# Financial Results of the Group of Hellenic Bank Public Company Limited for the nine-month period ended 30th September 2022

Announcement dated 30th November 2022 is attached.

Attachments:

1. **Financial Results of the Group of Hellenic Bank Public Company Limited for the nine-month period ended 30th September 2022**
2. **Commentary**
3. **Financial Results Presentation**

**Regulated**

Publication Date: 30/11/2022

HELLENIC BANK

30th November 2022

# ANNOUNCEMENT

**Subject: Financial Results of the Group of Hellenic Bank Public Company Limited for the nine-month period ended 30th September 2022**

Hellenic Bank Public Company Limited (the "Bank") announces that, the Board of Directors of the Bank during its meeting held on 29th November 2022 approved, inter alia, the Financial Results of the Group of Hellenic Bank for the nine-month period ended 30th September 2022, and pursuant to the Regulations of the Cyprus Stock Exchange and Cyprus Securities and Exchange Commission, please find attached hereto:

(a) the Commentary on the Financial Results for the nine-month period ended 30th September 2022 and

(b) the relevant Financial Results Presentation.

Copies of the Commentary and the Presentation on the Financial Results for the nine-month period ended 30th September 2022, as approved by the Board of Directors, will be available at the Head Office of Hellenic Bank, Corner Limassol Avenue & 200 Athalassas Avenue, Strovolos, Nicosia and uploaded on the Bank's website www.hellenicbank.com.

**HELLENIC BANK PUBLIC COMPANY LIMITED**

HELLENIC BANK

# COMMENTARY

## Group Financial Results for the nine-month period ended 30 September 2022

30 November 2022

***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, which include financial, investment and insurance services, custodian and factoring services as well as management and disposal of properties acquired in debt satisfaction. As at 30 September 2022, its network included 64 branches in Cyprus, including cash offices. As at 30 September 2022, the Group's Total Assets and Total equity amounted to €19.699 million and €1.175 million, respectively. The Group comprised of Hellenic Bank Public Company Limited and its subsidiary companies.*

## HIGHLIGHTS – 9M2022 GROUP FINANCIAL RESULTS

### OPERATING ENVIRONMENT

- **6M2022 GDP growth of 6,4%,** despite the Russia-Ukraine crisis and COVID, 3Q2022 GDP growth of 5,4%[1], continuing the positive trend of the previous two quarters
- **Inflationary pressure and rising interest rates** caused by monetary measures as well as increased credit spreads

### STRATEGY

- **2022-2024 Strategic Plan to transform and address** structural challenges on track**, focusing on digitalisation and cost control**
- A **retail focused bank** with solid customer base and major market shares in **households** (38% in deposits and 33% in loans)
- **Rising interest rates resulting in significantly higher interest income due to balance sheet structure**

### ASSET QUALITY

- **Pro forma[2] NPE ratio[3]** of **c.3,8%**, the lowest level among peers; Pro forma[2] NPE provision coverage[3] of 56%
- Project **Starlight agreement to sell c.€0,7 billion NPEs** and the APS Debt Servicer expected to be completed in early 2023

### PERFORMANCE

- **9M2022 Profit for the period of €76,4 million,** up 263% YoY, mainly reflecting higher income and impairment losses reversals
- 9M2022 Net interest income of €205,9 million, NIM of 1,47% and Cost to income ratio of 74%, with adjusted ratio[4] at 66%
- Voluntary early exit scheme (VEES) completion with c.450 employees leaving the Group (c.17% of Group employees with annual payroll cost of c.€30 million), for a total cost of c.€70 million
- **New lending momentum** with 9M2022 of €0,8 billion, up 29% YoY

### CAPITAL & FUNDING

- **Capital adequacy ratio[5] of 21,42%** and **CET 1 ratio[5] of 19,13%,** significantly above minimum capital requirements
- **Pro forma Capital adequacy ratio[5,6]** and **CET 1 ratio[5,6] of c.21,0%** and **c.18,7%,** respectively
- Successful completion of inaugural MREL issuance of **eligible senior preferred notes of €100 million in July 2022**
- Ample liquidity, with an **LCR of 470%** and with €5,2 billion placed at the ECB[7], positioning the Bank to benefit from rising interest rates

[1] Based on preliminary data announced by the Cyprus Statistical Service
[2] Pro forma for HFS portfolio.
[3] Excluding the NPEs covered by the APS agreement.
[4] Adjusted for the Deposit Guarantee Scheme contribution and the Special Levy.
[5] On IFRS 9 transitional basis, including 9M2022 unaudited profits.
[6] Pro forma taking into account for the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).
[7] Excluding TLTRO of €2,3 billion.

## Statement by Mr. Petros Arsalides, Officiating CEO's duties

Commenting on the Group's financial results for the nine-month period ended 30 September 2022, **Mr. Petros Arsalides, officiating Chief Executive Officer's duties of the Group,** stated:

*Despite the challenging period, during the first nine months of the year, the country has experienced a strong economic rebound with a 5,4% GDP growth in 3Q2022. COVID-19 related side effects significantly subsided, but market volatility remains high, fueled mainly by the uncertainty that the continuing crisis in Ukraine creates, and the high inflation rates.*

*Hellenic Bank has delivered yet again an excellent set of financial results. In the first nine months of 2022, we reported profit of €76,4 million, mainly reflecting higher income and loan impairment reversals, while our net interest income reached the €205,9 million.*

*With a strong capital adequacy ratio of 21,42%, well above the regulatory requirements, and ample liquidity (Liquidity Coverage Ratio of 470%), we are committed and simultaneously well positioned to continue supporting our retail and business customers, during this challenging period. 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. During the first nine months of 2022, €0,8 billion of new loans were granted, up by 29% YoY.*

*Our 3-year transformation journey is on track to address structural challenges, unleash hidden potential and underpin the deployment of our strategy on sustainable profitability. Our Bank is transforming into a customer centric organisation, by improving customers' experience through alternative channels, streamlining of procedures and by offering simple and competitive products. We focus on digitalisation and cost control, while enhancing the profile of our loan book through healthy growth with a strong focus on Environmental, Social and Governance issues (ESG).*

*Following the reinstatement of salaries of ex-CCI colleagues and the successful completion of a generous Voluntary Early Exit Scheme we continue with our transformation journey. Our aim is to actively and sustainably, manage down the high cost to income ratio of the Bank, whilst in parallel, ensuring smooth operation, and long-term sustainability through a leaner and contemporary organisation.*

*Taking the opportunity, I would like to thank all our shareholders for their continuous support and confidence shown to us, and assure them, that the Hellenic Bank team remains fully committed to achieving the set goals and placing the Bank on solid foundations. I also extend my sincere appreciation to our people for their unparalleled commitment and hard work during these unprecedented times.*

## PERFORMANCE HIGHLIGHTS

| Income Statement highlights (€million) | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|
| **Net interest income** | 205,9 | 192,8 | +7% | 72,9 | 70,9 | +3% |
| **Total net income** | 290,4 | 266,2 | +9% | 101,6 | 98,6 | +3% |
| **Total expenses** | (214,2) | (194,9) | +10% | (70,8) | (67,6) | +5% |
| **Profit before net gains on derecognition of financial assets measured at amortised cost and impairment losses** | 76,2 | 71,3 | +7% | 30,8 | 31,0 | -0% |
| **Impairment losses on financial instruments and non-financial assets** | 8,1 | (48,1) | -117% | (3,1) | 2,1 | -246% |
| **Negative goodwill** | 4,8 | 0,0 | - | 0,0 | 1,8 | -100% |
| **Taxation** | (7,4) | (1,4) | +440% | (4,3) | (3,0) | +44% |
| **Profit for the period from continuing operations** | 81,5 | 26,7 | +205% | 22,7 | 31,9 | -29% |
| **Loss for the period from discontinued operations** | (5,2) | (5,7) | -9% | (1,7) | (1,7) | +5% |
| **Profit for the period** | 76,4 | 21,0 | +263% | 21,0 | 30,3 | -31% |

| Alternative Performance Indicators (APIs) | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|
| **Net Interest Margin (annualised) (%)** | 1,47% | 1,55% | -8 bps | 1,54% | 1,52% | +2 bps |
| **Cost to income ratio (%)** | 73,8% | 73,2% | +0,5 p.p. | 69,7% | 68,6% | +1,1 p.p. |
| **Cost of risk (%)** | -0,1% | 1,1% | -126 bps | 0,1% | -0,2% | +30 bps |
| **Return on tangible equity (ROTE) (annualised) (%)** | 9,3% | 2,6% | +6,7 p.p. | 7,5% | 11,0% | -3,5 p.p. |
| **Basic earnings/(loss) per share (€ cent)** | 18,5 | 5,1 | 13,4 | 5,1 | 7,3 | (2,2) |

| Financial Position highlights (€million) | 30.09.2022 (pro forma)[8] | 31.12.2021 (pro forma)[8] | Δ |
|---|---|---|---|
| **Gross loans** | 6.250 | 5.952 | +5% |
| **Gross Non-Performing Loans** | 636 | 650 | -2% |
| **Gross Performing Loans** | 5.614 | 5.302 | +6% |
| **Net Loans** | 6.047 | 5.732 | +5% |
| **Investment assets** | 12.942 | 12.318 | +5% |
| *Of which: Cash and balances with Central Banks and placements with other banks* | *8.115* | *7.760* | *+5%* |
| *Of which: Investments in debt securities* | *4.726* | *4.463* | *+6%* |
| **Total assets** | 19.699 | 18.836 | +5% |
| **Customer deposits** | 15.561 | 14.942 | +4% |
| **Equity attributable to shareholders of the parent company** | 1.175 | 1.106 | +6% |

| Alternative Performance Indicators (APIs) | 30.09.2022 (pro forma)[8] | 31.12.2021 (pro forma)[8] | Δ |
|---|---|---|---|
| **NPE ratio (%)** | 10,2% | 10,9% | -0,7 p.p. |
| **NPE ratio (excl. APS-NPEs) %** | 3,8% | 3,6% | +0,2 p.p. |
| **Net NPEs to total assets ratio (%)** | 2,2% | 2,3% | -0,1 p.p. |
| **NPEs provision coverage ratio (%)** | 32,0% | 33,9% | -1,9 p.p. |
| **Net loans to deposits ratio (%)** | 38,9% | 38,4% | +0,5 p.p. |
| **Tangible Book Value per Share (TBVPS) (€)** | 2,74 | 2,57 | 0,17 |

*p.p. = percentage points, bps = basis points, 100 basis points (bps) = 1 p.p.*
*For definitions of APIs refer to Appendix D.*

[8] Pro forma for HFS.

## PERFORMANCE HIGHLIGHTS

| Capital and Liquidity Ratios | 30.09.2022 | 31.12.2021 | Δ |
|---|---|---|---|
| **Capital Ratios[9]:** | | | |
| **CET 1 ratio (%)** | 19,13% | 19,30% | -17 bps |
| **Tier 1 ratio (%)** | 21,42% | 21,67% | -25 bps |
| **Capital Adequacy ratio (%)** | 21,42% | 21,67% | -25 bps |
| **Risk Weighted Assets (RWAs) (€million)** | 5.670 | 5.479 | +3% |
| **Leverage ratio (%)** | 5,99% | 6,14% | -15 bps |
| **Liquidity Ratios:** | | | |
| **Liquidity coverage ratio (LCR) (%)** | 470% | 499% | -2.900 bps |
| **Net Stable Funding ratio (NSFR) (%)** | 182% | 197% | -1.500 bps |

*bps = basis points, 100 basis points (bps) = 1 p.p.*
*For definitions of APIs refer to Appendix D.*

[9] On IFRS 9 transitional basis, including 9M2022 unaudited profits.

# FINANCIAL RESULTS

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# 1. ANALYSIS OF THE FINANCIAL RESULTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

## 1.1 Income Statement Analysis

**Net interest income**

**Net interest income (NII)** for 9M2022 amounted to €205,9 million, up by 7% YoY compared to €192,8 million for 9M2021.

The increase YoY was mainly driven by the positive impact of €13,9 million from the TLTROs borrowing[10] of €2,3 billion and the increase in NII from placements with Central Banks and other banks following the changes in interest rates announced by ECB.

This increase was partially offset by the lower income from the loan portfolio, lower interest income from debt securities, mainly due to Cyprus Government Bonds (CGBs) with nominal value of €580 million matured in December 2021 with interest income incurred of €11,2 million during the corresponding period of 2021 and interest expense accrued for 9M2022 from the issuance of Senior Preferred notes[11].

**Net interest income** for 3Q2022 amounted to €72,9 and recorded an increase of 3% compared to €70,9 million in 2Q2022. The increase QoQ was mainly driven by the higher interest income from placements with Central Banks, other banks and debt securities, partially offset by the interest expense accrued on Senior Preferred notes issued in July 2022[11].

The Group's **net interest margin (NIM) (annualised)** for 9M2022 amounted to 1,47% compared to 1,55% for 9M2021 (FY2021: 1,52%). **NIM** is negatively impacted primarily by the increase in the average interest-bearing assets, driven mainly by the increase in the cash and balances with Central Banks mostly as a result of the increase in customer deposits, despite the increase in NII as explained above. **NIM** for 3Q2022 amounted to 1,54% compared to 1,52% in 2Q2022 positively impacted mainly by the increase in net interest income in 3Q2022, as explained above.

Adjusting for the TLTROs borrowing[10] of €2,3 billion, removing the TLTRO from the average interest-bearing assets and the respective benefit recognised in 9M2022, **NIM** for 9M2022 and 3Q2022 increased to 1,56% and 1,69% respectively (9M2021: 1,67%, 2Q2022: 1,52%).

**Non-interest income**

**Total non-interest income** for 9M2022 amounted to €84,5 million and increased by 15% compared to €73,4 million in 9M2021. **Total non-interest income** comprised 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. The increase was mainly driven by the increase in **net fee and commission income** and **net income from insurance operations**, partially offset by the decrease in **net gains on disposal and revaluation of foreign currencies and financial instruments.**

**Net gains on disposal and revaluation of foreign currencies and financial instruments** for 9M2022 amounted to €1,5 million and recorded a decrease of 69% compared to €4,9 million in 9M2021. The decrease 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.

[10] Refer to Section 1.2.1 "Funding and Liquidity" on sub-section "Funding by Central Banks".
[11] Refer to Section 1.2.6 "Bank Recovery and Resolution Directive (BRRD)".

**Net fee and commission income** amounted €51,3 million for 9M2022, up by 32% YoY, compared to €38,9 million in 9M2021, mainly due to higher banking fees and commissions. Effective from January 2022 a revised Table of Commissions and Charges has been introduced which resulted to higher ledger fees and credit card income. Credit related fees and other banking commissions were lower in 9M2021 being impacted by the COVID-19 lockdown measures.

**Other income** for 9M2022 amounted to €10,5 million and decreased by 7% compared to €11,3 million in 9M2021, mainly as a result of lower sundry income due to the net reimbursement received from an insurance claim recognised in 9M2021, partially offset by higher net gain from the disposal of stock of property in 9M2022.

**Net income from insurance operations** for 9M2022 amounted to €21,1 million and increased by 15% compared to €18,4 million in 9M2021. The increase 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 higher claims incurred in 9M2022, as a result of the release of COVID-19 lockdown measures) and lower net investment income due to the Russia-Ukraine crisis which impacted the global economy.

**Total non-interest income** for 3Q2022 amounted to €28,8 million and increased by 4% compared to €27,6 million in 2Q2022. The increase is mainly due to the increase in **net gains on disposal and revaluation of foreign currencies and financial instruments** partially offset by the decrease in **net fee and commission income.**

**Net fee and commission income** for 3Q2022 amounted to €17,5 million and decreased by 7% compared to €18,8 million in 2Q2022, mainly due to lower ledger fees and credit card income in 3Q2022 due to seasonality.

