and absolute discretion, to terminate his employment with immediate effect at any time by making a pay-out of all the Company's obligations under the employment contract which the Company would have had to pay to the Chief Executive Officer until its expiry. Any pay-out will be paid less tax, national insurance contributions and any other contributions or deductions as required by law.

The Company may, in its sole and absolute discretion, elect to pay the sum described above in a series of equal instalments and such instalments to be paid during the relevant notice period.

The Chief Executive Officer's employment contract also gives to the Company the right to terminate the employment with immediate effect, by notice in writing, without payment in lieu of notice or compensation (other than in respect of any statutory minimum notice to which the employee may be entitled, pursuant to the Termination of Employment Law, Law No. 24/1967, if any) for cause.

The Company is under no obligation to vest in or assign to the Chief Executive Officer any powers or duties or to provide any work for him to do and, at any time after he or the Company has given notice to terminate the employment, or if he purports to terminate the employment in breach of contract or at such times as the Company is investigating a potential breach of the termination-related provisions in the employment contract, the Board may, in its absolute discretion, by written notice, place him on Garden Leave (as defined in the contract) for all or part of the remainder of the employment.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTOR / CHIEF FINANCIAL OFFICER

Mr Antonis Rouvas was appointed as an Executive Member of the Board of Directors of Hellenic Bank and as Chief Financial Officer of the Group on 20th September 2021.

Mr A. Rouvas is rewarded with a remuneration package based on a contract of employment, the terms of which take into account the relevant provisions of the Code of Corporate Governance published by the Cyprus Stock Exchange, the Central Bank of Cyprus' Internal Governance Directive, the European Banking Authority's Guidelines on Sound Remuneration Policies and the Group's Remuneration Policy. The remuneration package provides for a fixed remuneration and does not include a variable remuneration element.

The Chief Financial Officer's annual salary is paid monthly and is inclusive of any directors' or any other fees payable to him by reason of his directorship or holding of any other office in the Company or any Group company and takes into consideration his knowledge, extensive experience in senior Finance-related positions, academic background, expertise and management skills. In addition, it takes into consideration the services he offers, the time devoted to the Group and the scope of his responsibilities, the benefits and remuneration of officers in corresponding positions in other comparable organisations and the market at the time when his employment contract was entered into.

In addition to the salary, the remuneration package also includes fringe benefits such as participation in a medical plan for the Chief Financial Officer and his family, life and permanent disability insurance and accident cover for him during the employment as per the Company's policy, use of a company car and payment by the Company of all expenses in connection with such use, and use of a mobile phone, tablet, personal computer and other electronic devices.

Furthermore, a contribution is made on behalf of the Company towards the Employees Investment Retirement Plan, currently at 9% of the employee's gross monthly salary.

The Chief Financial Officer's employment contract has a five-year duration and can be renewed for a further period of up to three years if the Company, at its sole discretion, gives Mr A. Rouvas six months' notice before its expiry.

The Chief Financial Officer may, at any time after 24 months from the commencement date (i.e., 20th September 2023), terminate the contract of employment by giving not less than six months' notice to the Company.

The Company reserves the right, in its absolute discretion, to terminate his employment with immediate effect for any reason prior to the expiry date of the contract, in which case he will be entitled to receive, on the date of such termination, an amount equal to (net of tax, national insurance contributions and any other contributions or deductions as required by law):

- (i) The full salary he would have been entitled to for the period between the date of termination and the expiry date and
- (ii) the contributions the Company would have been obliged to make to the Employees Investment Retirement Plan for the period between the date of termination and the expiry date.

The above amounts may be paid in equal instalments during the period of notice but, in any event, not later than three months after the date of giving of such notice of termination.

The Company is entitled to terminate the employment with immediate effect, by notice in writing, without payment in lieu of notice or compensation (other than in respect of any statutory minimum notice to which the employee may be entitled, pursuant to the Termination of Employment Law, Law No. 24/1967, if any) for cause.

The Company is under no obligation to vest in or assign to the Chief Financial Officer any powers or duties or to provide any work for him to do and, at any time after he or the Company has given notice to terminate the employment, or if he purports to terminate the employment in breach of contract or at such times as the Company is investigating a potential breach of the termination-related provisions in the employment contract, the Board may, in its absolute discretion, by written notice, place him on Garden Leave (as defined in the contract) for all or part of the remainder of the employment.

The changes in the cumulative retirement benefits of the Executive Directors for the year are disclosed in Note 45 to the Financial Statements contained in this Annual Financial Report.

