COMMENTARY

Group Financial Results for year ended 31 December 2019

18 May 2020

Note regarding the Group Financial Results for the year ended 31 December 2019
On 3 September 2018 the Bank announced the completion of the acquisition ("Acquisition") of certain assets and liabilities of the Cyprus Cooperative Bank Ltd ("CCB"), referred to as Cooperative Asset Management Company Ltd (the "ex-CCB"), with effect from 1 September 2018. As from that date, the financial results of the CCB business acquired are fully consolidated. Nevertheless, the financial results of the Group for FY2019 are not fully comparable with FY2018 financial results, since the consolidated results for FY2018 reflect only four months of the Acquisition impact.

Hellenic Bank Public Company Ltd ("Hellenic Bank") profile
Headquartered in Nicosia (Cyprus), Hellenic Bank is the second largest financial institution in Cyprus and offers a wide range of banking and financial services, including financing, investment, insurance services, as well as custodian and factoring services. Its network includes 77 branches in Cyprus as well as 4 representative offices. At 31 December 2019, Hellenic Bank had total assets and shareholders' equity of €16,3 billion and €1.077 million, respectively.

HIGHLIGHTS – FY2019 GROUP FINANCIAL RESULTS

COVID-19: THE PANDEMIC HAS AFFECTED ALL OF US

- Immediate priorities; our customers and staff safety, business continuity and protecting the Bank's balance sheet, liquidity and capital
- Several ongoing initiatives aimed at supporting our customers
- Lockdown measures gradually abolished as pandemic spreading contained by Cypriot authorities' early action
- High uncertainty regarding the depth and length of crisis

IN A STRONG POSITION TO SUPPORT CUSTOMERS DURING COVID-19 CRISIS

- A solid, more stable, deposit-based franchise, with a stronger financial position to withstand the crisis
- Strong capital position and robust liquidity to support customers
- Government measures include financial support to vulnerable groups and loan repayments moratorium

CAPITAL

- **CET1 ratio of 19,98%[1] and Capital adequacy ratio of 22,56%**[1]
- Capital ratios significantly above minimum capital requirements and compare favorably with EU average
- Authorities decisions for lower capital requirements allows more flexibility during this challenging environment

ONGOING EFFORTS TO RESOLVE NPEs

- Well positioned to achieve NPE deleveraging through organic and non-organic options
- **NPEs ratio (excl. APS-NPEs) at 25,0%** (or 31,4% incl. APS-NPEs)
- **Net NPEs[2] to Assets (excl. APS-NPEs) at 3,6%** (or 6,2% incl. APS-NPEs)
- Texas ratio[3] (excl. APS-NPEs) reduced to 79%
- Moratorium for loan installments and foreclosures for the coming months

LIQUIDITY AND FUNDING

- **Robust liquidity position**, with a Liquidity Coverage Ratio of 512%
- Net loans to deposits ratio of 40,9%, enabling business expansion
- Substantial deposit base, comprising 89,5% of total balance sheet

PERFORMANCE

- **4Q2019 Net interest income of €74,2 million**
- **4Q2019 Profit after tax of €19,1 million** compared to a profit after tax of €30,3 million for 3Q2019**; FY2019 Profit after tax of €108,4 million**
- **FY2019: NIM of 192 bps,** Cost to income ratio of 67,5%
- **FY2019 EPS of 29,5 cents and Tangible Book Value per Share of €2,49 as at 31 December 2019**

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[1] On a transitional basis. Including 2019 profits, prior to obtaining AGM approval of year-end profits.
[2] Net NPEs = NPEs minus Accumulated impairment losses.
[3] Texas ratio = NPEs / (Shareholders' equity plus Accumulated impairment losses).

CEO STATEMENT

Commenting on the Group's financial results, **Mr. Yannis Matsis, the Group's Chief Executive Officer**, stated:

"The coronavirus outbreak has emerged as an unprecedented health crisis around the world and is mutating into a significant economic shock to global economy, Cyprus inclusive. We swiftly put into action our business continuity plan and took all necessary measures to ensure the wellbeing of our employees and customers alike. Our top priority is to continue serving our customers whilst at the same time protecting the health and safety of our colleagues and the public in general. That is why we are operating a reduced network of branches, focusing at the same time on migrating more of our customers and educating them on the use of our alternative channels, such as the ATMs, online access and customer contact centre.

I can reassure you that Hellenic Bank is on a solid footing and, importantly, during the last two years has become more robust and better equipped to withstand the challenges we face, such as the current crisis. Hellenic Bank stands ready to support its viable clients, households and businesses, affected by the Covid-19 crisis.

Our 2019 financial results demonstrate the robustness and solidity of the enlarged Hellenic Bank. A significantly de risked balance sheet, enhanced and sustainable profitability (profit after tax of €108,4 million in 2019) and a strong capital position of Capital Adequacy Ratio of 22,56% prove that the enlarged Hellenic Bank has a solid, viable, long term business model, that safeguards our depositors, provides confidence to our borrowers and creates shareholder value.

I sincerely like to thank our shareholders for their continuous support, empowerment and confidence shown to us, and assure them, that the whole team at Hellenic Bank remains fully committed to achieve its goals and strategic objectives. I also thank our customers who place their trust in us and continue doing business with us, and our staff for their hard, diligent and focused work during these challenging times."