**Net gains on disposal and revaluation of foreign currencies and financial instruments** for 3Q2022 amounted to €1,5 million compared to net losses €1,1 million in 2Q2022 and the decrease in net losses is mainly due to higher unrealised net revaluation losses in 2Q2022 arising from investments in equity securities and collective investment units at fair value through profit and loss held by the Group, due to the decrease in investments prices as a result of the Russia-Ukraine crisis which impacted the global economy.

**Net income from insurance operations** for 3Q2022 amounted to €6,9 million and increased by 15% compared to €6,0 million in 2Q2022, mainly due to lower net investment income in 2Q2022, as a result of the Russia-Ukraine crisis, as explained above.

**Other income** amounted to €2,9 million in 3Q2022 and decreased by 28% compared to €4,0 million in 2Q2022, due to lower net gain from the disposal of stock of property.

**Total net income** for 9M2022 amounted to €290,4 million up by 9% YoY compared to €266,2 million in 9M2021, mainly driven by higher **net interest income** and **net fee and commission income,** as explained above. On a quarterly basis, 3Q2022 **total net income** amounted to €101,6 million and increased by 3% compared to €98,6 million in 2Q2022, driven by higher **net interest income** and **non-interest income**, as explained above.

## Expenses

**Total expenses** for 9M2022 amounted to €214,2 million and compared to €194,9 million for 9M2021 recorded an increase of 10%, mainly due to higher **staff costs** and **administrative and other expenses.** On a quarterly basis, 3Q2022 **total expenses** amounted to €70,8 million up by 5% compared to €67,6 million in 2Q2022 mainly due to higher **administrative and other expenses.**

As at 30 September 2022 and according to the provisions of the IFRS 5 "Non-Current assets held for sale and discontinued operations", the financial results for 9M2022 of APS Debt Servicing Cyprus Ltd (APS Cyprus) are presented as discontinued operations. During 4Q2021, the Bank decided to dispose APS Cyprus as part of its deleveraging of NPEs through the Project Starlight[12]. The financial results for 9M2021 have been also represented to take into consideration this change. APS Cyprus is considered a subsidiary company of the Bank since obtaining the governance and operational control, thus its financial results are fully consolidated as of 1 December 2020.

*Staff costs*

**Staff costs** for 9M2022 amounted to €113,2 million and accounted for 53% of the Group's total expenses (9M2021: 52%). Compared to €101,1 million in 9M2021, 9M2022 staff costs recorded an increase of 12%.

Effective from January 2022, the salary increments and COLA[13] applicable for each employee as per the expired Collective Agreement was paid by the Group. During 9M2022, a provision has been made in relation to the re-instatement of ex-Cooperative Credit Institutions (ex-CCI) employees' salaries to 2013 levels, effective from 1 January 2019, partially offset by the decrease in provision for utilized accumulated staff annual leaves due to seasonality.

**Staff costs** for 3Q2022 amounted to €35,2 million and decreased by 4% compared to €36,6 million in 2Q2022, mainly due to utilization of accumulated staff annual leaves due to seasonality.

Additionally, **Staff costs** for 9M2022 amounting to €4,4 million and €4,5 million for 9M2021, are presented under discontinued operations (3Q2022 and 2Q2022: €1,5 million).

As at 30 September 2022, the number of staff employed by the Group was 2.656, of which 48 were temporary staff (31 December 2021: 2.760, of which 152 were temporary staff).

On 29 November 2022, the Bank announced the successful completion of a voluntary early exit scheme (the "Scheme"), in line with the Bank's strategy to reduce its operating costs and achieve sustainable profitability. The Scheme was offered to employees of the Bank and its subsidiaries (the "Group") to voluntary exit from the Group in consideration for an ex-gratia amount. Around 450 employees (approximately 17% of the Group's employees) were approved to participate in the Scheme for an expected total cost to the Group of c.€70 million to be recorded in the Income Statement in 4Q2022. 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.

*Administrative and other expenses*

**Total administrative and other expenses** for 9M2022 amounted to €82,4 million and increased YoY by 9% compared to €75,5 million in 9M2021. The increase is mainly driven by the increase in Transformation costs[14] and Deposit Guarantee Scheme (DGS) contribution and Special Levy on Credit Institutions.

**Total administrative and other expenses** for 3Q2022 amounted to €29,4 million and compared to €24,8 million in 2Q2022 recorded an increase 19%. The increase was mainly due to the DGS contribution charged in 3Q2022 for the second half of 2022 and higher Repairs, maintenance and other related costs, partially offset by lower Transformation costs[14] due to advisory fees regarding the acquisition of part of the performing loan portfolio from RCB Bank charged in 2Q2022.

[12] Refer to Section 1.2.3 "Loan Portfolio Quality".
[13] Cost of Living Allowance.
[14] 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.

On March 2020, the Management Committee (MC) of the Deposit Guarantee and Resolution of Credit and Oher 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 9M2022 was set at €5,8 million (9M2021: €4,5 million) and it was charged in administrative and other expenses in 1Q2022 (€2,6 million) and 3Q2021 (€3,2 million).

Additionally, **total administrative and other expenses** for 9M2022 and 9M2021 amounting to €0,6 million and €0,8 million respectively, are presented under discontinued operations (3Q2022: €0,3 million and 2Q2022: €0,2 million).

The **cost to income ratio** for 9M2022 was 74% compared to 73% for 9M2021[15], reflecting the increase in both total expenses and total net income, whereas for 3Q2022 the **cost to income ratio** amounted 70% (2Q2022: 69%).

The **cost to income ratio** adjusting for the Special Levy and the DGS contribution for 9M2022 and 9M2021[15] decreased to 65%, whereas for 3Q2022 the adjusted **cost to income ratio** amounted to 61% (2Q2022: 63%). Further, adjusting for the Early retirement costs and the Transformation costs[14] the **cost to income ratio** for 9M2022 and 9M2021[15] decreased to 64% and 65% respectively, while for 3Q2022 and 2Q2022 (2Q2022 Early retirement costs are nil) the adjusted **cost to income ratio** remained at the same level at 60%.

**Impairment losses on financial instruments and non-financial assets**

*Impairment losses on financial instruments*

**Impairment losses on financial instruments** amounted to €12,1 million (release) for 9M2022 compared to €44,4 million (charge) for 9M2021. The release of impairment losses in 9M2022 was mainly the result of the update of the IFRS 9 PD models to reflect the latest macroeconomic projections applicable in 9M2022, which was partially offset by additional impairment losses recognised due to the worsening of the PD parameters on its Euribor-linked loan portfolio as a consequence of the rise in ECB interest rates.

The impairment losses incurred in 9M2021 were mainly driven by the Bank's deleveraging strategy which resulted to additional impairment losses on the loan portfolio (Project Starlight[16]) to be disposed, considering the probability of recovery through sale as at 30 September 2021.

For the estimation of 1Q2022 impairment losses, 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 1Q2022 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 create significant uncertainty in the economy, particularly in the Hotel and Accommodation sector which exhibited reliance in the past from inflow of Russian tourists. Having considered the increased uncertainty in the economy, the probability weights for each macroeconomic scenario (Baseline, Optimistic and Pessimistic scenario) used for IFRS 9 purposes have been rebalanced as presented in Table 1 in Section 2 "Economic Environment" on sub-section "Forward looking information".

Despite the surge in energy prices and consequently in inflation, GDP growth rates increased by 6,3% in 1Q2022 and 6,2% in 2Q2022[17] 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.

[15] Comparative information regarding Total expenses and Total net income, has been reclassified to conform with changes in the presentation of the current period. The financial results of the discontinued operations of the Group's subsidiary APS Debt Servicing Cyprus Ltd (APS Cyprus) were represented as discontinued operations.
[16] Refer to Section 1.2.3 "Loan Portfolio Quality".
[17] Based on the data published by Cyprus Statistical Service, Ministry of Finance.

Taking into consideration the above, the Bank has updated the IFRS 9 PD models to be applied in the estimation of the ECL for 3Q2022, which has resulted in a release of impairment losses. At the same time, a management overlay has been applied during 3Q2022 on the loan portfolio that is linked with EURIBOR/ECB interest rates. Specifically, the PD parameters for the collectively assessed EURIBOR based portfolio have been inflated in order to capture any additional future defaults, following the ECB's decision to raise the interest rates as a measure against the risk of a persistent upward shift in inflation expectations.

The **charge of impairment losses on financial instruments** for 3Q2022 amounted to €1,3 million compared to release of impairment losses of €3,8 million for 2Q2022, as explained above.

The **cost of risk (annualised)** for 9M2022 amounted to -0,1%, compared to cost of risk of 1,1% for 9M2021. Cost of risk for 3Q2022 amounted to 0,1% compared to -0,2% for 2Q2022. Adjusting for the amortisation of the APS indemnification asset, the **cost of risk (annualised)** for 9M2022 and 9M2021 amounted to 0,0% and 0,9% respectively, while for 3Q2022 the ratio remained unchanged at 0,1% (2Q2022: 0,0%).

*Impairment losses on non-financial assets*

**Impairment losses on non-financial assets** for 9M2022 amounted to €4,0 million and increased by 9% compared to €3,7 million in 9M2021. **Impairment losses on non-financial assets** for 9M2022, include an amount of €4,0 million (9M2021: €2,6 million) regarding impairment losses of stock of property resulting from the reassessment of the NRVs of the REOs portfolio, taking into consideration potential liquidity discounts.

**Impairment losses on non-financial assets** for 3Q2022 amounted to €1,8 million and increased by 3% compared to €1,7 million in 2Q2022.

In 9M2022, **a negative goodwill** of €4,8 million was recognised in the Income Statement as a result of the acquisition of part of the performing loan portfolio business (Tranche A and Tranche B) from RCB Bank, 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.

**Profit before taxation** for 9M2022 amounted to €88,9 million and increased by 217% compared to €28,1 million for 9M2021. The main drivers were the increase of total net income and the reversal of impairment losses, partially offset by the increase in total expenses in 9M2022. Profit before taxation for 3Q2022 amounted to €27,0 million down by 18% compared to €34,9 million for 2Q2022.

**Loss for the period from discontinued operations** for 9M2022 amounted to €5,2 million compared to €5,7 million for 9M2021 (3Q2022 and 2Q2022: €1,7 million).

**Taxation** for 9M2022 amounted to a tax charge of €7,4 million (9M2021: €1,4 million), which includes a current tax charge of €6,8 million on taxable profits (9M2021: €15,4 million) and a deferred tax charge of €0,6 million (9M2021: €14,0 million deferred tax credit).

The tax charge for 3Q2022 amounted to €4,3 million (2Q2022: €3,0 million) and includes a current tax charge of €4,1 million on taxable profits (2Q2022: €2,4 million) and a deferred tax charge of €0,2 million (2Q2022: €0,6 million).

**Profit attributable to the shareholders of the parent company** for 9M2022 amounted to €76,4 million compared to €21,0 million for 9M2021. Profit attributable to the shareholders of the parent company for 3Q2022 amounted to €21,0 million compared to €30,3 million for 2Q2022. Return on Tangible Equity (ROTE) amounted to 9,3% for 9M2022 compared to 2,6% for 9M2021.

## 1.2 Statement of Financial Position Analysis

As at 30 September 2022, the Group's **total assets** amounted to €19,7 billion and increased by 5% compared to €18,8 billion as at 31 December 2021, as a result of the increase customer deposits and the issuance of Senior Preferred notes during the nine-month period which was reflected in the net increase in balances with Central Banks, investment in debt securities and the increase in loans and advances primarily due to the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank.

### 1.2.1 Funding and Liquidity

#### Funding

**Customer deposits** amounted to €15,6 billion as at 30 September 2022 (31 December 2021: €14,9 billion) and increased by 4% since the year end. They comprised €14,2 billion deposits in Euro (31 December 2021: €13,7 billion) and €1,4 billion deposits in foreign currencies (31 December 2021: €1,2 billion), mostly in US Dollars.

The Bank's **deposits market share**[18] as at 30 September 2022 stood at 30,2% (31 December 2021: 29,2%). **Deposits' market share** as at 30 September 2022 consists of 38,4% for Households deposits (31 December 2021: 37,9%), 20,7% for Non-financial corporations deposits (31 December 2021: 19,8%) and 12,7% for Other financial intermediaries (31 December 2021: 10,6%).

**The net loans to deposits ratio** stood at 40% as 30 September 2022 and 31 December 2021. Pro forma for HFS portfolios the **net loans to deposits ratio** is reduced to 39% (31 December 2021: 38%). The increase in **pro forma ratio** is mainly due to the increase in loans and advances to customers as a result of the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank during 9M2022.

**Funding by Central banks** amounted to €2,3 billion as at 30 September 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) has 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.

**Debt securities in issue** amounted to €100 million as at 30 September 2022 (31 December 2021: NIL). Debt securities in issue relate to the issuance of eligible senior preferred notes of €100 million in July 2022. For more information refer to Section 1.2.6 "Bank Recovery and Resolution Directive (BRRD)".

#### 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 30 September 2022, the Group was in compliance with all regulatory liquidity requirements.

The LCR of the Group stood at 470% as at 30 September 2022 compared to 499% as at 31 December 2021, which is above the minimum regulatory limit of 100%. The liquidity surplus in LCR at 30 September 2022 amounted to €6,6 billion compared to €6,4 billion as at 31 December 2021. The NSFR of the Group was at 182% as at 30 September 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[19]. The NSFR liquidity surplus for 30 September 2022 reached €7,6 billion and has increased compared to €6,8 billion as at 31 December 2021 level.

Additional information on liquidity requirements is provided in the Pillar III disclosures for the nine-month period ended 30 September 2022 which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

[18] Source: Central Bank of Cyprus (CBC) and Hellenic Bank.
[19] Regulation (EU) No 2019/876 (CRR II) amending Regulation (EU) No 575/2013 (CRR).

### 1.2.2 Loans

The Group's **gross loans** as at 30 September 2022[20] amounted to €6.250 million compared to €5.952 million as at 31 December 2021[20], recording an increase of 5%, mainly as a result of the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank. The performing loan portfolio increased by 6% while the non-performing portfolio decreased by 2%, compared to 31 December 2021[20]. Including the portfolio classified as held for sale, **gross loans** amounted to €6.990 million as at 30 September 2022, recording an increase of 4% compared to €6.728 million as at 31 December 2021, as explained.

As at 30 September 2022, the Group's **net loans and advances to customers**[20] amounted to €6.047 million compared to €5.732 million as at 31 December 2021. Additionally, as at 30 September 2022, **net loans and advances to customers** of €203 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 16% is mainly due to the net result of the normal activity and operation of the portfolio and the derecognition of c.€15 million[21] NPE portfolio following the completion of the transaction.

The Bank's **loan market share**[18] as at 30 September 2022 was 25,4% (31 December 2021: 22,5%) and consists of 32,9% Household loans (31 December 2021: 31,1%).

**Total new lending** implemented during 3Q2022 reached €257 million, compared to new lending implemented during 2Q2022 of €287 million (1Q2022: €269 million) and totalled €812 million for 9M2022, recording an increase of 29% YoY compared to new lending of €628 million for 9M2021. The Bank continued providing lending to creditworthy businesses and households while at the same time focusing on managing early arrears and avoiding new NPLs.

### 1.2.3 Loan Portfolio Quality

As part of its ongoing NPE deleveraging efforts, the Bank is working towards the sale of a non-performing portfolio with gross carrying amount €0,7 billion. **References to pro forma figures and APIs disclosed throughout the Commentary as at 30 September 2022 and 31 December 2021** 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 has reached an agreement for the sale of a NPE portfolio and the disposal of APS Cyprus, its subsidiary responsible for managing the Bank's NPEs and REOs ("Project Starlight"). The perimeter involved comprises of legacy NPEs totalling a gross amount of c.€0,7 billion. Post completion of the transaction, the Bank is expected to reach its medium-term target of mid-single digit NPE ratio (excl. APS-NPEs).

[20] Excluding HFS portfolios.
[21] Net book value.