GROUP REMUNERATION POLICY

Per the Remuneration Policy for the Executive and Non-Executive Members of the Board in the Group Remuneration Policy, for the determination of the variable remuneration of the Executive Members of the Board of Directors, the Board, on the basis of the recommendations of the Remuneration Committee (which follows the proposal of the Nominations / Internal Governance Committee), considers:

(a) The Bank's consolidated results, including profitability, capital base and liquidity among other parameters, the financial conditions of the market in which these results were achieved and the risks assumed;

(b) the performance of the Executive and/or the Unit(s) under his/her responsibility and/or the consolidated performance of the Bank, bearing in mind both financial and non-financial criteria; and

(c) the long-term interests of the Group.

There is currently no variable remuneration plan in force for the Executive Members of the Board.

The Group Remuneration Policy is compliant with the 5th edition of the Corporate Governance Code published by the Cyprus Stock Exchange (5th revised edition - January 2019), the European Banking Authority Guidelines on Sound Remuneration Policies (EBA/GL/2021/04) and the Internal Governance Directive of 2021 of the Central Bank of Cyprus.

The Group Remuneration Policy is reviewed annually by the Board of Directors (last review / approval on 16th March 2023) further to recommendation by the Remuneration Committee, in order to ensure compliance with the regulatory framework, as well as to ensure that it is in line with the Group's prevailing strategic targets and to prevent the introduction of incentives that lead to excessive risk assumption or conflicts of interest. The Policy is also evaluated in order to determine whether it corresponds to the prevailing conditions of the market and the Group and whether these justify the Policy's review. The Policy is also reviewed by the Board Risk Management Committee, to ensure that it is consistent with and promotes sound and effective risk management. The review is coordinated by Human Resources and is conducted with the participation of the Risk Management Unit, the Compliance Unit and other Head Office Units. The Group Remuneration Policy is audited annually by the Internal Audit Unit.

Related to the Remuneration Policy for the Executive and Non-Executive Members of the Board and Senior Managers for 2022 is the disclosure of information in the notes to the Financial Statements included in this Annual Financial Report (Note 45) as well as the analytical Disclosure of Information regarding the Remuneration of the Directors for the year 2022 shown below.

Comparative Information on the Annual Change of Directors' and Employees' Remuneration and the Company's Performance (as required by the SRD Law) is also given below.

The Board of Directors submits this Remuneration Policy Report (as adapted in accordance with the SRD Law) to the Annual General Meeting of the Shareholders and unanimously recommends its approval.

Nicosia, 13 April 2023

DISCLOSURE OF INFORMATION REGARDING THE REMUNERATION OF DIRECTORS FOR THE YEAR 2022

	Remuneration for services	Remuneration for participation in the Board of Directors	Remuneration for participation in the Committees of the Board of Directors	**Total remuneration for services**	Remuneration and benefits from companies of the same Group of companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of the benefits that are considered to form remuneration	**Total remuneration and benefits**	Annual increase in the total retirement benefits	Consideration for terminating the contract of employment
	€	€	€	€	€	€	€	€	€	€
Executive Directors										
Oliver Gatzke	755.000	-	-	**755.000**	-	-	16.161	**771.161**	-	-
Antonis Rouvas	300.000	-	-	**300.000**	-	-	12.229	**312.229**	19.425	-
	1.055.000	-	-	**1.055.000**	-	-	28.390	**1.083.390**	19.425	-
Non-Executive Directors										
Dr. Evripides A. Polykarpou	-	140.000	35.000	**175.000**	30.000	-	-	**205.000**	-	-
Marco Comastri	-	50.000	55.000	**105.000**	-	-	-	**105.000**	-	-
Stephen John Albutt	-	50.000	55.000	**105.000**	-	-	-	**105.000**	-	-
Marianna Pantelidou Neophytou	-	45.000	30.000	**75.000**	-	-	-	**75.000**	-	-
Demetrios Efstathiou	-	45.000	32.808	**77.808**	-	-	-	**77.808**	-	-
Kristofer Richard Kraus	-	-	-	**-**	-	-	-	**-**	-	-
Marios Maratheftis	-	45.000	30.000	**75.000**	-	-	-	**75.000**	-	-
Christos Themistocleous	-	45.000	53.315	**98.315**	-	-	-	**98.315**	-	-
John Gregory Iossifidis	-	45.000	30.000	**75.000**	-	-	-	**75.000**	-	-
Andreas Persianis	-	45.000	35.000	**80.000**	-	-	-	**80.000**	-	-
Miranda Xafa	-	39.575	25.233	**64.808**	-	-	-	**64.808**	-	-
	-	549.575	381.356	**930.931**	30.000	-	-	**960.931**	-	-
Total	**1.055.000**	**549.575**	**381.356**	**1.985.931**	**30.000**	**-**	**28.390**	**2.044.321**	**19.425**	**-**

Notes

1. The Remuneration for participation in the Board of Directors and its Committees of the Non-Executive Directors relates to the period for which they were Members of the Board of Directors.
2. Mr Kristofer Richard Kraus has waived his right to receive remuneration due to his company policy.