PERFORMANCE HIGHLIGHTS

Income Statement highlights (€million)	FY2019	FY2018	Δ YoY	4Q2019	3Q2019	Δ QoQ	2Q2019	1Q2019
Profit from ordinary operations before impairment losses on financial instruments and non financial assets	131,6	87,9	+50%	30,5	28,6	+7%	36,7	35,9
(Impairment losses)/Reversal of impairment losses on financial instruments and non financial assets[4]	(36,7)	(68,5)	-46%	(24,8)	0,5	-4.836%	7,6	(20,1)
Profit before share of results of associate company and negative goodwill	94,9	19,4	+388%	5,7	29,1	-80%	44,3	15,8
Share of results of associate company net of taxation	1,5	2,2	-30%	0,7	0,0	+100%	0,4	0,5
Negative goodwill	0,0	297,9	-100%	0,0	0,0	+0%	0,0	0,0
Taxation	12,0	0,6	+1.982%	12,7	1,2	+987%	(0,5)	(1,4)
Profit for the year	108,4	320,0	-66%	19,1	30,3	-37%	44,2	14,9
Profit attributable to the shareholders of the parent company	107,7	319,3	-66%	19,3	30,1	-36%	44,0	14,3

Alternative Performance Indicators (APIs)	FY2019	FY2018	Δ YoY	4Q2019	3Q2019	Δ QoQ	2Q2019	1Q2019
Net Interest Margin (bps)	192	196	-4 bps	189	192	-4 bps	193	194
Cost to income ratio (%)	67,5%	69,6%	-2,1 p.p.	70,6%	71,7%	-1,1 p.p.	63,4%	63,9%
Cost of risk (%)	0,4%	0,8%	-0,4 p.p.	1,1%	0,1%	+1,1 p.p.	-0,3%	0,7%
Return on equity (%)	11,4%	46,3%	-34,9 p.p.	7,2%	11,5%	-4,3 p.p.	17,5%	6,4%
Earnings per share (cent €)	29,52	160,85[5]	-131,33	5,28	8,64	-3,36	13,91	6,56

p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

For definitions of APIs refer to Appendix 2.

[4] Comparative information regarding Administrative and other expenses and Impairment losses on financial instruments and non financial assets, are restated to conform with changes in the presentation of the current year. More specifically Impairment losses on the value of non financial assets previously included under administrative and other expenses are now reclassified under Impairment losses on financial instruments and non financial assets.

[5] Restated as per IAS 33 to account for the increase in the number of shares as a result of the capital raise.

PERFORMANCE HIGHLIGHTS

Financial Position highlights (€million)	31.12.2019	31.12.2018	Δ
Gross loans	7.244	7.636	-5%
Gross Non-Performing Loans	2.276	2.474	-8%
Gross Performing Loans	4.968	5.161	-4%
Loans (net of provisions for impairment)	5.979	6.283	-5%
Investment assets	9.707	9.269	+5%
Total assets	16.308	16.126	+1%
Deposits	14.602	14.709	-1%
Shareholders' Funds	1.077	820	+31%
Risk Weighted Assets (RWAs) (transitional basis)	5.039	4.800	+5%

Alternative Performance Indicators (APIs)	31.12.2019	31.12.2018	Δ
CET 1 Ratio (%)	19,98%[6]	15,82%	+416 bps
Capital Adequacy Ratio (%)	22,56%[6]	18,53%	+403 bps
NPEs to gross loans (%)	31,4%	32,4%	-1,0 p.p.
Net NPEs to total assets (%)	6,2%	7,0%	-0,8 p.p.
NPEs provision coverage (%)	55,6%	54,6%	+0,9 p.p.
Net loans to deposits ratio (%)	40,9%	42,7%	-1,8 p.p.
Tangible Book Value per Share (TBVPS) (€)	2,49	2,24[7]	0,25

p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 percentage point

For definitions of APIs refer to Appendix 2.

[6] On a transitional basis. Including 2019 profits, prior to obtaining AGM approval of year-end profits.
[7] Restated based on pro forma Capital Raise.

1. ANALYSIS OF THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

1.1 Income Statement Analysis

Net interest income for FY2019 was €301,3 million, up by 64% compared to €184,2 million in FY2018 mainly due to the impact of the Acquisition on interest income from loans and advances to customers and on interest income from debt securities. 4Q2019 **net interest income** of €74,2 million was down by 2% when compared to €76,0 million in 3Q2019. The decrease was mainly driven by the lower income on performing loans (lending base rates reduction) and lower income from debt securities, which was partly covered by the ongoing reductions in the average cost of deposits. The Group's **net interest margin (NIM)** for FY2019 amounted to 192 bps (FY2018: 196 bps).

Total non-interest income for FY2019 amounted to €103,4 million, down by 2% compared to €105,0 million in FY2018. The decrease was mainly driven by the drop in **net gains on disposal and revaluation of foreign currencies and financial instruments** which was partly offset by the increases in **net fee and commission income** and **other income**. The drop in **net gains on disposal and revaluation of foreign currencies and financial instruments**, was as a result of the gain of €18,3 million from the disposal of Cyprus Government Bonds (CGBs) included in FY2018 results (FY2019: €10,7 million, FY2018: €27,1 million). **Net fee and commission income** for FY2019 was €57,3 million, up by 18% compared to €48,8 million FY2018, mainly due to the impact of the Acquisition. **Other income** for FY2019 amounted to €35,4 million, up by 21% compared to the €29,1 million in FY2018 mostly due to the increase in the insurance operations as a result of the Acquisition. **Total non-interest income** for 4Q2019 amounted to €29,6 million and compared to €25,1 million in 3Q2019, recorded an increase of 18%, mainly due to seasonality in net fee and commission income.

Total expenses for FY2019 amounted to €273,0 million and compared to €201,3 million in FY2018 recorded an increase of 36%, mainly as a result of the Acquisition and the integration. The total integration cost was €64,9 million within the estimated level of €71,1 million. Approximately €31 million was expensed in the Income statement while an amount of around €34 million was capitalised. On a quarterly basis, 4Q2019 **total expenses** of €73,4 million were slightly increased compared to €72,5 million in 3Q2019, with the increase being mainly due to the increase in administrative and other expenses which was partly offset by the decrease in staff costs.

Staff costs for FY2019 amounted to €126,7 million and accounted for 46% (FY2018: 43%) of the Group's total expenses. Compared to €87,6 million in FY2018, the FY2019 staff costs recorded an increase of 45%, with the main driver being the impact of the Acquisition. **Staff costs** for 4Q2019 of €32,6 million compared to €35,0 million in 3Q2019 were down by 7% mainly as a result of the salary increases reflected in 3Q2019 results which were effective from 1 January 2019.