Significant progress has been made with regards to the legal steps, the operationalisation and the completion of "Project Starlight"[22]. More specifically, the following milestones have been achieved:

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

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

### Agreement to acquire part of the RCB banking operations

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

On 21 March 2022, the Bank signed a Business Transfer Agreement ("BTA") to acquire part of the RCB Bank's banking operations (the "Transaction") to be completed in two tranches. The acquisition of Tranche A was completed on 24 March 2022 ("Completion Date A") and the acquisition of Tranche B was completed on 16 June 2022 ("Completion Date B"). The date of acquisition was considered to be the 24 March 2022. The 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

**Non-performing exposures (NPEs) as defined by the European Banking Authority (EBA),** including the exposures classified as held for sale, amounted to €1.362 million as at 30 September 2022 and decreased by 4% 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 30 September 2022 and 31 December 2021).

**Pro forma for HFS portfolios NPEs are reduced to €636 million** as at 30 September 2022 compared to €650 million as at 31 December 2021 (NPEs excluding NPEs covered by the APS agreement amounted to €0,2 billion as at 30 September 2022 and 31 December 2021).

Terminated loans included in NPEs amounted to €1.003 million as at 30 September 2022 (31 December 2021: €930 million). Gross loans with forbearance measures as at 30 September 2022 amounted to €886 million (31 December 2021: €1.031 million). Pro forma for HFS portfolios, terminated loans included in NPEs amounted to €348 million as at 30 September 2022 (31 December 2021: €253 million) and gross loans with forbearance measures amounted to €616 million as at 30 September 2022 (31 December 2021: €741 million).

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

**The stock of property**[23], which is mostly from customers' debt settlement, amounted to €137,9 million as at 30 September 2022 (31 December 2021: €169,4 million), whereas €12,8 million are classified as assets held for sale as at 30 September 2022 (31 December 2021: €9,6 million). The movement in the balance of stock of property from customers' debt settlement for 9M2022 included additions of €2,4 million[24] and disposals of €31,3 million[24]. The movement in the balance of stock of property, classified as assets held for sale, for 9M2022 included additions of €5,3 million[24] and disposals of €2,1 million[24].

**The NPE ratio** as at 30 September 2022 was 19,5% compared to 21,0% as at 31 December 2021. The ratio excluding the NPEs covered by the APS agreement as at 30 September 2022 was 13,6% (31 December 2021: 14,4%). **Pro forma for HFS portfolios, the NPE ratio is reduced to 10,2%** as at 30 September 2022 (31 December 2021: 10,9%), while the NPE ratio excluding the NPEs covered by the APS agreement was 3,8% as at 30 September 2022 (31 December 2021: 3,6%).

**The net NPEs to total assets ratio** as at 30 September 2022 stood at 3,2% (31 December 2021: 3,5%), while the **net NPEs to total assets ratio** excluding the NPEs covered by the APS agreement as at 30 September 2022 and 31 December stood at 1,5%. Pro forma for HFS portfolios the **net NPEs to total assets ratio** as at 30 September 2022 was 2,2% (31 December 2021: 2,3%), while the **net NPEs to total assets ratio** excluding the NPEs covered by the APS agreement was 0,5% as at 30 September 2022 (31 December 2021: 0,4%).

**Total accumulated impairment losses** amounted to €739 million as at 30 September 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 12,2% as at 30 September 2022 (31 December 2021: 13,2%). Pro forma for HFS portfolios total accumulated impairment losses over gross loans as at 30 September 2022 was 3,3% (31 December 2021: 3,7%), while excluding the loans covered by the APS agreement the ratio as at 30 September 2022 was 3,0% (31 December 2021: 3,5%).

**The NPEs provision coverage ratio** stood at 54% as at 30 September 2022 (31 December 2021: 53%), while excluding the NPEs covered by the APS agreement, the ratio is adjusted to 70% as at 30 September 2022 and 31 December 2021. Pro forma for HFS portfolios the **NPEs provision coverage ratio** as at 30 September 2022 was 32% (31 December 2021: 34%), while excluding the NPEs covered by the APS agreement the ratio was 56% as at 30 September 2022 (31 December 2021: 69%).

Taking into account tangible collaterals[25] the **net NPEs collateral coverage ratio** stood at 153% as at 30 September 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 206% as at 30 September 2022 (31 December 2021: 208%). Pro forma for HFS portfolios the ratio as at 30 September 2022 was 118% (31 December 2021: 121%), while excluding the NPEs covered by the APS agreement the ratio was 154% as at 30 September 2022 (31 December 2021: 205%).

[23] Excluding stock of property classified as held for sale.
[24] Book value.
[25] Based on open market values (capped at client exposure).

### 1.2.4 Investment Assets

**The carrying value of investment assets** amounted to €12.942 million as at 30 September 2022 (31 December 2021: €12.318 million[26]) and represented 66% of the Group's total assets (31 December 2021: 65%). 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[26]. Total investment assets have increased by 5% compared to 31 December 2021.

**The Group's cash and balances with Central Banks and placements with other banks** amounted to €8.115 million as at 30 September 2022 (31 December 2021: €7.760 million[26]). Most foreign currency placements were with P-1 rated banks[27]. Cash and balances with Central Banks and placements with other banks have increased by 5% compared to 31 December 2021.

**The Group's investments in debt securities** amounted to €4.726 million as at 30 September 2022 (31 December 2021: €4.463 million[26]), up by 6% and represented 24% of total assets (31 December 2021: 24%). The net increase was mainly due to acquisitions of debt securities partially offset by maturities and disposals of debt securities during 9M2022. 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 40% and 14% of the Group's investments in debt securities respectively (31 December 2021: 42% and 13% respectively).
The CGB[28] held by the Group as at 30 September 2022 amounted to €1.407 million and decreased by 5% compared to €1.485 million as at 31 December 2021, due to maturities. Out of the total CGB held by the Group, €877 million will mature within a period of less than 1 year and the remaining €530 million will mature within 1 and 5 years.

[26] Comparative figures on placements with other banks, investments in debt securities and investments in equity securities and collective investments, have been reclassified to conform with changes in the presentation of the current period which reflects the reclassification of the assets held to cover liabilities of unit linked funds included in "Other assets" to each of these categories.
[27] Prime-1 short term rating by Moody's.
[28] Republic of Cyprus is being rated as Ba1 by Moody's, BBB- by Fitch, BBB by S&P as at 30 September 2022.

### 1.2.5 Capital management

The position of the Group and the Bank's regulatory capital, risk weighted assets and capital ratios, on IFRS 9 transitional basis[29,30], as at the reporting date, **which are above the minimum regulatory requirements**, is presented below:

| Regulatory capital | The Group | | The Bank | |
|---|---|---|---|---|
| | 30.09.2022[31] | 31.12.2021[32] | 30.09.2022[31] | 31.12.2021[32] |
| | **€ million** | € million | **€ million** | € million |
| **Own funds** | | | | |
| Common Equity Tier 1 (CET 1) | **1.085** | 1.058 | **1.083** | 1.056 |
| Additional Tier 1 (AT1) | **130** | 130 | **130** | 130 |
| Tier 1 (T1) | **1.215** | 1.187 | **1.213** | 1.186 |
| **Total regulatory capital** | **1.215** | 1.187 | **1.213** | 1.186 |
| | | | | |
| **Risk weighted assets** | | | | |
| Credit risk | **4.967** | 4.778 | **4.984** | 4.796 |
| Market risk | **1** | 1 | **1** | 1 |
| Operational risk | **696** | 696 | **696** | 696 |
| Total risk exposure amount for credit valuation adjustments (CVA) | **7** | 4 | **7** | 4 |
| **Total risk weighted assets** | **5.670** | 5.479 | **5.688** | 5.497 |

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

| Capital ratios (%) | The Group | | The Bank | | Minimum regulatory capital requirements (Phase-in)[33] | |
|---|---|---|---|---|---|---|
| | 30.09.2022[31] | 31.12.2021[32] | 30.09.2022[31] | 31.12.2021[32] | 2022[34] | 2021 |
| | **%** | % | **%** | % | **%** | % |
| Capital Adequacy ratio | **21,42%** | 21,67% | **21,32%** | 21,57% | 14,825% | 14,45% |
| Tier 1 ratio | **21,42%** | 21,67% | **21,32%** | 21,57% | 11,965% | 11,65% |
| Common Equity Tier 1 (CET 1) ratio | **19,13%** | 19,30% | **19,04%** | 19,22% | 9,815% | 9,55% |

The decrease of 17 basis points in CET 1 ratio[31] of the Group (IFRS 9 transitional basis) compared to 31 December 2021, was the result of the following:

i) increase in CET1 capital due to:
- current period profits (effect of 138 basis points increase),
- the decrease in other comprehensive income mainly due to the decrease in revaluation reserve from bonds (total effect of 15 basis points decrease),
- the change in IFRS 9 transitional arrangements added back to CET 1, reduced from 50% for 2021 to 25% for 2022 and the COVID-19 relief measures as per Regulation (EU) 2020/873 by which subsequently to 1 January 2020 expected credit losses on Stages 1 and 2 exposures are added back in CET 1 in a phased-out period of 5 years (reducing to 75% for 2022 from 100% for 2020 and 2021) (effect of 63 basis points decrease),
- the change in prudential provision for non-performing exposures[35], the deduction of net book value of immovable properties acquired in the course of satisfaction of debt from CET 1 and the change in intangible assets deducted (total effect of 10 basis points decrease),

[29] As per Regulation (EU) 2017/2395 issued amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9, a portion of the impact of expected credit losses provisions is added back to CET 1 capital allowing for a transitional period of five years until full impact on 2023.
[30] As per Regulation (EU) 2020/873 issued amending Regulation (EU) No 575/2013 and Regulation (EU) 2019/876, effective from June 2020 IFRS 9 transitional arrangements have been extended by 2 years (up until 31 December 2024), for post 1 January 2020 expected credit losses on Stages 1 and 2 exposures which are added back in CET 1 in a phased-out period of five years.
[31] Including 9M2022 unaudited profits. As per the final regulatory reporting submissions, 6M2022 profits are included, following permission granted by the Supervisory Authorities.
[32] As per 2021 Annual Report and Pillar III disclosures for the year ended 31 December 2021.
[33] Excluding Pillar II capital guidance (P2G) and inclusive of the Pillar II requirement (P2R).
[34] As per 2021 final SREP letter, the new capital requirements are effective from 1 March 2022.
[35] As per Regulation (EU) 2019/630, amending Regulation (EU) No 575/2013 as regards to minimum loss coverage for non-performing exposures (Pillar 1 treatment) and as per ECB Addendum to NPL Guidance (2018) and minimum provision coverages for legacy defaulters communicated via SREP assessment (Pillar 2 treatment).

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

The capital ratios of the Group and the Bank as at the reporting date, on IFRS 9 fully loaded basis[29,30], which are above the minimum regulatory requirements, are presented below:

| Capital ratios (%) | The Group | | The Bank | |
|---|---|---|---|---|
| | **30.09.2022[31]** | **31.12.2021[32]** | **30.09.2022[31]** | **31.12.2021[32]** |
| | **%** | % | **%** | % |
| Capital Adequacy ratio | **21,22%** | 20,96% | **21,13%** | 20,87% |
| Tier 1 ratio | **21,22%** | 20,96% | **21,13%** | 20,87% |
| Common Equity Tier 1 (CET 1) ratio | **18,93%** | 18,58% | **18,84%** | 18,49% |

The Group's Capital Adequacy Ratio, CET 1 and Tier 1 ratios as at 30 September 2022, on IFRS 9 transitional basis, excluding 3Q2022 profits[36], are at 21,08%, 18,80% and 21,08%, respectively. Similarly, the Group's Capital Adequacy Ratio, CET 1 and Tier 1 ratios as at 30 September 2022, on IFRS 9 fully loaded basis, are 20,88%, 18,59% and 20,88%, respectively. For the Bank the corresponding ratios for the Capital Adequacy Ratio, CET 1 and Tier 1 ratios as at 30 September 2022, on IFRS 9 transitional basis, are at 21,02%, 18,74% and 21,02%, respectively. Similarly, the Bank's Capital Adequacy Ratio, CET 1 and Tier 1 ratios as at 30 September 2022, on IFRS 9 fully loaded basis, are 20,82%, 18,54% and 20,82%, respectively.

### Leverage Ratio

As at 30 September 2022 the Leverage Ratio[31], using a transitional Tier 1 capital definition, of the Group was 5,99% (Bank: 5,98%) compared to 6,14% (Bank: 6,13%) as at 31 December 2021. The Leverage Ratio[31] for the Group, using a fully loaded Tier 1 capital definition, was 5,91% (Bank: 5,90%) as at 30 September 2022 compared to 5,90% (Bank: 5,89%) as at 31 December 2021.

The Group's Leverage Ratio as at 30 September 2022, on IFRS 9 transitional basis, excluding 3Q2022 profits[36], was 5,89% (Bank: 5,89%). Similarly, the Group's Leverage Ratio as at 30 September 2022, on IFRS 9 fully loaded basis, was 5,82% (Bank: 5,81%).

The Group's Leverage ratio[31] on IFRS 9 transitional basis, which is above the minimum leverage ratio set at 3%, by the amended CRR II[37] rules effective from June 2021, has decreased by 15 basis points compared to 31 December 2021 mainly due to the increase in "Leverage ratio total exposure measure" despite the increase in Tier 1 capital. The main reason for the increase in "Leverage ratio total exposure measure" was the increase in total assets as a result of the increase in customer deposits and the issuance of Senior Preferred notes during the nine-month period which was reflected in the net increase in balances with Central Banks, investment in debt securities and the increase in loans and advances primarily due to the acquisition of part of the performing loan portfolio (Tranche A and Tranche B) from RCB Bank. The increase in Tier 1 capital was the result of the main drivers for the change in CET 1 capital as explained above.

[36] As per the final regulatory reporting submissions, for which 6M2022 profits are included, following permission granted by the Supervisory Authorities.
[37] Regulation (EU) No 2019/876 (CRR II) amending Regulation (EU) No 575/2013 (CRR).

### Supervisory Review and Evaluation Process

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

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

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

- the minimum Pillar I own funds requirements of 8% 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 3,45% (2021: 3,2%) required to be held in excess of the minimum own funds requirement (P2R to be held in the form of 56,25% of CET 1 capital and 75% of Tier 1 capital), and
- a phased-in combined buffer requirement which for 2022 and 2021 includes the fully loaded capital conservation buffer of 2,5% which has to be made up with CET 1 capital and the O-SII buffer of 0,875%[38] (2021: 0,75%[39]), with application starting from 1 January 2019 which is phased-in over a period of five years[38].

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

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

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

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

Taking the above into consideration, the Group's phased-in minimum **Capital Adequacy Ratio, CET 1 and Tier 1 ratios, effective from 1 March 2022, were set at 14,825% (2021: 14,45%), 9,815% (2021: 9,55%) and 11,965% (2021: 11,65%)** respectively[40]. **The Group's capital ratios remain above the new SREP requirements.**

Additional information on regulatory capital is provided in the Pillar III disclosures for the nine-month period ended 30 September 2022 which will be available on the Bank's website www.hellenicbank.com (Investor Relations).

[38] In November 2021, the Bank received notification from the CBC that the fully loaded O-SII buffer for the Bank is reduced from 1,5% to 1%. Effective from 1 January 2022 the O-SII buffer for the Bank is 0,875% and from 2023 the O-SII buffer is set at 1%.
[39] As per CBC circular dated 7 May 2020, the fully loaded O-SII buffer for the Bank remained at 1,5% for 2021 but with the phasing-in being deferred by 12 months, from the original 4 years. Therefore, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022, as was originally set.
[40] Excluding Pillar II capital guidance (P2G).

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

The Group's MREL ratio[41] as at 30 September 2022 was 24,1% of TREA and 6,7% of LRE. After adjusting for the VEES cost and the Project Starlight, the pro forma MREL ratio[41,42] of the Group as at 30 September 2022 was c.23,8% of TREA and c.6,6% of LRE. The Group's MREL ratio[43] as at 30 September 2022, excluding 3Q2022 profits, was 23,8% of TREA and 6,6% of LRE.