COMPARATIVE INFORMATION ON THE ANNUAL CHANGE OF DIRECTORS' AND EMPLOYEES' REMUNERATION AND THE COMPANY'S PERFORMANCE

	Note	Percentage change 2022 - 2021	Percentage change 2021 - 2020
Directors' Remuneration – Executive Directors			
Oliver Gatzke	1	129%	n/a
Antonis Rouvas	2	263%	n/a
Lars Kramer	3	n/a	-67%
Directors' Remuneration - Non-Executive Directors			
Dr. Evripides A. Polykarpou	4	2%	1%
Marco Comastri	5	0%	8%
Stephen John Albutt	6	0%	0%
Marianna Pantelidou Neophytou	7	0%	-4%
Demetrios Efstathiou	8	-15%	15%
Kristofer Richard Kraus	9	n/a	n/a
Marios Maratheftis	10	0%	0%
Christos Themistocleous	11	11%	20%
John Gregory Iossifidis	12	98%	n/a
Andreas Persianis	13	107%	n/a
Miranda Xafa	14	n/a	n/a
Andrew Charles Wynn	15	n/a	-58%
Michael Spanos	16	n/a	57%
Average Remuneration on a full-time equivalent basis of Employees			
Employees of the Company	17	9%	6%
Company Performance			
Profit before derecognition and impairment losses	18	47%	-30%
Cost to Income Ratio (adjusted)	19	-6 p.p.	+6 p.p.

<u>Notes</u>

1. Appointed as Executive Director / Chief Executive Officer on 23.07.2021.
2. Appointed as Executive Director / Chief Financial Officer on 20.09.2021.
3. Appointed as Executive Director on 10.07.2017 and resigned on 09.02.2021. Appointed as Chief Financial Officer on 03.04.2017 and resigned on 08.05.2021.
4. Elected as Non-Executive Director on 28.05.2014. Served as Senior Independent Director from 27.01.2015 to 28.08.2019. Elected as Chairman on 28.08.2019.
5. Elected as Non-Executive Director on 28.08.2019. Elected as Vice-Chairman on 16.06.2020.
6. Appointed as Non-Executive Director on 21.09.2016. Appointed as Senior Independent Director on 28.08.2019.
7. Appointed as Non-Executive Director on 24.12.2013 and resigned on 26.01.2023.
8. Appointed as Non-Executive Director on 29.05.2017.
9. Appointed as Non-Executive Director on 19.06.2019. He has waived his right to receive remuneration due to his company policy.
10. Elected as Non-Executive Director on 28.08.2019.
11. Served as Non-Executive Director from 06.03.2020 to 23.06.2021 and as Interim Director from 01.07.2021 to 10.02.2022. Appointed as Non-Executive Director on 10.02.2022.
12. Appointed as Non-Executive Director on 18.06.2021.
13. Appointed as Non-Executive Director on 30.06.2021.
14. Appointed as Non-Executive Director on 14.02.2022.
15. Appointed as Non-Executive Director on 19.02.2016, served as Vice-Chairman from 28.08.2019 to 16.06.2020 and resigned on 18.06.2021.
16. Appointed as Non-Executive Director on 03.09.2020 and resigned on 23.06.2021.

17. Calculated as Staff Costs - Salaries (excluding Executive Directors' Remuneration for services) divided by the Average Number of Staff employed by the Company (excluding Executive Directors, adjusted for the 2022 Voluntary Early Exit Scheme (VEES) leavers in November and December 2022), as per the Annual Financial Reports of the respective years.

    The 2022 Staff Costs - Salaries also exclude the one-off payments made in relation to the re-instatement of the ex-Cooperative Credit Institutions employees' salaries to 2013 levels, effective from 1 January 2019, for the years 2019-2021, as well as the one-off accumulated unutilised annual leave payments made to the 2022 VEES leavers in November and December 2022.

18. The Profit before net gains on derecognition of financial assets measured at amortised cost and impairment losses of the Company (i.e., Total Net Income less Total Expenses) of the Company is as per the Annual Financial Reports of the respective years.

19. Defined as Total Expenses divided by Total Net Income of the Company as per the Annual Financial Reports of the respective years.

    The Total Expenses were adjusted to exclude the Special Levy on Credit Institutions, the Deposit Guarantee Scheme contribution, the Termination Benefits and the Transformation Costs.