Total depreciation and amortisation for FY2019 amounted to €22,2 million and recorded an increase of 98% compared to €11,2 million FY2018. The main drivers of the increase were the impact of the Acquisition and the impact of IFRS 16[8] initially applied at 1 January 2019. As a result of the IFRS 16 application, the Group has recognised depreciation of the right-of-use asset of €4,8 million and interest costs on the corresponding lease liability of €0,3 million instead of operating lease expense for FY2019. QoQ total depreciation and amortisation increased by 5%.

Total administrative and other expenses[9] for FY2019 amounted to €124,2 million with 21% increase compared to €102,5 million in FY2018 reflecting the impact of the Acquisition and the integration. The 4Q2019 **total administrative and other expenses** amounted to €34,8 million with 9% increase compared to the €31,8 million in 3Q2019. The increase was mainly driven by the increase in Servicer's administration fees and Other administrative expenses. This was partly offset by the decrease in Consultancy and other professional services fees due to lower integration expenses in 4Q2019.

[8] The Group has initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach, under which comparative information is not restated.

[9] Comparative information regarding Administrative and other expenses and Impairment losses on financial instruments and non financial assets, are restated to conform with changes in the presentation of the current year. More specifically Impairment losses on the value of non financial assets previously included under administrative and other expenses are now reclassified under Impairment losses on financial instruments and non financial assets.

The cost to income ratio[9] for FY2019 was 67,5%, compared to 69,6%[9] for FY2018. The **cost to income ratio** for 4Q2019 amounted to 70,6% and remained at similar levels as in 3Q2019 (3Q2019: 71,7%) reflecting the minor QoQ increase in both total expenses (1% increase) and total net income (3% increase).

The charge for impairment losses on financial instruments and non financial assets[9] amounted to €36,7 million for FY2019 and compared to the €68,5 million in FY2018, recorded a decrease of 46% mainly due to the high impairment losses booked in FY2018 as a result of the Acquisition, that under IFRS 9, attracted loss allowance at the first reporting date after it was recognised. 4Q2019 recorded a charge of €24,8 million reflecting further balance sheet de-risking incorporating the possibility of recovery through a sale of NPE portfolio, compared to a reversal of €0,5 million in 3Q2019.

The **cost of risk (annualised)** for FY2019 amounted to 0,4% (FY2018: 0,8%).

Profit before share of results of associate company and negative goodwill for FY2019 amounted to €94,9 million (FY2018: €19,4 million).

Share of results in associate net of taxation, amounted to €1,5 million profit for FY2019 compared to €2,2 million profit in 2018. The 30% YoY decrease in the share of results was mainly due to the declining balance of the original portfolio under management and the renegotiation of lower management fees with the Bank for loans falling under the original perimeter transferred. During 2019, an additional loan portfolio was assigned to APS Debt Servicing Cyprus Ltd (APS Cyprus) for management as a result of the Acquisition.

In FY2018, a **negative goodwill** of €297,9 million was recognised in the Income Statement as a result of the Acquisition, representing the difference between the consideration paid of €74,2 million cash and the net fair value of the identifiable assets acquired and the liabilities assumed.

Profit before taxation for FY2019 amounted to €96,4 million, compared to €319,5 million for FY2018 which was after including the negative goodwill of €297,9 million as a result of the Acquisition. On a quarterly basis, a profit of €6,4 million was reported for 4Q2019 compared to a profit of €29,1 million for 3Q2019, mainly due to the increased charge for impairment losses on financial instruments and non financial assets in 4Q2019.

Taxation for FY2019 amounted to a tax credit of €12,0 million (FY2018: €0,6 million tax credit) and included an amount of €0,7 million corporation tax charge and €12,7 million deferred tax (credit). The deferred tax credit was mainly the result from a credit of €12,0 million from the movement of the temporary difference arising on the negative goodwill.

Profit for the year amounted to €108,4 million (4Q2019: €19,1 million profit, 3Q2019: €30,3 million profit) compared to profit for FY2018 of €320,0 million.

Profit attributable to the Bank's shareholders for FY2019 amounted to €107,7 million compared to a profit of €319,3 million in FY2018.

1.2 Statement of Financial Position Analysis

As at 31 December 2019, the Group's **total assets** amounted to €16,3 billion, slightly increased compared to €16,1 billion as at 31 December 2018, mainly due to the increase in investment assets.

1.2.1 Deposits and Loans

Customer deposits amounted to €14,6 billion as at 31 December 2019 (31 December 2018: €14,7 billion). They comprised of €13,6 billion deposits in Euro (31 December 2018: €13,7 billion) and €1,0 billion deposits in foreign currencies (31 December 2018: €1,0 billion), mostly in US Dollars.

The Bank's **deposits market share**[10] as at 31 December 2019 stood at 30,1% (31 December 2018: 30,9%).

Total new lending approved during FY2019 reached €812,3 million (FY2018: €594,4 million). The Bank continued providing lending to creditworthy businesses and households while examining other growth opportunities. **Gross loans** as at 31 December 2019 amounted to €7.244 million, down by 5% compared to €7.636 million as at 31 December 2018. The performing loan portfolio was down by 4% while the non-performing loan portfolio decreased by 8% compared to 31 December 2018. During FY2019 exposures of €216,8 million were written off[11] (FY2018: €149,0 million), out of which €127,5 million related to non-contractual write-offs. The Bank's **loan market share**[10] as at 31 December 2019 increased to 21,4% (31 December 2018: 19,5%).

The net loans to deposits ratio stood at 40,9% as at 31 December 2019 (31 December 2018: 42,7%).