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

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

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

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

[41] On IFRS 9 transitional basis, including 9M2022 unaudited profits.
[42] Pro forma taking into account for the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).
[43] As per the final regulatory reporting submissions, for which 6M2022 profits are included, following permission granted by the Supervisory Authorities.

## 2. ECONOMIC ENVIRONMENT

The current economic environment is significantly affected by the ongoing Russia-Ukraine conflict, that started in February 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 and third quarter of the year, following the commence of the military operations in Ukraine, and consumer consumption patterns may also be affected. Despite the effect of the Russia-Ukraine conflict, the Cyprus economy showed again its resilience to external shocks. The Cyprus economy GDP growth at the first half of the year reached 6,2% compared to the first half of 2021, and at the same time labour market indicators improved compared to 2021. Unemployment rate dropped to 6,6% and 6,8% during the first and second quarter of 2022 respectively (compared to 8,6% and 8,4% during the first and second quarter of 2021 respectively).

The economic impact in Cyprus from the ongoing Russia-Ukraine conflict is expected to affect growth during the second half of the year, channelled through the foreseen surge in oil prices, the trade in goods and services such as minerals of oil and fuel, agri-food products (such as grain, and sunflower oil), transportation (due to higher transportation costs) and a negative impact on a specific part of professional services (such as lawyers, accountants and administrative services). In addition, confidence effects cannot be ruled out. The ongoing COVID-19 pandemic may also affect the economic recovery but in a smaller extend compared to previous years because of the strong Government response, the roll-out of the vaccination program and the experience accumulated at the health system.

The Cyprus economy at the first quarter of 2022, based on the data published by Cyprus Statistical Service, increased by 6,3% swiftly despite continued uncertainty created by the Russia-Ukraine conflict and the coronavirus (COVID-19) pandemic. During the second quarter of the year GDP increased to 6,2%. The positive GDP growth rate during the first half of 2022 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 during the first half of 2022, thus the economic activity remained strong at the beginning of the year. The overall assessment of the year is based on uncertainties at the services sector, contraction in consumer sentiment and consumption levels that will be somewhat balanced by positive trends in employment.

Fears on the development of the Russia-Ukraine conflict as well as the developments of the COVID-19 pandemic, continue to imply downside risks to the recovery in the short term. Following the 4,4% decline in GDP in 2020, and the real GDP growth of 6,6% in 2021, the Bank expects GDP to expand by 5,0% in 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.

The analysis of the high frequency data for key sectors of the economy provides encouraging signs for the short-term outlook of the economy. Tourism sector is gradually recovering towards its pre-pandemic levels. During the nine months of the year the number of tourists that arrived in Cyprus reached the 78% of the number of tourists that arrived during the first seven months of 2019 (2022: 2,5 million tourists versus 3,3 million tourists in 2019). The number of commercial flights that arrived in Cyprus during the nine months of 2022 reached the 85% of the commercial flights that arrived in Cyprus during the first nine months of 2019.

Risks to the recovery seem less balanced than before but still skewed to the downside. The profile of 2022 outlook will still be largely determined by the Russia-Ukraine conflict and by the pandemic developments.

## 2. ECONOMIC ENVIRONMENT (CONTINUED)

### Consequences of the recent developments

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 the first two quarters of 2022, unemployment rate was further reduced to 6,6% and 6,8% during the first and second quarter respectively. Labour market developments showed resilience and flexibility during 2021, and initial signs during the first quarter of the current year indicate that labour market have not been affected yet and continue the improvement path that started since mid-2021. Based on the seasonally adjusted data showing the trend of unemployment, the average number of registered unemployed during the first nine months of 2022 decreased to 13.313 persons vs 26.086 in the corresponding period of the previous year. The unemployment rate (as published by Cystat in the quarterly Labour Force Survey) during the first quarter of 2022 dropped to 6,6%, compared to 8,6% in the first quarter of 2021. The positive trend continued at the second quarter of the year, with unemployment reaching 6,8% compared to 8,4% at the second quarter of 2021.

The effect of the Russia-Ukraine conflict is already evident on inflation rates. During the first nine months of 2022 the Harmonized Index of Consumer Prices (HICP) increased by 8,1% in comparison to the same period in 2021. The inflation has peaked in July at 10,6% and has slightly declined to 9,6% and 9,0% during August and September respectively. This increase is mainly driven by the surge in energy prices. During the first nine months of 2022, energy prices inflation reached 35,8% compared to the first nine months of 2021, with September energy prices inflation reaching 34,3%. Core inflation rate (HICP excluding energy, food, alcohol and tobacco) during the first nine months of 2022 increased by 4,9% compared to the first nine months of 2021. This time lag is expected, because of the significant increase of energy prices that gradually affect the other significant consumption sectors such as food and non-alcoholic beverages.

The fiscal position during the first quarter of 2022, improved as expected, due to the gradual removal of the extraordinary interventions to ameliorate the COVID-19 shock. The General Government fiscal results for the first eight months of 2022 indicate a surplus of €380 million (1,5% of GDP) compared to a deficit of €535 million (2,3% of GDP) in the corresponding period of 2021. 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.

In the banking sector, total non-performing exposures at the end of July 2022 were €2,9 billion or 11,0% of gross loans compared to 17,7% at the end of 2020, while the coverage ratio reached 46,5% at the end of the first five months of 2022. The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. The Republic of Cyprus is currently 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. 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.

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.

## 2. ECONOMIC ENVIRONMENT (CONTINUED)

*Russia-Ukraine conflict*

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

The 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.

*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. 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.

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 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 crisis.

## 2. ECONOMIC ENVIRONMENT (CONTINUED)

The table below shows the updated macroeconomic variables as per the Bank's Economic Research Department, for each scenario and the respective rebalanced scenario weights in estimating the ECL as at 30 September 2022:

**Table 1: 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 | |

The table below shows the macroeconomic variables as per the Bank's Economic Research Department, for each scenario and the respective scenario weights in estimating the ECL as at 31 December 2021:

**Table 2: 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 | |

## 3. STRATEGIC TARGETS AND OUTLOOK

In delivering its strategy, Hellenic 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 Russian-Ukraine conflict in the surge in energy prices and consequently in inflation. GDP growth increased by 6.2% during the first half of the year supported by strong tourism inflows, local residents' consumption that maintained largely unaffected and the gradual recovery of COVID-19 affected sectors like wholesale and retail trade. Forecast for 2022 is revised upwards to 5,0% and for 2023 is expected to reach 2,0% due to the uncertainties created by Russia-Ukraine conflict and the developments in EU economies. Although the Bank maintained the credit quality of the portfolio, as the various Cyprus government and EU support measures regarding COVID-19 are being lifted and geopolitical uncertainties remain high, these could negatively impact specific lending portfolios. The ability of certain borrowers to repay their obligations may be adversely affected and, consequently, the amount of expected credit risk losses may increase.

The Bank is closely monitoring the affected loan portfolio and applies an effective, efficient and comprehensive arrears management of incremental credit risk of the exposures, with the use of early warning triggers and behavioural scoring models, in order to mitigate the risk of potential new defaults. With a sizable part of the loan portfolio already assessed through lifetime provisioning, a portion of performing loans covered by the Asset Protection Scheme 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, NPE deleveraging, 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. During the nine-month period of 2022, the Bank granted €812 million of new lending to viable households and businesses. Also, in line with the strategy of growing its business in Cyprus, the Bank acquired part of the performing loan portfolio of 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.

As the world is moving towards a cleaner, more sustainable future, the banking sector can play a decisive 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 down to regulatory compliance and disclosures, environmental, social and governance (ESG) priorities are stipulated in response to the stakeholders and market expectations. In this respect, the Bank launched a dedicated ESG department during 2021, within the Bank's Strategy and Transformation Division. With this set up, the Bank invests further in sustainable development and consistently design its actions to improve the impact on environmental sustainability, social responsibility and corporate governance. The Bank aims to create value through sustainable products and activities and promotion of sustainability goals, in line with the initiatives of the Recovery and Resilience Plan for Cyprus. The Bank introduced green retail products and provides green financing to corporates and SMEs through growgreen initiative by offering credible consultation and guidance. An action plan has been initiated towards incorporating the ESG agenda throughout the Bank, embedding clear targets set within strategy, organizational structure and risk management while contributing to the integration of the ESG considerations within the Bank's culture. The overall responsibility of the development and implementation of the ESG strategy lies with the Internal Governance and Nominations Board committee. As the ESG initiative is part of the Transformation Plan, progress is closely monitored through the Transformation Plan governance.

## 3. STRATEGIC TARGETS AND OUTLOOK (CONTINUED)

For further information please refer to the 2021 ESG Impact Report issued in June 2022 which outlines the Bank's ESG initiatives, targets and actions for 2021 in four strategic pillars: People, Society, Environment and Marketplace, which is available on the Bank's website www.hellenicbank.com (ESG & Sustainability).

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 in 2022.

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 of new loans 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 progress of the key performance indicators:

| | **FY2021** | **9M2022** |
|---|---|---|
| **Asset Quality** | | |
| NPE Ratio[44] | c.3,4%[45] | 3,8%[46] |
| Cost of Risk[47] | 1,6 % | 0,0% |
| **Profitability** | | |
| Cost to income ratio[48] | 66% | 66% |
| ROTE | (1,1%) | 9,3% |
| **Capital & Funding** | | |
| CET 1 ratio (transitional basis) | c.19,1%[49] | c.18,7%[50,51] |
| Loans / Deposits ratio | c.40%[45] | 39%[46] |
| New Lending (€) | 908 million | 812 million |

The Bank is currently **revising its Strategic Plan and medium-term targets** taking into account the following developments:

a) the Russia-Ukraine crisis and the elevated inflation rates which could lead to increased cost of risk related to the higher costs of servicing loans and the weakening economy,
b) the rising interest rates which will significantly increase the Bank's net interest income in 2023-2024,
c) the ongoing negotiations with the Union for a new collective agreement, and
d) the completion of the Starlight project aimed for early 2023

[44] Excluding the NPEs covered by the APS agreement.
[45] Pro forma for portfolios classified as HFS and the acquisition of Tranche A from RCB Bank.
[46] Pro forma for portfolio classified as HFS.
[47] Adjusted for the amortisation of the APS indemnification asset.
[48] Adjusted for the Deposit Guarantee Scheme contribution and the Special Levy.
[49] Pro forma taking into account the negative impact from Tranche A and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).
[50] Including 9M2022 unaudited profits.
[51] Pro forma taking into account for the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine).

## 3. STRATEGIC TARGETS AND OUTLOOK (CONTINUED)

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

The Bank expects to set medium term financial targets with the release of its Strategic Plan by year-end 2022. As part of the Strategic Plan revision, the Bank will assess its decision for the payment of **dividend** on its ordinary shares, as per its announcement dated 21 December 2021, subject to relevant regulatory approval.

The Bank has announced on 29 November 2022 its decision to commence the coupon payments of the **Contingent Capital Securities CCS 1 and CCS 2** as from the interest payment period 1 October 2022 – 31 December 2022, with the first interest payment to be made on 31 December 2022.

## 4. APPENDICES

### APPENDIX A: Group Income Statement, Statement of Financial Position and Changes in Equity

| GROUP INCOME STATEMENT (€million) | Note reference Appendix B | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|---|
| **Turnover** | | **325,0** | **296,6** | **+10%** | **109,9** | **111,0** | **-1%** |
| **Continuing Operations** | | | | | | | |
| Interest income | | 232,6 | 216,7 | +7% | 79,3 | 81,1 | -2% |
| Interest expense | | (26,7) | (23,9) | +12% | (6,4) | (10,2) | -37% |
| **Net interest income** | 1 | **205,9** | **192,8** | **+7%** | **72,9** | **70,9** | **+3%** |
| Fee and commission income | | 59,2 | 45,4 | +30% | 19,4 | 21,1 | -8% |
| Fee and commission expense | | (7,9) | (6,5) | +22% | (1,8) | (2,3) | -20% |
| **Net fee and commission income** | | **51,3** | **38,9** | **+32%** | **17,5** | **18,8** | **-7%** |
| Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments | | 1,5 | 4,9 | -69% | 1,5 | (1,1) | -233% |
| Net income from insurance operations | | 21,1 | 18,4 | +15% | 6,9 | 6,0 | +15% |
| Other income | | 10,5 | 11,3 | -7% | 2,9 | 4,0 | -28% |
| **Total net income** | | **290,4** | **266,2** | **+9%** | **101,6** | **98,6** | **+3%** |
| Staff costs | | (113,2) | (101,1) | +12% | (35,2) | (36,6) | -4% |
| Depreciation and amortisation | | (18,6) | (18,4) | +1% | (6,2) | (6,1) | +1% |
| Administrative and other expenses | 2 | (82,4) | (75,5) | +9% | (29,4) | (24,8) | +19% |
| **Total expenses** | | **(214,2)** | **(194,9)** | **+10%** | **(70,8)** | **(67,6)** | **+5%** |
| **Profit before net gains on derecognition of financial assets measured at amortised cost and impairment losses** | | **76,2** | **71,3** | **+7%** | **30,8** | **31,0** | **-0%** |
| Net gains on derecognition of financial assets measured at amortised cost | | (0,1) | 4,9 | -103% | (0,8) | 0,0 | -7.710% |
| Impairment losses on financial instruments | 3 | 12,1 | (44,4) | -127% | (1,3) | 3,8 | -134% |
| Impairment losses on non-financial assets | 3 | (4,0) | (3,7) | +9% | (1,8) | (1,7) | +3% |
| **Profit before negative goodwill** | | **84,1** | **28,1** | **+200%** | **27,0** | **33,1** | **-18%** |
| Negative goodwill | | 4,8 | 0,0 | - | 0,0 | 1,8 | -100% |
| **Profit before taxation** | | **88,9** | **28,1** | **+217%** | **27,0** | **34,9** | **-23%** |
| Taxation | | (7,4) | (1,4) | +440% | (4,3) | (3,0) | +44% |
| **Profit for the period from continuing operations** | | **81,5** | **26,7** | **+205%** | **22,7** | **31,9** | **-29%** |
| **Discontinued Operations** | | | | | | | |
| Loss for the period from discontinued operations | | (5,2) | (5,7) | -9% | (1,7) | (1,7) | +5% |
| **Profit for the period** | | **76,4** | **21,0** | **+263%** | **21,0** | **30,3** | **-31%** |
| **Profit/(loss) attributable to:** | | | | | | | |
| Shareholders of the parent company from continuing operations | | 81,5 | 26,7 | +205% | 22,7 | 31,9 | -29% |
| Shareholders of the parent company from discontinued operations | | (5,2) | (5,7) | -9% | (1,7) | (1,7) | +5% |
| Non-controlling interests | | (0,0) | (0,0) | -40% | 0,0 | (0,0) | -100% |
| **Profit for the period** | | **76,4** | **21,0** | **+263%** | **21,0** | **30,3** | **-31%** |

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

## APPENDIX A: Group Income Statement, Statement of Financial Position and Changes in Equity (continued)

| GROUP STATEMENT OF FINANCIAL POSITION (€million) | Note reference Appendix B | 30.09.2022 | 31.12.2021 | Δ |
|---|---|---|---|---|
| Cash and balances with Central Banks | | 7.614 | 7.346 | +4% |
| Placements with other banks[52] | | 502 | 414 | +21% |
| Loans and advances to customers | 4,5,6 | 6.047 | 5.732 | +5% |
| Debt securities[52] | 7,8 | 4.726 | 4.463 | +6% |
| Equity securities and collective investment units[52] | | 102 | 94 | +8% |
| Property, plant and equipment | | 170 | 180 | -6% |
| Stock of property | | 138 | 169 | -19% |
| Intangible assets | | 45 | 47 | -4% |
| Tax receivable | | 5 | 3 | +72% |
| Assets and disposal group held for sale | | 219 | 254 | -14% |
| Other assets[52] | | 133 | 133 | -0% |
| **Total assets** | | **19.699** | **18.836** | **+5%** |
| | | | | |
| Deposits by banks | | 132 | 122 | +8% |
| Funding by Central Banks | | 2.274 | 2.294 | -1% |
| Customer deposits and other customer accounts | | 15.561 | 14.942 | +4% |
| Tax payable | | 4 | 3 | +51% |
| Deferred tax liability | | 10 | 10 | +6% |
| Liabilities and disposal group held for sale | | 2 | 3 | -41% |
| Other liabilities | | 310 | 227 | +37% |
| Debt securities in issue | | 100 | 0 | +100% |
| Loan capital | | 130 | 130 | 0% |
| **Total liabilities** | | **18.523** | **17.730** | **+4%** |
| Share capital | | 206 | 206 | -0% |
| Reserves | | 969 | 900 | +8% |
| **Equity attributable to shareholders of the parent company** | | **1.175** | **1.106** | **+6%** |
| Non-controlling interest | | 0 | 0 | -10% |
| **Total equity** | | **1.175** | **1.106** | **+6%** |
| **Total liabilities and equity** | | **19.699** | **18.836** | **+5%** |

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

[52] Comparative figures on placements with other banks, investments in debt securities and investments in equity securities and collective investments, have been reclassified to conform with changes in the presentation of the current period which reflects the reclassification of the assets held to cover liabilities of unit linked funds included in “Other assets” to each of these categories.