1.2.2 Loan Portfolio Quality

During 2019, as part of the Bank's deleveraging strategy and following the successful completion of the disposal of a non-performing loan portfolio in June 2018 and the Acquisition in September 2018, the Bank has embarked on a preparation phase to review the feasibility of different NPE reduction structures with the aim of identifying the option that best meets the Bank's strategic objectives. The preparation phase involved the definition of the NPE portfolio, evaluation of real estate collaterals, data remediation and enhancement of data tapes, borrower information memorandums, legal due diligence and transaction structuring options. For the purposes of completing the workstreams outlined above and concluding on the best possible structure, the Bank engaged international advisors, and has been engaged in high level discussions through signing confidentiality agreements with various third parties that may be interested in pursuing a possible collaboration with the Bank. The Bank is committed and continues to work with its advisors towards the disposal of an NPEs portfolio. Due to recent developments regarding the coronavirus (COVID-19) outbreak and the impact on the current market conditions, the completion of an NPE disposal process may deviate from the Bank's original time plan.

NPEs[12] amounted to €2.276 million as at 31 December 2019 and compared to €2.474 million as at 31 December 2018, recorded a decrease of 8%. A significant part of the NPEs reduction, was due to cash collections and cures representing higher quality deleveraging. Terminated loans included in NPEs amounted to €1.435 million as at 31 December 2019. Gross loans with forbearance measures as at 31 December 2019 amounted to €1.225 million (31 December 2018: €1.612 million).

The stock of properties, which are mostly from customers' debt settlement, amounted to €177,3 million as at 31 December 2019 (31 December 2018: €164,1 million). The movement in the balance of stock of properties from customers' debt settlement for FY2019 included an amount of €67,8 million[13] of additions, an amount of €42,4 million[13] of disposals and an amount of €12,1 million of impairment.

The NPEs to gross loans ratio as at 31 December 2019 was reduced to 31,4% compared to 32,4% as at 31 December 2018. The NPEs to gross loans ratio as at 31 December 2019 excluding the NPEs covered by the

[10] Source: Central Bank of Cyprus (CBC) and Hellenic Bank.
[11] 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.
[12] Gross carrying amount, including the contractual interest on impaired loans. The acquired NPEs were initially recognised at fair value and are subsequently measured at amortised cost.
[13] Book value.

APS agreement was 25,0% (31 December 2018: 26,5%). The **net NPEs to total assets ratio** as at 31 December 2019 stood at 6,2% (3,6% excluding APS-NPEs) compared to 7,0% as at 31 December 2018.

Total accumulated impairment losses, amounted to €1.265 million as at 31 December 2019 (31 December 2018: €1.352 million) and represented 17,5% of the total gross loans (31 December 2018: 17,7%). Total accumulated impairment losses over gross loans excluding the loans covered by the APS was 23,2% (31 December 2018: 24,2%). **The NPEs provision coverage ratio** stood at 55,6% as at 31 December 2019 (31 December 2018: 54,6%), while excluding the NPEs covered by the APS agreement is adjusted to 67,3% (31 December 2018: 65,5%). Taking into account tangible collaterals[14] the **net NPEs collateral coverage ratio** stood at 125,3% as at 31 December 2019 (31 December 2018: 132,4%), while excluding the NPEs covered by the APS and the corresponding tangible collateral and provisions of the NPEs covered by the APS, the ratio is adjusted to 142,9% (31 December 2018: 150,5%).

1.2.3 Investment Assets

The carrying value of investment assets amounted to €9,7 billion as at 31 December 2019 (31 December 2018: €9,3 billion) and represented 59,5% of the total assets of the Group (31 December 2018: 57,5%). Investment assets comprise of cash and balances with Central Banks, placements with other banks, investments in debt securities, investments in shares and other securities and collective investment units and investment in associate. Total investment assets increased by 5% compared to 31 December 2018, mostly due to the increase in cash and placements with other banks and Central Banks.

The Group's cash and placements with other banks and Central Banks amounted to €5,4 billion as at 31 December 2019 (31 December 2018: €4,7 billion) and recorded an increase of 14%. The main drivers of the increase were the net cash inflow from the maturity of investments as well as the net cash inflow from loan repayments. Most foreign currency placements were with P-1 rated banks[15].

The Group's investments in debt securities amounted to €4,3 billion as at 31 December 2019 (31 December 2018: €4,5 billion) and represented 26,4% of total assets (31 December 2018: 28,1%). The Group's investments in debt securities comprised mainly of CGBs.

The CGBs[16] held by the Group at 31 December 2019 amounted to €2.987 million and compared to €4.136 million as at 31 December 2018, were down by 28% mainly as a result of the CGBs that reached maturity during 4Q2019. Out of the total CGBs held by the Group, €874 million will mature within a period of less than 1 year, €1.955 million within 1 and 5 years and the remaining €158 million will mature within 5 and 10 years.

The Group's investment in associate as at 31 December 2019 amounted to €7,8 million (31 December 2018: €9,0 million) and represented the Bank's retained interest in APS Cyprus and the corresponding share of profits. The decrease in the investment in associate is mainly as a result of the dividend paid during FY2019.

[14] Based on open market values (capped at client exposure).
[15] Prime-1 short term rating by Moody's.
[16] Republic of Cyprus is currently being rated as Ba2 by Moody's, BBB- by Fitch, BBB- by S&P.

1.2.4 Share Capital Increase

On 15 March 2019 the Bank announced the successful completion of the share capital increase. The raising of €150 million of shareholders' equity consisted of €100 million through an underwritten Rights Issue and €50 million through a Private Placement. The new ordinary shares arising from the share capital increase, totaling 214.330.364, were listed on the CSE on 28 March 2019. In August 2019, 154 new ordinary shares with nominal value of €0,50 were issued as a result of a Convertible Capital Securities 2 (CCS2) voluntary conversion and their trading commenced on 4 September 2019.

As a result of the share capital increase the Bank's capital position is now significantly strengthened following the Acquisition. Furthermore, it supports the Bank's business plan to further build its franchise and provides optionality for a faster resolution of non-performing exposures. It also facilitates improved access to the capital markets and enhances stakeholders' confidence in the Bank.

1.2.5 Capital Base and Adequacy

The Capital Adequacy Ratios[17] of the Group under Pillar I, **which are above the minimum regulatory requirements**, were as follows:

Capital Adequacy Ratios	Group (transitional basis)[18]			Group (fully loaded basis IFRS 9)[18]		Minimum regulatory capital requirements (Phase-in)
	31.12.2019[17]	31.12.2018	Δ	31.12.2019[17]	31.12.2018	2019[19]
Capital Adequacy Ratio (%)	22,56%	18,53%	+403 bps	22,06%	18,00%	14,075%
Tier 1 Ratio (%)	22,56%	18,53%	+403 bps	22,06%	18,00%	12,075%
Common Equity Tier 1 (CET 1) Ratio (%)	19,98%	15,82%	+416 bps	19,47%	15,26%	10,575%
Common Equity Tier 1 capital (€million)	1.007	760	+33%	974	723	n/a
Risk Weighted Assets (RWAs) (€million)	5.039	4.800	+5%	5.003	4.737	n/a

The increase of 416 basis in CET 1 ratio[17] (transitional basis) compared to 31 December 2018, was the result of the following:

i) overall increase in CET1 capital, mainly due to:
- current year profits (effect of 217 basis points increase),
- the capital raise of €145 million net off expenses directly related to the share issue (effect of 302 basis points increase),
- the increase in other comprehensive income (effect of 12 basis points increase), due to the increase in revaluation reserve from bonds,
- the decrease in IFRS 9 transitional arrangements, the increase in deferred tax asset arising from tax losses expired and the increase in intangible assets (net effect of 18 basis points decrease).

ii) overall increase in RWAs, mainly due to the increase in net funded exposures due to new lending and the acquisitions of debt securities (effect of 99 basis points decrease).

The corresponding capital ratios[17] of the Bank for 31 December 2019 were as follows:

Capital Adequacy Ratios	Transitional basis[18]	Fully loaded basis IFRS 9[18]
Capital Adequacy Ratio (%)	22,48%	21,99%
Tier 1 Ratio (%)	22,48%	21,99%
Common Equity Tier 1 (CET 1) Ratio (%)	19,91%	19,40%
Common Equity Tier 1 capital (€million)	1.004	971
Risk Weighted Assets (RWAs) (€million)	5.043	5.007

As at 31 December 2019 the Leverage Ratio[17,20] for the Group was 6,87% (Bank: 6,85%) compared to 5,42% (Bank: 5,40%) as at 31 December 2018. The Leverage Ratio[17,20] on a fully loaded basis for the Group was 6,68% (Bank: 6,67%) compared to 5,20% (Bank: 5,19%) as at 31 December 2018.

[17] Including 2019 profits, prior to obtaining AGM approval of year-end profits.
[18] As per regulation (EU) 2017/2395 of the European Parliament and Council of 12 December 2017 issued amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS9, 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.
[19] Excluding Pillar II capital guidance and based on 2018 SREP with reference date 31 December 2017, effective from 1 June 2019.
[20] Calculated in accordance with the Regulation (EU) No 2015/62 of the European Parliament and Council dated 10th of October 2014.

Supervisory Review and Evaluation Process 2019 (SREP 2019)

Following ECB's final decision[21] in establishing prudential requirements, which was based on the SREP conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 with **reference date 31 December 2018**, and also having regard to **other relevant information received thereafter**, the Bank is required to maintain **for 2020,** effective from 1 January 2020, on a consolidated basis, **a phase-in Capital Adequacy Ratio of 14,45%**, which includes:

- the minimum Pillar I own funds requirements of 8% in accordance with Article 92(1) of Regulation (EU) No 575/2013 (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 3,2% required to be held in excess of the minimum own funds requirement (to be made up entirely of CET 1 Capital), and
- a phased-in combined buffer requirement which for 2020 includes the fully loaded capital conservation buffer of 2,5%, which has to be made up with CET 1 capital and the O-SII buffer of 0,75%[22], with application starting from 1 January 2019 which is phased-in over a period of four years.

Additionally, applicable for Hellenic Bank, the combined buffer requirement includes:

- a Counter-Cyclical Capital Buffer (CCyB) for which the CBC has set the level at 0% for exposures located in Cyprus for 2018, 2019 and for the first half of 2020 (the institution specific CCyB rate for 2018 and 2019 was 0%),
- Systemic Risk Buffer (as per CBC circular dated 24 June 2019, this measure has been terminated as of 30 May 2019).

The final[21] 2019 SREP decision is effective from 1 January 2020.

Based on the final SREP letter the Pillar II requirement which is applicable as from 1 January 2020 has remained the same as in 2019 at 3,2%. Furthermore, the Bank shall refrain from making distributions to its shareholders.

Taking into account the above, the Group's minimum **Capital Adequacy Ratio, CET 1 and Tier 1 ratios effective as from 1 January 2020 are set at 14,45%, 10,95% and 12,45%.**

In addition to the above, the ECB has provided on a consolidated basis, a revised Pillar II capital guidance to be made up entirely of CET 1 capital, which has remained the same as in 2019.

The capital ratios of the Group, are above minimum regulatory requirements based on the final SREP as shown below:

Capital Adequacy Ratios	31.12.2019 (transitional basis IFRS 9)[17]	31.12.2019 (fully loaded basis IFRS 9)[17, 18]	Minimum regulatory capital requirements (Phase-in) 2020[23]
Capital Adequacy Ratio (%)	22,56%	22,06%	14,45%
Tier 1 Ratio (%)	22,56%	22,06%	12,45%
Common Equity Tier 1 (CET 1) Ratio (%)	19,98%	19,47%	10,95%

[21] Based on the final decision received, on 4 December 2019, of ECB's intention to adopt a decision establishing prudential requirements pursuant to Article 16 of Council Regulation (EU) No 1024/2013.
[22] As per revised CBC circular dated 25 October 2018, the fully loaded O-SII buffer increases from 1% to 1,5%.
[23] Excluding Pillar II capital guidance and based on 2019 SREP with reference date 31 December 2018, effective from 1 January 2020.