## APPENDIX A: Group Income Statement, Statement of Financial Position and Changes in Equity (continued)

**GROUP STATEMENT OF CHANGES IN EQUITY (€million)**

| | Attributable to shareholders of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Reduction of share capital reserve | Share premium reserve | Revenue reserve | Revaluation reserves | Total | Non-controlling interests* | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Balance 1 January 2022** | 206,4 | 260,3 | 553,4 | 28,4 | 57,6 | **1.106,2** | 0,0 | **1.106,2** |
| **Total comprehensive income/(expenses) for the period net of taxation** | | | | | | | | |
| Profit for the period | - | - | - | 76,4 | | **76,4** | 0,0 | **76,4** |
| Other comprehensive expenses for the period | - | - | - | - | (7,2) | **(7,2)** | - | **(7,2)** |
| Transfer of excess depreciation on revaluation surplus | - | - | - | 0,4 | (0,4) | **-** | - | **-** |
| | - | - | - | 76,8 | (7,6) | **69,2** | 0,0 | **69,2** |
| **Balance 30 September 2022** | 206,4 | 260,3 | 553,4 | 105,2 | 50,1 | **1.175,4** | 0,0 | **1.175,4** |

**Non-controlling interests relates to the non-controlling interests in Pancyprian Insurance Ltd.*

*Note: Numbers may not add up due to rounding*

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position

| 1. Net interest income (€000) | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|
| **Interest income calculated using the effective interest method** | | | | | | |
| Financial assets at amortised cost: | | | | | | |
| Negative interest income on funding by Central Banks | 19.725 | 3.131 | +530% | 2.315 | 11.660 | -80% |
| Interest income from balances with Central Banks | 2.303 | - | - | 2.303 | - | - |
| Interest income from placements with other banks | 3.095 | 871 | +255% | 1.997 | 642 | +211% |
| Interest income from loans and advances to customers | 151.025 | 153.304 | -1% | 50.734 | 50.833 | -0% |
| Interest income from debt securities | 40.286 | 47.739 | -16% | 15.285 | 12.836 | +19% |
| Interest income from indemnification assets | 137 | 113 | +21% | 44 | 51 | -14% |
| Interest income from negative interest rates on customer deposits | 8.230 | 6.492 | +27% | 3.133 | 2.639 | +19% |
| Interest income from other financial assets | 52 | - | - | 41 | 11 | +273% |
| Financial assets at fair value: | | | | | | |
| Interest income from debt securities at fair value through other comprehensive income | 2.925 | 3.803 | -23% | 842 | 965 | -13% |
| | **227.778** | **215.453** | **+6%** | **76.694** | **79.637** | **-4%** |
| **Other interest income** | | | | | | |
| Interest income from other financial instruments | 4.841 | 1.230 | +294% | 2.611 | 1.474 | +77% |
| **Total interest income** | **232.619** | **216.683** | **+7%** | **79.305** | **81.111** | **-2%** |
| **Interest expense calculated using the effective interest method** | | | | | | |
| Interest expense on deposits by other banks | (453) | (617) | -27% | (149) | (186) | -20% |
| Interest expense on funding by Central Banks | (17.846) | (14.001) | +27% | (2.186) | (7.888) | -72% |
| Interest expense on customer deposits and other customer accounts | (3.605) | (3.509) | +3% | (1.484) | (1.073) | +38% |
| Interest expense on debt securities issued | (2.010) | - | - | (2.010) | - | - |
| Interest expense on lease liability | (293) | (264) | +11% | (92) | (99) | -7% |
| | **(24.207)** | **(18.391)** | **+32%** | **(5.921)** | **(9.246)** | **-36%** |
| **Other interest expense** | | | | | | |
| Interest expense on other financial instruments | (2.508) | (5.508) | -54% | (508) | (943) | -46% |
| **Total interest expense** | **(26.715)** | **(23.899)** | **+12%** | **(6.429)** | **(10.189)** | **-37%** |
| **Net interest income** | **205.904** | **192.784** | **+7%** | **72.876** | **70.922** | **+3%** |

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position (continued)

| 2. Administrative and other expenses (€000) | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|
| Repairs, maintenance and other related costs | (17.538) | (16.460) | +7% | (7.222) | (4.972) | +45% |
| Other property expenses | (4.911) | (4.416) | +11% | (1.947) | (1.462) | +33% |
| Consultancy and other professional services fees | (7.137) | (8.852) | -19% | (2.810) | (1.953) | +44% |
| Insurance expenses | (3.629) | (4.330) | -16% | (741) | (1.454) | -49% |
| Advertising, PR and promotional expenses | (2.792) | (2.169) | +29% | (1.009) | (814) | +24% |
| Communication expenses | (4.863) | (5.034) | -3% | (1.437) | (1.838) | -22% |
| Staff training and other staff expenses | (1.629) | (2.380) | -32% | (418) | (661) | -37% |
| Release of provisions for pending litigations or complaints and/or claims | 144 | 1.210 | -88% | 190 | 8 | +2.275% |
| Cash transfer and management of documents costs | (1.702) | (1.749) | -3% | (752) | (403) | +87% |
| Other administrative expenses | (6.986) | (6.825) | +2% | (2.254) | (2.439) | -8% |
| Regulatory Supervisory fees | (2.326) | (2.420) | -4% | (800) | (742) | +8% |
| Deposit Guarantee Scheme contribution | (5.808) | (4.518) | +29% | (3.162) | - | - |
| Special Levy on Credit Institutions | (17.109) | (16.122) | +6% | (5.802) | (5.699) | +2% |
| Early retirement costs | (131) | (112) | +17% | (131) | - | - |
| Transformation costs | (5.960) | (1.299) | +359% | (1.116) | (2.382) | -53% |
| | **(82.377)** | **(75.476)** | **+9%** | **(29.411)** | **(24.811)** | **+19%** |

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position (continued)

| 3. Impairment losses on financial instruments and non-financial assets (€000) | 9M2022 | 9M2021 | Δ YoY | 3Q2022 | 2Q2022 | Δ QoQ |
|---|---|---|---|---|---|---|
| **Impairment losses on loan portfolio** | | | | | | |
| 12 month expected credit losses | 14.689 | 7.462 | +97% | (2.913) | 2.172 | -234% |
| Lifetime expected credit losses (Stage 2) | 13.977 | 5.180 | +170% | 7.758 | 2.420 | +221% |
| Lifetime expected credit losses (Stage 3) | (19.227) | (58.995) | -67% | (6.983) | (1.470) | +375% |
| Impact of net modification and cash flows re-estimation | 7.298 | 3.032 | +141% | 1.239 | 3.925 | -68% |
| Lifetime expected credit losses on the value of purchased or originated credit impaired (POCI) loan portfolio | (2.313) | (10.394) | -78% | 436 | 482 | -10% |
| | **14.424** | **(53.715)** | **-127%** | **(463)** | **7.529** | **-106%** |
| **Impairment losses on financial guarantees and loan commitments issued** | | | | | | |
| 12 month expected credit losses | 3.094 | 1.148 | +170% | (284) | 659 | -143% |
| Lifetime expected credit losses (Stage 2) | (302) | 253 | -219% | (592) | (352) | +68% |
| Lifetime expected credit losses (Stage 3) | (296) | (308) | -4% | 121 | (240) | -150% |
| Lifetime expected credit losses on the value of purchased or originated credit impaired (POCI) financial guarantees issued and loan commitments issued | 78 | 625 | -88% | 4 | 13 | -69% |
| | **2.574** | **1.718** | **+50%** | **(751)** | **80** | **-1.039%** |
| **Impairment losses on other financial assets** | | | | | | |
| 12 month expected credit losses on the value of other receivables | (99) | 266 | -137% | (27) | (75) | -64% |
| 12 month expected credit losses on the value of indemnification asset | - | 1 | -100% | - | - | - |
| Amortisation of indemnification asset | (4.640) | 12.764 | -136% | 292 | (3.682) | -108% |
| 12 month expected credit losses on the value of debt securities | (169) | 463 | -137% | (291) | 33 | -982% |
| 12 month expected credit losses on the value of Balances with Central Banks and Placements with other banks | 3 | 6 | -50% | 57 | (60) | -195% |
| Impairment losses on other receivables | 51 | (5.895) | -101% | (118) | (18) | +566% |
| | **(4.854)** | **7.605** | **-164%** | **(87)** | **(3.802)** | **-98%** |
| **Impairment losses on financial instruments** | **12.144** | **(44.392)** | **-127%** | **(1.301)** | **3.807** | **-134%** |
| **Impairment losses on non-financial assets** | | | | | | |
| Stock of property | (4.037) | (2.648) | +52% | (1.756) | (1.711) | +3% |
| Property, plant and equipment | - | (1.049) | -100% | - | - | - |
| | **(4.037)** | **(3.697)** | **+9%** | **(1.756)** | **(1.711)** | **+3%** |
| **Total impairment losses on financial instruments and non-financial assets** | **8.107** | **(48.089)** | **-117%** | **(3.057)** | **2.096** | **-246%** |

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position (continued)

| 4. Movement of loans and advances to customers (before accumulated impairment losses) between stages according to the increase in credit risk level (€'000) | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | Total |
|---|---|---|---|---|---|
| 1 January 2022 | 4.296.047 | 918.971 | 394.175 | 343.033 | **5.952.226** |
| Transfer from Stage 1 to Stage 2 | (135.627) | 135.627 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (22.391) | - | 22.391 | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (44.732) | 44.732 | - | **-** |
| Transfer from Stage 3 to Stage 2 | - | 28.145 | (28.145) | - | **-** |
| Transfer from Stage 2 to Stage 1 | 263.972 | (263.972) | - | - | **-** |
| Transfer from Stage 3 to Stage 1 | 10.140 | - | (10.140) | - | **-** |
| Acquisition of RCB loans | 346.078 | - | - | - | **346.078** |
| Net movement during the period | 67.020 | (110.265) | (29.731) | (18.132) | **(91.108)** |
| Exchange difference | 36.601 | 461 | 5.813 | (3) | **42.872** |
| **30 September 2022** | **4.861.840** | **664.235** | **399.095** | **324.898** | **6.250.068** |

*For comparative information refer to Note 21 in the Audited Consolidated Financial Statements for the year ended 31 December 2021 (www.hellenicbank.com - Investor Relations).*

| 5. Accumulated impairment losses on the value of loans and advances (€'000) | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | Total |
|---|---|---|---|---|---|
| 1 January 2022 | 33.204 | 51.526 | 142.843 | (7.454) | **220.119** |
| Transfer from Stage 1 to Stage 2 | (1.912) | 1.912 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (499) | - | 499 | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (5.270) | 5.270 | - | **-** |
| Transfer from Stage 3 to Stage 2 | - | 5.139 | (5.139) | - | **-** |
| Transfer from Stage 2 to Stage 1 | 8.537 | (8.537) | - | - | **-** |
| Transfer from Stage 3 to Stage 1 | 1.998 | - | (1.998) | - | **-** |
| Write offs net of recoveries of loan impairment losses | (235) | (19) | (14.315) | (2.218) | **(16.787)** |
| Contractual interest on impaired loans | 186 | 493 | 14.214 | 10.140 | **25.033** |
| Unwinding of discount | (141) | (402) | (7.209) | (10.025) | **(17.777)** |
| Decrease due to derecognition | (80) | (603) | (982) | (1.243) | **(2.908)** |
| Charge/(reversal) for the period | (14.689) | (13.977) | 19.227 | 2.313 | **(7.126)** |
| Exchange difference | 147 | 25 | 2.714 | (1) | **2.885** |
| **30 September 2022** | **26.516** | **30.287** | **155.124** | **(8.488)** | **203.439** |

*For comparative information refer to Note 21 in the Audited Consolidated Financial Statements for the year ended 31 December 2021 (www.hellenicbank.com - Investor Relations).*

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position (continued)

The table below provides analysis of loans and advances classified as per EBA standards.

**6. Analysis of loan portfolio according to the counterparty sector as at 30 September 2022**

| | Total loan portfolio | | | | Accumulated 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*** | | | | | | | | |
| **General Governments** | 4.325 | 1 | 1 | 1 | 16 | - | - | - |
| **Other financial corporations** | 121.462 | 1.643 | 1.530 | 1.291 | 2.981 | 499 | 346 | 344 |
| **Non-financial corporations** | 2.561.051 | 149.651 | 302.829 | 85.468 | 92.150 | 61.017 | 40.660 | 28.923 |
| *of which: Small and Medium-sized enterprises (SMEs)* | *1.942.617* | *149.651* | *288.956* | *85.468* | *85.276* | *61.017* | *38.811* | *28.923* |
| *of which: Commercial real estate* | *1.749.464* | *91.371* | *264.375* | *55.668* | *51.709* | *26.671* | *24.710* | *13.019* |
| By sector | | | | | | | | |
| 1. Construction | 155.938 | 34.772 | | | 16.341 | | | |
| 2. Wholesale and retail trade | 524.601 | 50.984 | | | 36.070 | | | |
| 3. Real estate activities | 207.597 | 11.800 | | | 2.668 | | | |
| 4. Accommodation and food service activities | 517.059 | 20.276 | | | 17.522 | | | |
| 5. Manufacturing | 471.502 | 10.765 | | | 8.479 | | | |
| 6. Other sectors | 684.354 | 21.054 | | | 11.070 | | | |
| **Households** | 3.563.230 | 484.820 | 311.869 | 243.085 | 108.292 | 114.421 | 38.432 | 41.537 |
| *of which: Residential mortgage loans* | *2.690.093* | *337.546* | *232.141* | *177.372* | *46.899* | *53.028* | *17.327* | *19.788* |
| *of which: Credit for consumption* | *376.241* | *57.217* | *28.037* | *21.409* | *20.473* | *18.734* | *2.733* | *3.118* |
| | **6.250.068** | **636.115** | **616.229** | **329.845** | **203.439** | **175.937** | **79.438** | **70.804** |
| **Loans and advances to customers classified as held for sale** | **739.515** | **726.215** | **270.128** | **267.243** | **536.036** | **531.645** | **180.040** | **179.152** |
| **Total loans and advances to customers – including loans and advances classified as held for sale** | **6.989.583** | **1.362.330** | **886.357** | **597.088** | **739.475** | **707.582** | **259.478** | **249.956** |

* Excluding loans and advances to central banks and credit institutions.