2. STRATEGIC TARGETS AND OUTLOOK

The Bank is committed to being a strong bank meeting the expectations of its shareholders, employees, clients and society.

Whilst the Bank expects the coronavirus pandemic to have a temporary but significant negative economic impact, the Bank remains in a robust position and will focus on de-risking and protecting its balance sheet through the pandemic period whilst in parallel continuing strengthening and improving its market position to maximise post pandemic growth opportunities.

The Bank’s medium-term strategy focuses on 1) growth through high quality new lending with strengthening of customer relationships and 2) deleveraging its NPE portfolio.

The Bank intends to continue its role in supporting the local economy while protecting shareholder value through prudent policies consistent with the Bank’s Risk Appetite. The Bank also continues repositioning its international banking strategy including exploring further international lending and investment opportunities whilst cognisant of changing regulatory environment including anti-money laundering issues. The Bank’s strategy leverages advancements in technology, analytics and enhancement of customer service, as well as streamlining of processes.

Through the creation of the first debt servicing platform in the Cypriot market, the Bank is able to effectively tackle its NPEs in an accelerated way and with higher recoveries, leveraging on the know-how, proven expertise and technical experience of APS Cyprus. Moreover, the Bank remains focused to accelerate the de-risking of its non-performing exposures through portfolio disposals.

Consistent with its growth strategy, the Bank completed the Acquisition of certain assets and liabilities of CCB in September 2018 and implemented the integration of the acquired business in September 2019. The Acquisition improved the financial profile of the Bank and strengthened its Cyprus banking franchise with an enlarged and diversified customer base. The Acquisition complemented the Bank’s existing business model, diversifying its loan portfolio with a major retail presence in addition to its previous business focus. The Bank has achieved significant synergies from the Acquisition, reflecting the complementary characteristics of the combined businesses.

The Bank maintains a strong liquidity position allowing, as the economy recovers post coronavirus, development of further lending programmes across Cyprus and selected international lending and investment opportunities. The Bank aims to continue its pivotal role in the recovery of the economy supporting creditworthy Cypriot businesses and households with a comprehensive range of quality banking services. The focus of domestic lending will continue towards 1) businesses increasing Cyprus’ competitiveness and productivity including retail and commercial activities, manufacturing and tourism; 2) loans to private sector including house purchase mortgages. Through the pandemic period Hellenic Bank stands ready to support its clients, households and businesses affected by the coronavirus.

The Bank continuously monitors Cypriot, European and Global economic environments, assessing the evolving situation, whilst continuing the implementation of its strategy. The operating environment remains challenging and the Bank will remain vigilant of developments and to turn these challenges into opportunities.

3. RECENT DEVELOPMENTS

3.1 Coronavirus (COVID-19)

A major challenge for the international and local community is the recent coronavirus outbreak, whose expansion worldwide is expected to cause a transitory but significant negative impact in the global economy which will in turn impact the local economy. The sectors of the Cyprus economy that are expected to be most affected are hospitality (hotels and food services activities), retail trade (excluding food trade), transportation and manufacturing.

With the virus spreading around the globe, governments and central banks are coming under pressures to support growth, which is suffering from travel restrictions, weakening demand, supply chain disruptions and a sharp market sell-off.

The Cyprus Government has taken measures to contain the virus' expansion including travel restrictions, isolation measures as well as financial support to vulnerable groups and businesses. In addition, the European Central Bank (ECB), including the US Fed, have implemented additional measures of monetary accommodation.

On 12 March 2020, the ECB also announced a number of temporary capital and operational relief measures to ensure that its directly supervised banks can continue to fulfil their role in funding the real economy. Specifically, Banks will be allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance and the capital conservation buffer (CCB). Additionally, the EBA decided to postpone the EU-wide stress test exercise to 2021.

On 18 March 2020, the ECB has launched a €750 billion emergency private and public bond plan to counter the impact of the coronavirus in the European economy. Subsequently, on 23 March 2020, the EU finance ministers approved the Stability and Growth Pact's 'general escape clause', which pauses the structural adjustments that countries must implement to meet their fiscal targets. This will allow member states to pursue a fiscal policy that departs from the budgetary requirements that would normally apply under the European fiscal framework in order to deal adequately with the pandemic outbreak.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019. Its negative effect on the economic activity depends heavily on the range of its total extension and the timing of its curbing. The total extent and duration of the coronavirus economic impact are highly uncertain, but it is expected to be temporary.

The Bank is closely monitoring developments with regards to the effects of COVID-19 on both the internal and external environment. As a result of the current challenging economic conditions ensuing from the COVID-19 outbreak, the Bank will update its macroeconomic assumptions underlying the IFRS 9 calculation of loan credit losses for the first quarter of 2020 as per EBA guidelines and anticipates that this may result in increased organic provisions in the first quarter of 2020, mainly driven by increase in Probabilities of Defaults on the performing book as a result of the deterioration in the macroeconomic environment, IFRS 9 Stage deteriorations and losses on the existing non-performing loan portfolio resulting from the prolongation of resolutions. Despite the expected impact, it is noted that a sizable part of the portfolio was already assessed through lifetime provisioning, whereas about 30% is protected by the government Asset Protection Scheme, after the ex-CCB transaction. Therefore, the overall cost of risk in the short to medium-term is expected to remain within reasonable levels. Pre-provision profit is expected to be affected in 2020 by revenue loss as loan production is impaired, but the effort is to protect this as much as possible through reallocating capital to alternative yielding assets within the Bank's risk appetite and also aiming for cost reduction.

The preliminary assessment of the Bank, taking into account its exposure to the highly affected sectors, the nature of the current crisis as described above, the measures undertaken by the Government and the European Union (EU) Regulators in view of the COVID-19 outbreak, along with its current high capital adequacy and strong liquidity position, is that the capital and liquidity position of the Bank are expected to remain strong and above regulatory minimums.

3.2 National Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS)

As notified by the Management Committee (MC) of the DGS on 23 March 2020, the MC at its last meeting approved a methodology, for the calculation of risk-based contributions (RBC) to the DGS (refer to CBC website). The approved methodology provides for the calculation and payment of contributions by authorised credit institutions to the DGF (Deposit Guarantee Fund) on a semiannual basis. The MC of the DGS will be collecting contributions from the credit institutions between the year 2020 to 2024, in order to reach the target of the 0,8% of covered deposits of all authorised Credit Institutions by 3 July 2024 in line with the relevant legislation and EU Directive. Furthermore, the MC notified the amount of RBC attributable to the Bank for the first six-month period of 2020, with the data used for the calculation being related to the reference date 31 December 2018. As a result, the Bank by 27 April 2020 contributed to DGS an amount of €2,4 million, which in line with IFRSs, it will be charged to the Income Statement in 1Q2020.

3.3 Minimum requirement for own funds and eligible liabilities

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

The Bank has received a formal 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 Bank. Accordingly, based on financial and supervisory information as at 31 December 2018, the Bank is required to comply with the level of 9,47% of its consolidated total liabilities and own funds (TLOF) of €14.276.098.364 as at 31 December 2018, by 31 December 2025. The MREL requirement is calculated by the Bank as 28,5% of risk weighted assets. Based on SRB's eligibility criteria currently in effect and on the Bank's internal estimate, the Bank's MREL position was estimated at 22,6% of risk weighted assets at 31 December 2019.

The SRB decision is based on current legislation and on the Bank's financial position as at 31 December 2018, with the Bank required to comply with the MREL requirement over a period of almost six years. Thus, it is expected that the requirement may 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). The Bank anticipates that the MREL requirement will be assessed and set on an ongoing basis.

It is noted that the MREL requirement is aligned with the Bank's expectations and its strategic plan for the period 2020-2022, which provide for the issuance of relevant securities by the Bank for compliance with the MREL requirement by 31 December 2025. Accordingly, the strategic plan for the period 2020-2022 incorporates the issuance of €100 million MREL instruments in 2022.

4. APPENDIX 1

GROUP INCOME STATEMENT (€million)	FY2019	FY2018	Δ YoY	4Q2019	3Q2019	Δ QoQ	2Q2019	1Q2019
Interest income	369,1	240,9	+53%	86,2	91,1	-5%	93,8	98,0
Interest expense (Note 2)	(67,9)	(56,7)	+20%	(12,0)	(15,1)	-20%	(18,0)	(22,7)
Net interest income	**301,3**	**184,2**	**+64%**	**74,2**	**76,0**	**-2%**	**75,8**	**75,3**
Fee and commission income	64,9	55,3	+17%	21,2	15,6	+36%	15,2	12,8
Fee and commission expense	(7,5)	(6,5)	+16%	(1,9)	(1,9)	-0%	(1,7)	(2,1)
Net fee and commission income	**57,3**	**48,8**	**+18%**	**19,3**	**13,8**	**+41%**	**13,5**	**10,7**
Net gains on disposal and revaluation of foreign currencies and financial instruments	10,7	27,1	-61%	2,6	2,7	-1%	2,9	2,5
Other income	35,4	29,1	+21%	7,7	8,7	-12%	8,0	11,0
Total net income	**404,6**	**289,2**	**+40%**	**103,9**	**101,1**	**+3%**	**100,2**	**99,4**
Staff costs	(126,7)	(87,6)	+45%	(32,6)	(35,0)	-7%	(29,8)	(29,2)
Depreciation and amortisation (Note 2)	(22,2)	(11,2)	+98%	(6,0)	(5,7)	+5%	(5,4)	(5,1)
Administrative and other expenses (Note 3)	(124,2)	(102,5)	+21%	(34,8)	(31,8)	+9%	(28,4)	(29,2)
Total expenses	**(273,0)**	**(201,3)**	**+36%**	**(73,4)**	**(72,5)**	**+1%**	**(63,6)**	**(63,5)**
Profit from ordinary operations before impairment losses on financial instruments and non financial assets	**131,6**	**87,9**	**+50%**	**30,5**	**28,6**	**+7%**	**36,7**	**35,9**
(Impairment losses)/Reversal of impairment losses on financial instruments	(23,2)	(67,2)	-65%	(14,2)	0,5	-2.806%	10,5	(20,1)
Impairment losses on the value of non financial assets (Note 3)	(13,5)	(1,2)	+1.009%	(10,6)	0,0	+100%	(2,9)	0,0
Profit before share of results of associate company and negative goodwill	**94,9**	**19,4**	**+388%**	**5,7**	**29,1**	**-80%**	**44,3**	**15,8**
Share of results of associate company net of taxation	1,5	2,2	-30%	0,7	0,0	+100%	0,4	0,5
Negative goodwill	0,0	297,9	-100%	0,0	0,0	0%	0,0	0,0
Profit before taxation	**96,4**	**319,5**	**-70%**	**6,4**	**29,1**	**-78%**	**44,7**	**16,3**
Taxation	12,0	0,6	+1.982%	12,7	1,2	+987%	(0,5)	(1,4)
Profit for the year	**108,4**	**320,0**	**-66%**	**19,1**	**30,3**	**-37%**	**44,2**	**14,9**
Non-controlling interest	(0,7)	(0,8)	-5%	0,2	(0,1)	-213%	(0,2)	(0,6)
Profit attributable to the shareholders of the parent company	**107,7**	**319,3**	**-66%**	**19,3**	**30,1**	**-36%**	**44,0**	**14,3**

Note 1: Numbers may not add up due to rounding.