*For comparative information refer to Section 1.1. "Loans and advances" and Section 1.2. "Assets held for sale" in the "Additional Risk and Capital Management Information" of the Audited Consolidated Financial Statements for the year ended 31 December 2021 (www.hellenicbank.com - Investor Relations).*

## APPENDIX B: Notes to the Group Income Statement and Statement of Financial Position (continued)

| 7. Investments in Debt securities (€'000) | 30.09.2022 | 31.12.2021 |
|---|---|---|
| **Securities classified at fair value through other comprehensive income** | | |
| Listed | 111.893 | 182.770 |
| Accumulated expected credit losses | (80) | (16) |
| | **111.813** | **182.754** |
| **Securities classified at amortised cost** | | |
| Listed | 4.614.940 | 4.281.768 |
| Accumulated expected credit losses | (1.430) | (1.324) |
| | **4.613.510** | **4.280.444** |
| **Securities held for trading** | | |
| Assets held to cover liabilities of unit linked funds - Government bonds | **179** | **293** |
| | **4.725.502** | **4.463.491** |

| 8. Analysis of Debt securities by sector (€'000) | 30.09.2022 | 31.12.2021 |
|---|---|---|
| Governments | 1.595.471 | 1.485.126 |
| Banks | 1.867.268 | 1.861.590 |
| Other sectors | 1.262.763 | 1.116.775 |
| | **4.725.502** | **4.463.491** |

| 9. Analysis of Revaluation Reserves (€'000) | 30.09.2022 | 30.09.2021 |
|---|---|---|
| **Property revaluation reserve** | | |
| 1 January | 40.506 | 41.214 |
| Deferred taxation on property revaluation | 545 | 361 |
| Transfer to retained earnings due to excess depreciation | (384) | (384) |
| | **40.667** | **41.190** |
| **Revaluation reserve of investments at fair value through other comprehensive income** | | |
| 1 January | 17.130 | 20.386 |
| Net revaluation surplus of investments in equity securities and collective investment units at fair value through other comprehensive income | (285) | 120 |
| Net revaluation deficit of investments in debt securities at fair value through other comprehensive income | (7.488) | (3.299) |
| Gain on disposal of equity securities | 60 | - |
| | **9.417** | **17.207** |
| **Total revaluation reserves** | **50.084** | **58.397** |

## APPENDIX C: Reconciliations of Alternative Performance Indicators with Reported Figures

The below tables present reconciliations of the APIs with the reported figures calculated and presented in accordance with IFRSs in Appendix B.

References to "Note" relate to the respective note in Appendix B.

Apart from the reconciliations below, ratios stated in the Commentary can be calculated based on figures disclosed in Appendix B.

**1.1 Reconciliations of gross loans and advances to customers**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 | 30 September 2021 €'000 |
|---|---|---|---|---|
| Gross PEs | 6 | **5.613.953** | 5.302.414 | 5.282.920 |
| Gross NPEs | 6 | **636.115** | 649.812 | 1.427.535 |
| **Gross balances of Loans and advances to customers** | 6 | **6.250.068** | 5.952.226 | 6.710.455 |

**1.2. Reconciliations of gross loans and advances to customers classified as held for sale**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 | 30 September 2021 €'000 |
|---|---|---|---|---|
| Gross PEs - classified as held for sale | 6 | **13.300** | 12.059 | - |
| Gross NPEs - classified as held for sale | 6 | **726.215** | 764.060 | - |
| **Gross balances of Loans and advances to customers - classified as held for sale** | 6 | **739.515** | 776.119 | - |

**1.3. Reconciliations of total gross loans and advances to customers**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 | 30 September 2021 €'000 |
|---|---|---|---|---|
| Gross PEs - including loans and advances classified as held for sale | 6 | **5.627.253** | 5.314.473 | 5.282.920 |
| Gross NPEs - including loans and advances classified as held for sale | 6 | **1.362.330** | 1.413.872 | 1.427.535 |
| **Gross balances of Loans and advances to customers - including loans and advances classified as held for sale** | 6 | **6.989.583** | 6.728.345 | 6.710.455 |

**1.4 Reconciliation of Accumulated Impairment losses on loans and advances to customers**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 |
|---|---|---|---|
| Accumulated impairment losses on loans and advances to customers | 6 | 203.439 | 220.119 |
| Accumulated impairment losses on loans and advances to customers - classified as held for sale | 6 | 536.036 | 535.231 |
| **Total Accumulated impairment losses on loans and advances to customers** | 6 | 739.475 | 755.350 |

## APPENDIX C: Reconciliations of Alternative Performance Indicators with Reported Figures (continued)

**2. Reconciliation of gross NPEs**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 |
|---|---|---|---|
| Gross balances of Loans and advances to customers and assets held for sale classified as Stage 3 | | **1.117.046** | 1.148.692 |
| Add: Purchased or originated credit impaired NPEs | | **245.284** | 265.180 |
| **Gross NPEs including Loans and advances to customers classified as held for sale** | 6 | **1.362.330** | 1.413.872 |
| | | | |
| Gross balances of Loans and advances to customers classified as Stage 3 - classified as held for sale | | **717.951** | 754.517 |
| Add: Purchased or originated credit impaired NPEs - classified as held for sale | | **8.264** | 9.543 |
| **Gross NPEs - classified as held for sale** | 6 | **726.215** | 764.060 |
| | | | |
| Gross balances of Loans and advances to customers classified as Stage 3 | 4 | **399.095** | 394.175 |
| Add: Purchased or originated credit impaired NPEs | | **237.020** | 255.637 |
| **Gross NPEs** | 6 | **636.115** | 649.812 |

**3. Ratios' components reconciliations**

**3.1. Net Interest Margin ratio (NIM)**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 | 30 September 2021 €'000 |
|---|---|---|---|---|
| Interest income | 1 | **232.619** | 289.991 | 216.683 |
| Interest expense | 1 | **26.715** | 33.987 | 23.899 |
| Net interest income | 1 | **205.904** | 256.004 | 192.784 |
| **Net interest income (annualised)** | | **274.539** | 256.004 | 257.045 |
| | | | | |
| Net interest income | 1 | **205.904** | 256.004 | 192.784 |
| *Less:* | | | | |
| TLTRO NII impact | | **13.927** | - | - |
| Net interest income - adjusted for the TLTRO NII impact | | **191.977** | 256.004 | 192.784 |
| **Net interest income - adjusted for the TLTRO NII impact (annualised)** | | **255.969** | 256.004 | 257.045 |
| | | | | |
| **Interest bearing assets (average)** | | **18.656.810** | 16.871.337 | 16.546.181 |
| **Funding by Central Banks (TLTROs) (average)** | | **2.283.209** | 1.378.709 | 1.149.904 |
| **Interest bearing assets - adjusted for funding by Central Banks (TLTROs) (average)** | | **16.373.601** | 15.492.628 | 15.396.277 |

## APPENDIX C: Reconciliations of Alternative Performance Indicators with Reported Figures (continued)

**3.2. Cost to income ratio**

| | Note reference Appendix B | 30 September 2022 €'000 | 30 September 2021 €'000 |
|---|---|---|---|
| Total expenses | | **214.186** | 194.948 |
| *Less:* | | | |
| Special Levy on Credit Institutions | 2 | **17.109** | 16.122 |
| Deposit Guarantee Scheme contribution | 2 | **5.808** | 4.518 |
| **Total expenses - adjusting for the Deposit Guarantee Scheme contribution and the Special Levy** | | **191.269** | 174.308 |
| | | | |
| *Less:* | | | |
| Early retirement costs | 2 | **131** | 112 |
| Transformation costs | 2 | **5.960** | 1.299 |
| **Total expenses - adjusting for the Deposit Guarantee Scheme contribution, the Special Levy, the Early retirement costs and the Transformation costs** | | **185.178** | 172.897 |
| | | | |
| **Total net income** | | **290.369** | 266.233 |

**3.3. Cost of risk ratio**

| | Note reference Appendix B | 30 September 2022 €'000 | 30 September 2021 €'000 |
|---|---|---|---|
| Impairment losses on loan portfolio for the period* | 3 | **(7.126)** | 56.747 |
| **Impairment losses on loan portfolio for the period* (annualised)** | | **(9.501)** | 75.663 |
| | | | |
| Impairment losses on loan portfolio for the period* | 3 | **(7.126)** | 56.747 |
| *(Add)/less:* | | | |
| Amortisation of the APS indemnification asset for the period | 3 | **4.640** | (12.764) |
| Impairment losses on loan portfolio - adjusting for the amortisation of the APS idemnification asset for the period | | **(2.486)** | 43.983 |
| **Impairment losses on loan portfolio - adjusting for the amortisation of the APS idemnification asset for the period (annualised)** | | **(3.315)** | 58.644 |

** Excluding the "Impact of net modification and cash flows re-estimation" in Appendix B Note 3.*

## APPENDIX C: Reconciliations of Alternative Performance Indicators with Reported Figures (continued)

**3.4. NPEs ratios**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 |
|---|---|---|---|
| ***Excluding loans and advances classified as held for sale*** | | | |
| Gross NPEs | 6 | **636.115** | 649.812 |
| Less: Accumulated impairment losses | 6 | **203.439** | 220.119 |
| **Net NPEs** | | **432.676** | 429.693 |
| | | | |
| Gross NPEs - covered by APS | | **400.802** | 434.788 |
| Less: Accumulated impairment losses - covered by APS-NPEs | | **71.305** | 71.556 |
| **Net NPEs - covered by APS** | | **329.497** | 363.232 |
| | | | |
| **Net NPEs - excluding APS** | | **103.179** | 66.461 |
| | | | |
| ***Including loans and advances classified as held for sale*** | | | |
| Gross NPEs | 6 | **1.362.330** | 1.413.872 |
| Less: Accumulated impairment losses | 6 | **739.475** | 755.350 |
| **Net NPEs** | | **622.855** | 658.522 |
| | | | |
| Gross NPEs - covered by APS | | **409.499** | 445.166 |
| Less: Accumulated impairment losses - covered by APS-NPEs | | **74.547** | 75.941 |
| **Net NPEs - covered by APS** | | **334.952** | 369.225 |
| | | | |
| **Net NPEs - excluding APS** | | **287.903** | 289.297 |

**3.5. Net loans to deposits ratio**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 |
|---|---|---|---|
| Loans and advances to customers | 6 | **6.046.629** | 5.732.107 |
| Loans and advances to customers - including loans and advances classified as held for sale | 6 | **6.250.108** | 5.972.995 |
| Customer deposits and other customer accounts | | **15.560.760** | 14.941.933 |

## APPENDIX C: Reconciliations of Alternative Performance Indicators with Reported Figures (continued)

**3.6. Return on tangible equity (ROTE)**

| | Note reference Appendix B | 30 September 2022 €'000 | 30 September 2021 €'000 |
|---|---|---|---|
| Profit attributable to shareholders of the parent company | | **76.374** | 21.020 |
| **Profit attributable to shareholders of the parent company (annualised)** | | **101.832** | 28.026 |
| | | | |
| Average equity of the parent attributable to the shareholders of the parent company | | 1.140.756 | 1.137.773 |
| Less: Intangible assets | | 45.690 | 49.963 |
| **Average tangible equity attributable to shareholders of the parent company** | | **1.095.066** | 1.087.810 |
| **ROTE (%)** | | **9,3%** | 2,6% |

**3.7. Basic earnings per share (EPS)**

| | Note reference Appendix B | 30 September 2022 €'000 | 30 September 2021 €'000 |
|---|---|---|---|
| Profit attributable to shareholders of the parent company | | **76.374** | 21.020 |
| Weighted average number of ordinary shares during the period | | **412.805** | 412.805 |
| **EPS (€ cent)** | | **18,5** | 5,1 |

**3.8. Tangible Book Value per Share (TBVPS)**

| | Note reference Appendix B | 30 September 2022 €'000 | 31 December 2021 €'000 |
|---|---|---|---|
| Equity attributable to shareholders of the parent company | | **1.175.358** | 1.106.169 |
| Less: Intangible assets | | **44.755** | 46.624 |
| **Tangible Equity** | | **1.130.603** | 1.059.545 |
| Number of issued shares | | **412.805** | 412.805 |
| **TBVPS (€ cent)** | | **2,74** | 2,57 |

## APPENDIX D: Glossary and Definitions

| Name | Definition |
|---|---|
| **A** | |
| API | Alternative Performance Indicators |
| APS | Asset Protection Scheme |
| APS Cyprus | APS Debt Servicing Cyprus Ltd |
| **B** | |
| 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. |
| Bps | Basis points |
| BTA | Business Transfer Agreement |
| **C** | |
| Capital adequacy ratio | Total capital divided by Risk Weighted Assets |
| CBC | Central Bank of Cyprus |
| CBR | Combined buffer requirement |
| CCyB | Countercyclical capital buffer |
| CET 1 ratio | Common Equity Tier 1 capital divided by Risk Weighted Assets |
| CEO | Chief Executive Officer |
| CGBs | Cyprus Government Bonds |
| CLOs | Collateralised loan obligations |
| Cost to income ratio (CIR) | Total expenses (as defined) divided by total net income (as defined). |
| 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 (annualised). |
| CRD | Capital Requirements Directive |
| CRR | Capital Requirements Regulation |
| CyCAC | Credit Acquiring Companies |
| CYSTAT | Cyprus Statistical Service |
| **D** | |
| DGS | Deposit Guarantee Scheme |
| DoLR | Department of Labour Relations |
| **E** | |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| ECL | Expected Credit Losses |
| EMTN Programme | Euro Medium-Term Note Programme |
| ESG | Environmental, Social and Governance |
| EU | European Union |
| Ex-CCI/CCB | ex-Cooperative Credit Institutions/Cooperative Central Bank |
| 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. |
| **F** | |
| FY | Financial year |
| **G** | |
| GDP | Gross Domestic Product |
| Gross Loans | Gross carrying amount of loans and advances before deducting accumulated impairment losses |
| Gross Loans with forbearance measures | Forborne Exposures (EBA definition) |
| **H** | |
| HICP | Harmonized Index of Consumer Prices |
| **I** | |
| ICT | Information and communications technology |
| IFRSs | International Financial Reporting Standards |
| 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. |
| **K** | |
| KPIs | Key Performance Indicators |
| KEDIPES | Cyprus Asset Management Company |

## APPENDIX D: Glossary and Definitions (continued)

| Name | Definition |
|---|---|
| **L** | |
| 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, credit institutions may use their liquid assets to cover their net liquidity outflows. |
| **M** | |
| MTT | Medium-Term Targets |
| MREL | Minimum requirement for own funds and eligible liabilities |
| MTF | Multilateral Trading Facility |
| **N** | |
| Net fee and commission income | Fee and commission income less Fee and commission expense. |
| Net gains/(losses) 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. |
| Net Interest Margin ratio (NIM) | Net interest income (annualised) divided by the average interest-bearing assets (as defined). |
| Net loans and advances | 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 NPEs | NPEs less accumulated impairment losses. |
| Net NPEs excl. APS-NPEs | NPEs (exc. APS-NPEs) less accumulated impairment losses. |
| Net NPEs to total assets ratio | NPEs less accumulated impairment losses divided by total assets. |
| 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 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 Stable Funding Ratio (NSFR) | NSFR 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). |
| 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). |
| NPE ratio | Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021) divided by gross loans (as defined). |
| NPE 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 (as defined). |
| NPL | Non-performing loans |
| **O** | |
| 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. |
| O-SII | Other Systemically important institution |