Note 2: The Group has initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach, under which comparative information is not restated. During FY2019, the Group has recognised depreciation of the right-of-use asset and interest costs on the corresponding lease liability, instead of operating lease expense. The depreciation charge amounted to €4,8 million and interest costs from these leases amounted to €339 thousand.

Note 3: Comparative information regarding Administrative and other expenses and Impairment losses on financial instruments and non financial assets, are restated to conform with changes in the presentation of the current year. More specifically Impairment losses on the value of non financial assets previously included under administrative and other expenses are now reclassified under Impairment losses on financial instruments and non financial assets.

4. APPENDIX 1

GROUP STATEMENT OF FINANCIAL POSITION (€million)	31.12.2019	31.12.2018	Δ
Cash and balances with Central Banks	4.962	4.391	+13%
Placements with other banks	395	308	+28%
Loans and advances to customers	5.979	6.283	-5%
Debt securities	4.300	4.526	-5%
Equity & Other securities & Collective Investment Units	42	35	+22%
Investment in associate company	8	9	-13%
Property, plant and equipment (Note 4)	182	101	+79%
Intangible assets	49	47	+5%
Tax receivable	1	0	+22%
Deferred tax asset	16	16	-2%
Other assets (Note 4)	374	408	-8%
Total assets	**16.308**	**16.126**	**+1%**
Deposits by banks	174	216	-20%
Customer deposits and other customer accounts	14.602	14.709	-1%
Tax payable	5	5	-2%
Deferred tax liability	31	44	-30%
Other liabilities (Note 4)	289	197	+47%
Loan capital	130	130	0%
Total liabilities	**15.231**	**15.302**	**-0%**
Share capital	206	99	+108%
Reserves	870	721	+21%
Shareholder's equity	**1.077**	**820**	**+31%**
Non-controlling interest	0	4	-100%
Total liabilities and equity	**16.308**	**16.126**	**+1%**
Contingent liabilities and commitments	1.382	1.366	+1%

Note 4: The Group has initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach, under which comparative information is not restated. The impact that the application of IFRS 16 had on the financial statements of the Group as of 1 January 2019 was an increase in assets of €53,2 million and a corresponding lease liability of €53,2 million, with no impact on the retained earnings or equity of the Group. During 2019 an amount of €48,5 million previously included in Other assets under Debtors and other receivables was partly settled in the form of immovable property contributing in the increase of Property, plant and equipment.

Note 5: Numbers may not add up due to rounding.

Notes to the Commentary for the Group Financial Results for the year ended 31 December 2019:

The Commentary report is neither reviewed nor audited by the external auditors.

The Commentary should be read in conjunction with the Consolidated Financial Statements & the Presentation and neither the Commentary nor Presentation constitute statutory financial statements prepared in accordance with International Financial Reporting Standards.

The Audited Consolidated Financial Statements and the presentation of the financial results for the year ended 31 December 2019 have been posted on the Group's website www.hellenicbank.com (Investor Relations).

5. APPENDIX 2

Glossary and Definitions

APS	*Asset Protection Scheme*
APS Cyprus	*APS Debt Servicing Cyprus Ltd*
CBC	*Central Bank of Cyprus*
CET 1 ratio	*Common Equity Tier 1 capital divided by Risk Weighted Assets*
CGBs	*Cyprus Government Bonds*
Cost of risk ratio	*Impairment losses (excluding any modification gain/losses, any APS claims and reversals of fair value of purchased credit impaired facilities) on the value of loans and advances divided by gross loans at the end of the period (annualised).*
Cost to income ratio	*Total expenses over total net income*
Earnings/(loss) per share	*Profit/(loss) divided by the number of shares issued*
EBA	*European Banking Authority*
ECB	*European Central Bank*
ECL	*Expected Credit Losses*
FY	*Financial year*
Interest-bearing assets	*Consist of Cash and balances with Central Banks, placements with other banks, loans and advances to customers, investments in debt securities, indemnification assets and any receivables related to the indemnification asset. 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.*
Leverage ratio	*Capital measure divided by the total on- and off- balance sheet items (Tier 1/total exposure measure)*
Liquidity Coverage ratio (LCR)	*Is the sum of high quality liquid assets over the expected net liquidity outflows during the next 30 days, as these net outflows are specified under a stress scenario. At times of stress, institutions may use their liquid assets to cover their net liquidity outflows.*
Net Interest Margin ratio (NIM)	*Net interest income divided by the average interest-bearing assets, annualised*
Net loans	*Loans and advances to customers net of accumulated impairment losses*
Net loans to deposits ratio	*Net loans and advances to customers divided by customer deposits and other customer accounts*
Net NPE ratio	*NPEs less accumulated impairment losses divided by Net Loans*
Net NPE to assets ratio	*NPEs less accumulated impairment losses divided by total assets*
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*
NPEs	*On-Balance sheet non-performing exposures*
NPEs provision coverage ratio	*Accumulated impairment losses divided by gross non-performing exposures*
NPEs ratio	*Gross non-performing exposures (EBA definition) divided by gross loans*
NPEs ratio excl. APS-NPEs	*Gross non-performing exposures (EBA definition) excluding NPEs covered by the APS, divided by gross loans*
O-SII	*Other Systemically important institution*
QoQ	*Quarter on quarter*
REO	*Real estate owned*
Return on Equity (ROE)	*Profit attributable to shareholders of the parent company (annualized) divided by average equity attributable to shareholders of the parent company*
Return on Tangible Equity (ROTE)	*Profit attributable to shareholders of the parent company (annualized) divided by average tangible equity attributable to shareholders of the parent company*
RWAs	*Risk Weighted Assets*
SREP	*Supervisory Review and Evaluation Process*
Tangible Equity	*Shareholders' equity minus Intangible assets*
Tangible Book Value per Share (TBVPS)	*Equity attributable to shareholders of the parent company less intangible assets divided by the number of issued shares*
Texas ratio	*NPEs / (Equity attributable to shareholders of the parent company plus Accumulated impairment losses)*
YoY	*Year on year*