## APPENDIX D: Glossary and Definitions (continued)

| Name | Definition |
|---|---|
| **P** | |
| P2G | Pillar II guidance |
| P2R | Pillar II requirement |
| PD | Probability of default |
| PEs | Performing exposures |
| P.p | Percentage points |
| Pro forma for portfolios classified as HFS (held for sale) | References to pro forma figures and ratios refer to the disposal of a non-performing portfolio as at 30 September 2022 and two non-performing portfolios as at 31 December 2021. Their completion remains subject to customary, regulatory and other approvals and is currently expected to occur from initial classification. |
| Project Starlight | Project Starlight refers to the sale of a NPE portfolio with gross carrying value of c.€0,7 billion as at 30 September 2022 and 31 December 2021. For further information please refer to Section 1.2.3 “Loan Portfolio Quality”. |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| REO | Real Estate Owned |
| Return on tangible equity (ROTE) | Profit/(loss) attributable to shareholders of the parent company (annualised) divided by average tangible equity attributable to shareholders of the parent company. |
| RMBS | Residential mortgage-backed security |
| RRF | Recovery and Resilience Facility |
| RWA/TREA | Risk Weighted Assets/Total risk exposure amounts |
| **S** | |
| SFTs | Securities financing transactions |
| SMEs | Small and Medium sized enterprises |
| SRB | Single Resolution Board |
| SREP | Supervisory Review and Evaluation Process |
| SRT | Significant Risk Transfer |
| **T** | |
| Tangible Book Value per Share (TBVPS) | Equity attributable to shareholders of the parent company less intangible assets divided by the number of issued shares |
| 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 |
| TLTROs | Targeted longer-term refinancing operations |
| Total expenses | Consist of staff costs, depreciation and amortisation and administrative and other expenses. |
| Total net income | Consists of net interest income (as defined) and non-interest income (as defined). |
| **V** | |
| VEES | Voluntary Early Exit Scheme |
| **Y** | |
| YoY | Year on year |

## Basis of preparation of the Commentary on the Group Financial Results for the nine-month period ended 30 September 2022

*The Commentary on the Group Financial Results for the nine-month period ended 30 September 2022 including Appendices (the "Commentary") is neither reviewed nor audited by the external auditors. Due to rounding, numbers presented throughout the Commentary may not precisely add-up.*

*The purpose of the Commentary is to provide an overview of the Group Financial Results for the nine-month period ended 30 September 2022.*

*The Commentary should be read in conjunction with the Interim Consolidated Financial Statements for the six-month period ended 30 June 2022 and the Presentation of the Group Financial Results for the for the nine-month period ended 30 September 2022. Neither the Commentary nor the Presentation constitute statutory financial statements prepared in accordance with International Financial Reporting Standards.*

*The Commentary on the Group Financial Results for the nine-month period ended 30 September 2022, the Interim Consolidated Financial Statements for the six-month period ended 30 June 2022 and the Presentation of the Group Financial Results for the nine-month period ended 30 September 2022 have been posted on the Group's website www.hellenicbank.com (Investor Relations).*

## Disclaimer - Forward looking statements

*Certain statements in the Commentary on the Group Financial Results include discussions with respect to the business strategy and plans of the Hellenic Bank Group (term which includes the Hellenic Bank Public Company Ltd and its subsidiary companies) (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 the Commentary 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 the Commentary are made as at the date of this publication of the Commentary 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.*

# Group Financial Results for the nine-month period ended 30 September 2022

30 November 2022

HELLENIC BANK

# Agenda

## 1

## Corporate update

Progress
Strategic Plan
ESG

## 2

## Financial performance

9M22 performance
Asset quality
Capital & Funding

## 3

## Appendix

# 1 Corporate Update

Progress
Strategic Plan
ESG

# 9M22 Highlights

**Operating environment**

- **1H22 GDP growth of 6,4%** despite the Russia/Ukraine crisis and COVID; 3Q22 GDP growth of 5,4%[1], continuing the positive trend of the previous two quarters
- **Inflationary pressure and rising interest rates** caused by monetary measures as well as increased credit spreads

**Strategy**

- **2022-2024 Strategic Plan to transform and address** structural challenges on track**, focusing on digitalization and cost control**
- A **retail focused bank** with solid customer base and major market shares in **households** (38% in deposits and 33% in loans)
- **Rising interest rates resulting in significantly higher interest income due to balance sheet structure**

**Asset Quality**

- **Pro forma[2] NPE ratio[3] of c. 3,8%**, the lowest level among peers; Pro forma[2] NPE provision coverage of 56%[3]
- Project **Starlight agreement to sell c. €0,7 bn of NPEs** and the APS Debt Servicer expected to be completed in early 2023

**Performance**

- **9M22 Profit for the period of €76,4 mn**, up 263% y-o-y, mainly reflecting higher income and impairment losses reversals
- 9M22 ROTE of 9,3%; 9M22 NIM of 1,47%; 9M22 Cost to income ratio of 74%, with adjusted ratio[4] at 66%; VEES completion with c. 450 employees leaving the Group (c. 17% of Group employees with annual payroll cost of c. €30 mn), for a total cost of c. €70 mn
- **New lending momentum** with 9M22 of €0,8 bn, up 29% y-o-y

**Capital & Funding**

- **CAR ratio of 21,4%[5],** with no reliance on DTC; Pro forma[6] CAR of c. 21,0%, significantly above minimum capital requirements
- Successful completion of inaugural MREL issuance of **eligible senior preferred notes of €100 mn in July 2022**
- Ample liquidity, with an **LCR of 470%** and with €5,2 bn placed at the ECB[7], positioning the Bank to benefit from rising interest rates

1) Based on preliminary data announced by the Cyprus Statistical Service; 2) Pro forma for Starlight; 3) Excluding NPEs under the APS; 4) Excluding Special Levy and DGS; 5) Including 9M22 unaudited profits; 6) Pro forma for VEES cost, taking into account the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine) and including 9M22 unaudited profits; 7) Excluding TLTRO of €2,3 bn

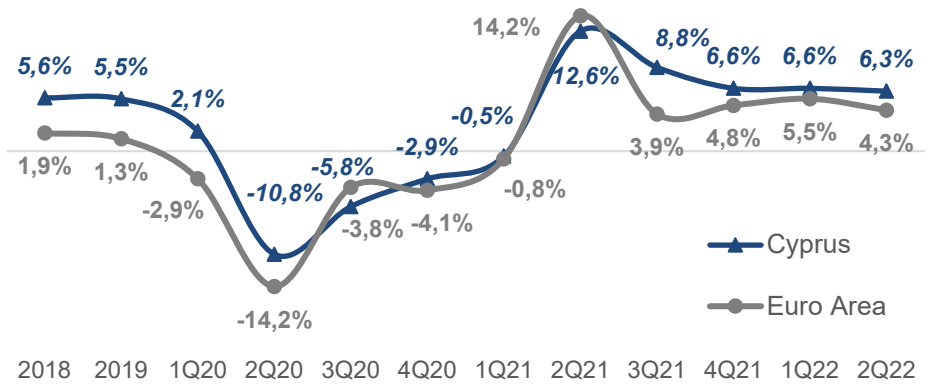
# Resilient domestic economy despite heightened geopolitical risks and higher inflation

- 3Q22 GDP growth of 5,4%,[1] continuing the positive trend of the previous two quarters
- 1H22 GDP growth of 6,4% despite continued uncertainty due to the Russian/Ukraine crisis and COVID-19. The positive 1H22 GDP growth rates were mainly due to the sectors of Hotels/Restaurants, Wholesale/Retail Trade and Transport/Storage. Health, ICT and Education remain strong and counter-balance the crisis impact
- Strong performance of tourism sector during 10M22, with 10M22 tourism arrivals at 77% of 10M19 arrivals
- Economy impacted by rising inflationary pressures, driven by energy prices and the gradual upward repricing of products and services. 3Q22 inflation rate at 9,7% (vs 3,2% in 3Q21) due to high energy prices (energy inflation rate of 41,3% in 3Q22 vs 25,0% in 3Q21)
- Signs of inflation rate peak in 3Q22, with inflation expected to gradually drop during 4Q22
- Labour market remains resilient and flexible, with no signs of any impact, with unemployment at 6,8% in 2Q22 compared to 8,4% in 2Q21

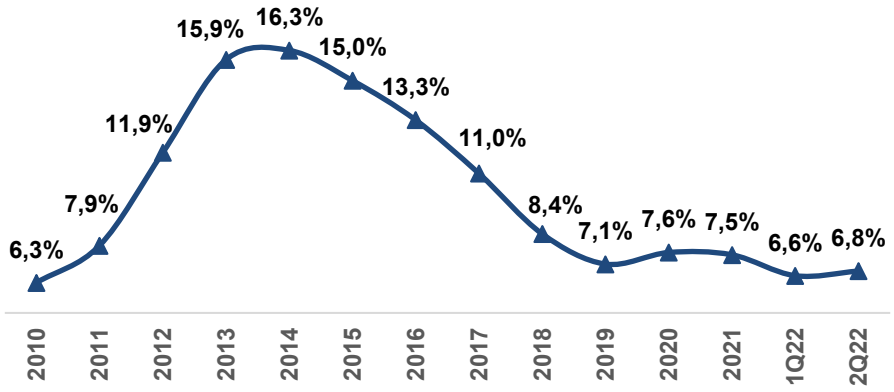
**Russia & Ukraine crisis and the Bank**

- **The Bank has limited direct exposure – limited impact:** Zero exposure to Russian sovereign & Russian banks, c. €20 mn balances with European banks subsidiaries in Russia, c. €41 mn Russian & Ukranian loans, 9% customer deposits relating to Russia & Ukraine
- **Indirect exposure – to depend on longevity and severity of crisis:** likely impact on the economy mainly due to links of the international business services sector, tourism and the RE market, as well as the inflationary pressures due to higher energy prices, raw materials and agri-food products. This could affect the Bank through lower revenues & higher impairments

**GDP growth (y-o-y % change)**



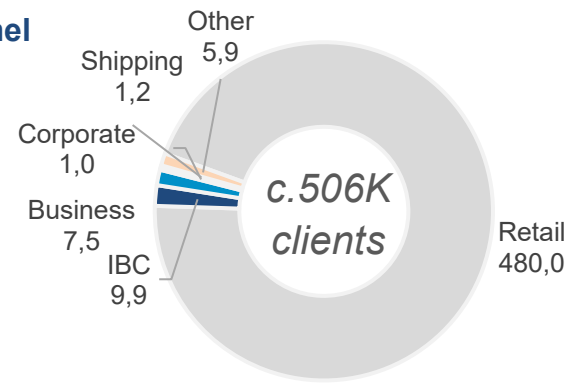

**Unemployment rate**



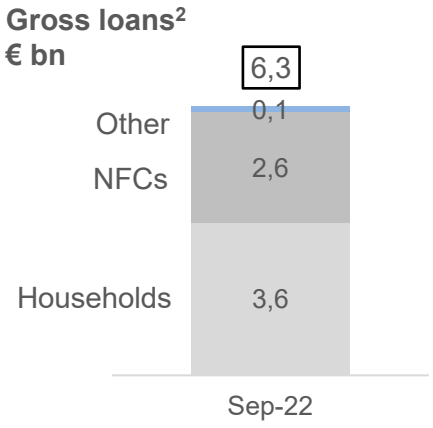

1) Based on preliminary data announced by the Cyprus Statistical Service

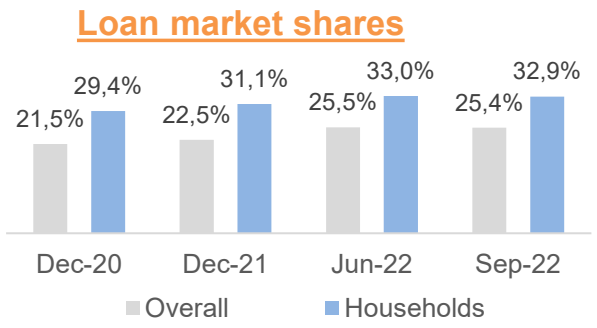
# A major retail banking franchise with growth opportunities

## Large customer base, serviced by multi-channel approach



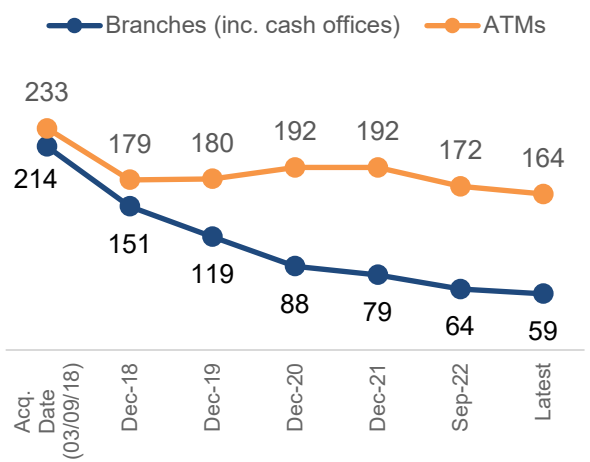

## Growing market shares with balance sheet offers growth opportunities

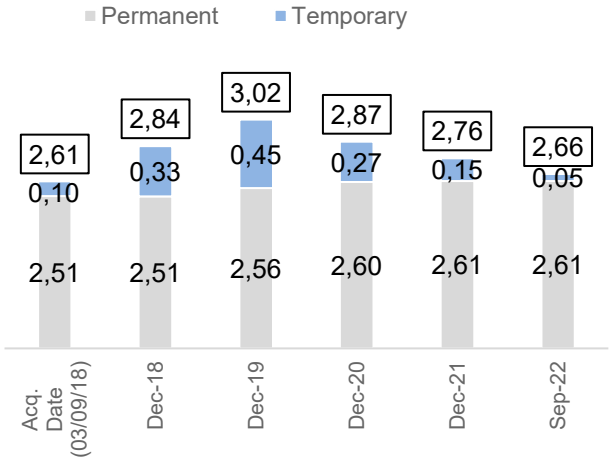


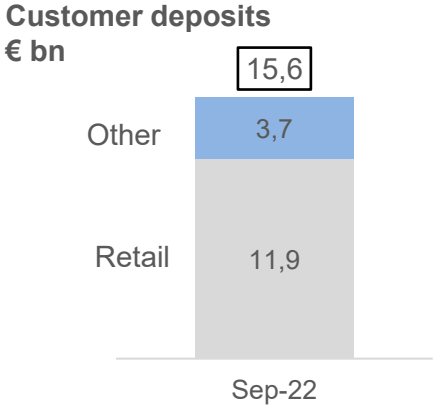

**39% Loans/Deposits** Vs 113% for EU banks[3]

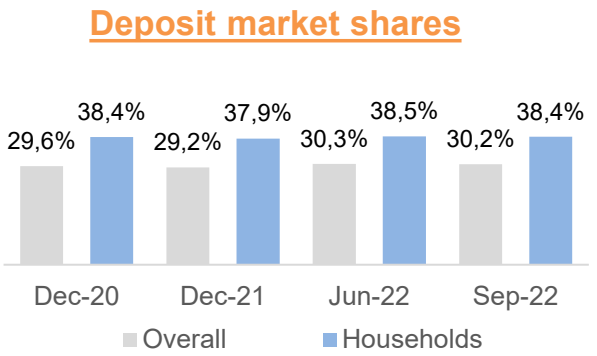
## Branch network rationalisation[1] & Staff number composition ('000)




## A stable and strong deposit base

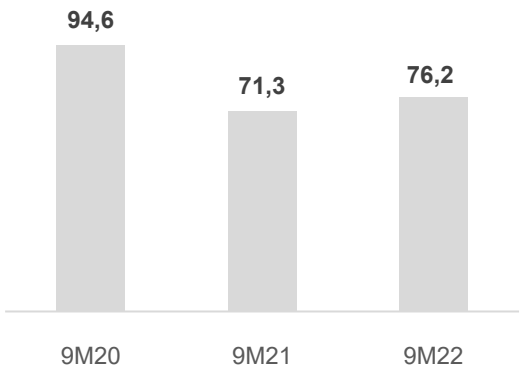


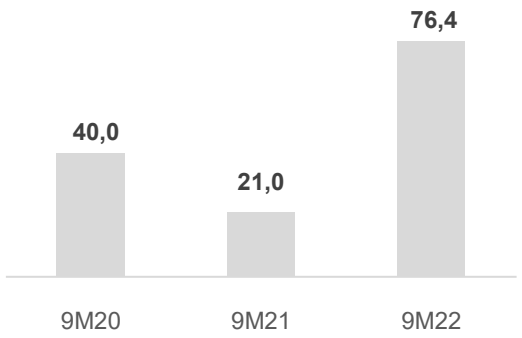

1) Additionally, 7 Commercial Centers, 3 Corporate Centers, 1 Transaction Banking Shipping, 3 International Business Centers; 2) Pro forma for Starlight; 3) As per EBA Risk Dashboard 2Q22

# Making progress across key performance indicators…

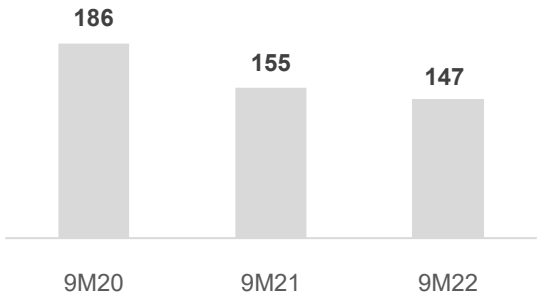
## Profit before provisions (€ mn)



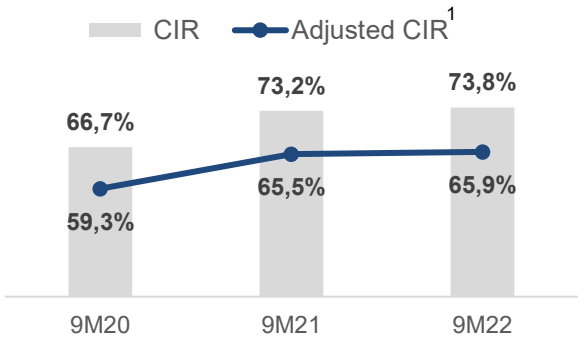

## Profit for the period (€ mn)



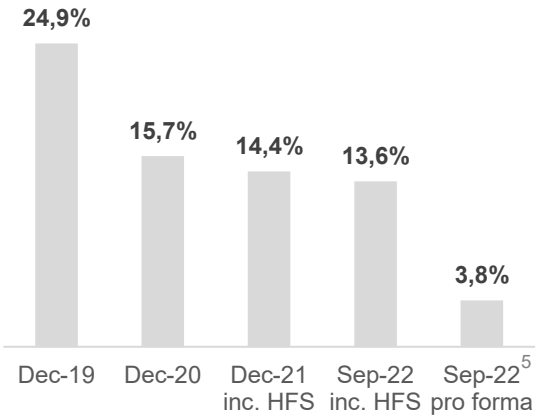

## NIM (bps)



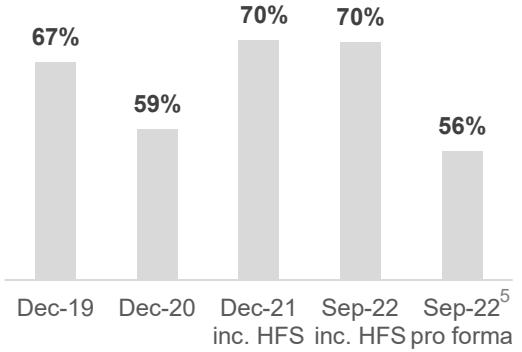

## Cost to income ratio



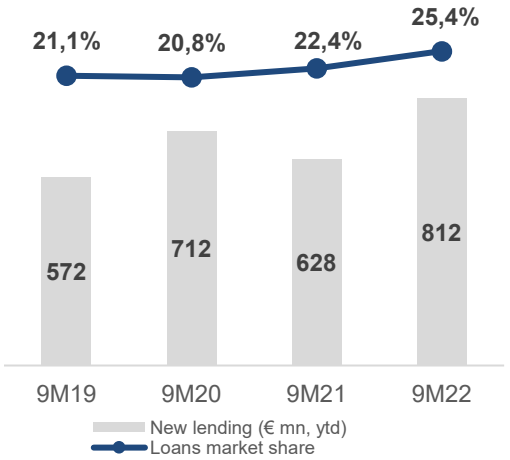

## NPE ratio[2]



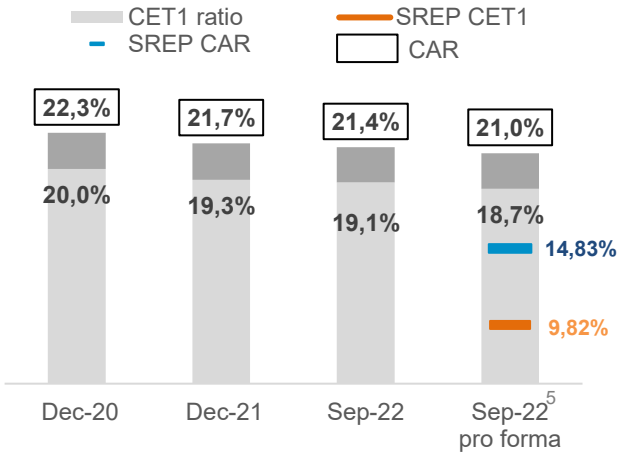

## NPE provision coverage[2]




## New lending & Loan market share[3]



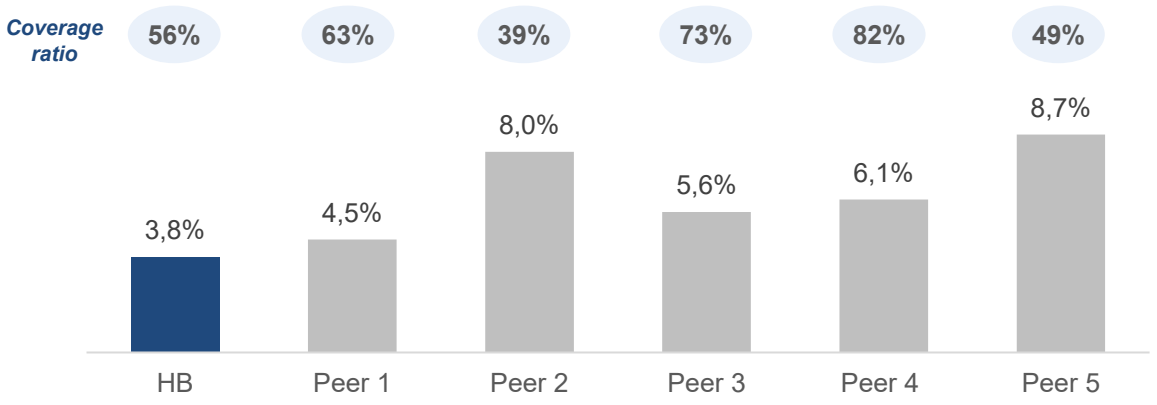

## Capital ratios (trans)[4]



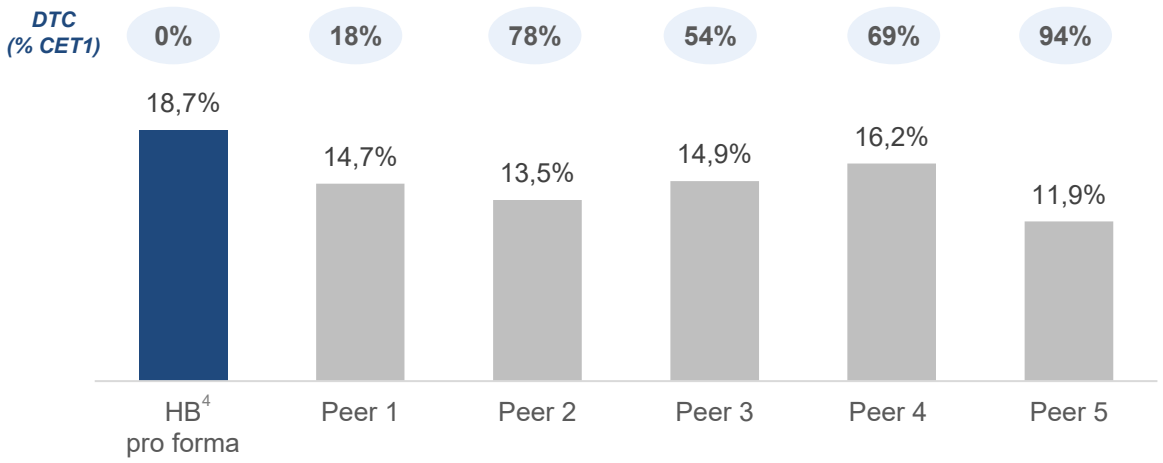

1) Adjusted Cost to income ratio excludes the Special Levy and DGS; 2) Excluding APS-NPEs; 3) Based on CBC data; 4) Capital requirements based on final SREP received in February 2022, effective from 1 March 2022, including 9M22 unaudited profits; 5) Pro forma for VEES and Starlight

# …And comparing better than peers

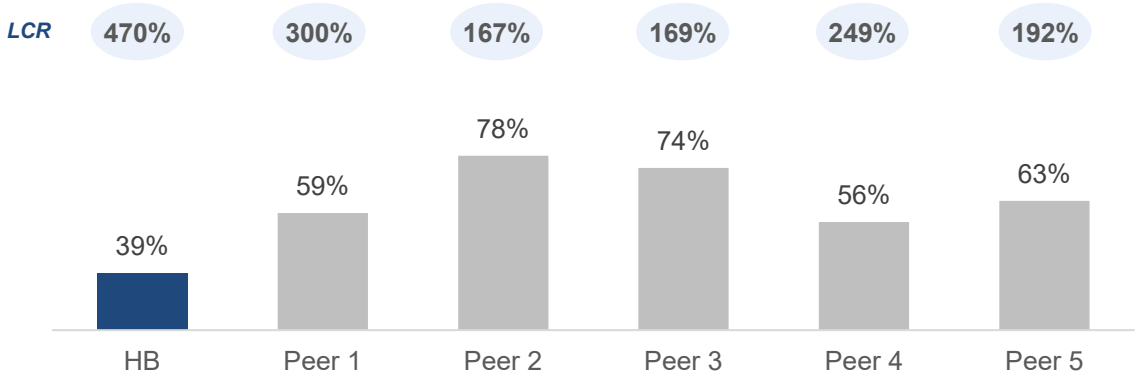
## NPE ratio and NPE provision coverage[1]




## CET1 ratio[2] and Deferred Tax Credit % CET1




## Loans / Deposits and LCR




- Following the Starlight agreement, the Bank has the **lowest NPE ratio** among peers[3] and high NPE coverage
- At the same time, **the Bank enjoys the strongest and best quality capital**, with the highest CET1 ratio and zero DTC reliance
- The Bank's **liquidity is ample and significantly higher than peers** and regulatory requirement, providing scope for further lending growth
- The Bank's significantly enhanced financial position solidifies its position as a leading retail bank in Cyprus and facilitates its strategy for growth and value creation

1) Excluding APS-NPEs; 2) Transitional basis; 3) Peers comprise the main Cypriot and Greek banks with ratios based on publicly available information and on the Bank's calculations; 4) Pro forma for VEES and taking into the positive impact from the Starlight agreement (reduction of RWAs from NPE disposal and gain on APS Debt Servicer sale)

# Strategic Plan initiatives to drive the Bank forward

## Focused Growth /ESG

- ❑ Increase customer engagement
- ❑ Enhance product proposition
- ❑ Cross selling
- ❑ ESG related financing
- ❑ Grow international lending portfolio / international syndications participations
- ❑ Healthy RAROC

## Cost rationalisation

- ❑ Modernise the operations through streamlining and centralisation
- ❑ Rationalisation of branch network
- ❑ Headcount reduction

## NPA deleveraging

- ❑ Organic NPE deleveraging through: Restructurings, Settlements, Repossession
- ❑ Increase focus on early arrears
- ❑ Non-organic solutions

## Capital & Funding optimisation

- ❑ Debt issuances for MREL compliance
- ❑ Provide investment products to clients

## ACHIEVEMENTS

- ✓ Healthy new lending
- ✓ Acquisition of RCB loans
- ✓ ESG Action Plan implementation
- ✓ Green Car and Green Mortgage products
- ✓ New Insurance competitive products
- ✓ CRM enhancement through Customer 360º view

- ✓ 20 branches closed during 2022
- ✓ Streamlining and cost management initiatives on track
- ✓ VEES completion with c. 450 employees leaving the Group (c. 17% of Group employees with annual payroll cost of c. €30 mn), for a total cost of c. €70 mn

- ✓ Project Starlight agreement:
  - ➢ Pro forma NPE ratio of 3,8%[1]
  - ➢ APS Debt Servicer sold
- ✓ Organic NPE deleveraging: long-term exclusive servicing agreement for the management of the residual NPE portfolio

- ✓ Successfully completed an inaugural MREL issuance of eligible senior preferred notes of €100 mn in July 2022

1) Excluding APS-NPEs

# Environmental, Social, Governance (ESG)

## Environmental

- Launch of ***'green car' loan*** for the financing of new electric or hybrid cars and ***'green mortgage' loan*** offering beneficial financing for the purchase/ construction/renovation of primary residences
- Green financing through ***growgreen* initiative** by offering credible consultation related to our services, for a greener more sustainable future
- **Climate & Environmental Action Plan** in progress with clear targets for strategy, organizational structure and risk management
- Continuous implementation of **Energy Management policy** for reducing the Bank's energy consumption and $CO_2$ emissions and enhancement of the internal recycling programme

## Social

- Supporting vulnerable groups and promoting activism for social and environmental causes
- *Hellenic Bank Volunteers* undertaking initiatives throughout the year and were **awarded the 2020 #HBVolunteersChallenge** by the Volunteerism Coordinative Council in 2021
- Renewal of **"Partnership for Life"** with the Karaiskakio Foundation in June 2022, showing our commitment and strong collaboration with the Foundation
- Voluntary coastal clean-up event in Ayia Napa on the occasion of the World Clean-Up Day in September 2022, with the participation of 100+ HB volunteers

## Governance

- A dedicated **ESG Department** to invest in sustainable development and design actions to improve the Bank's impact on environmental sustainability, social responsibility and corporate governance
- Strong governance set in relation to the 'Climate-Environmental risks Action Plan' and Climate Stress Test
- **2021 ESG Impact Report** issued in June 2022
- Implementation of the ESG initiatives, closely monitored through the Transformation Plan governance

# Progress on key performance indicators

| | 2020 | 2021 | 9M22 |
|---|---|---|---|
| NPE ratio[1] | 15,7% | 3,4%[2] | 3,8%[3] |
| Cost of risk[4] | 1,02% | 1,55% | (0,0%) |
| Cost to income ratio[5] | 61% | 66% | 66% |
| ROTE | 4,8% | (1,1%) | 9,3% |
| CET 1 ratio (trans.) | 20,0% | 19,1%[6] | 18,7%[7] |
| Loans / Deposits ratio | 43,0% | 40,3%[2] | 38,9%[3] |
| New Lending (€) | 1.041 mn | 908 mn | 812 mn |

The Bank is currently **revising its Strategic Plan and medium term targets** taking into account the following developments:

(a) the Russia/Ukraine crisis and the elevated inflation rates which could lead to increased cost of risk related to the higher costs of servicing loans and the weakening economy
(b) rising interest rates which will significantly increase net interest income in 2023-2024
(c) the ongoing negotiations with the Union for a new collective agreement
(d) the completion of the Starlight project aimed for early 2023

The Bank expects to set medium term financial targets **with the release of its Strategic Plan by year-end 2022**. As part of the Strategic Plan revision, the Bank will assess its decision for the payment of **dividend** on its ordinary shares, as per its announcement dated 21 December 2021, subject to relevant regulatory approval.

On 29 November 2022, the Bank announced its decision to commence the interest payment on Contingent Capital Securities CCS 1 and CCS 2 as from the interest payment period of 1 October 2022 – 31 December 2022, with the first interest payment to be made on 31 December 2022

1) Excluding NPEs under the APS; 2) Pro forma for Starlight, other NPE disposal and the acquisition of Tranche A from RCB Bank; 3) Pro forma for Starlight; 4) Adjusted for the amortisation of the APS indemnification asset; 5) Adjusted for the DGS contribution and Special Levy; 6) Pro forma taking into account the negative impact from Tranche A and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine); 7) Pro forma for VEES and taking into account the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine) and including 9M22 unaudited profits

# 2 Financial Performance

9M22 performance
Asset quality
Capital & Funding

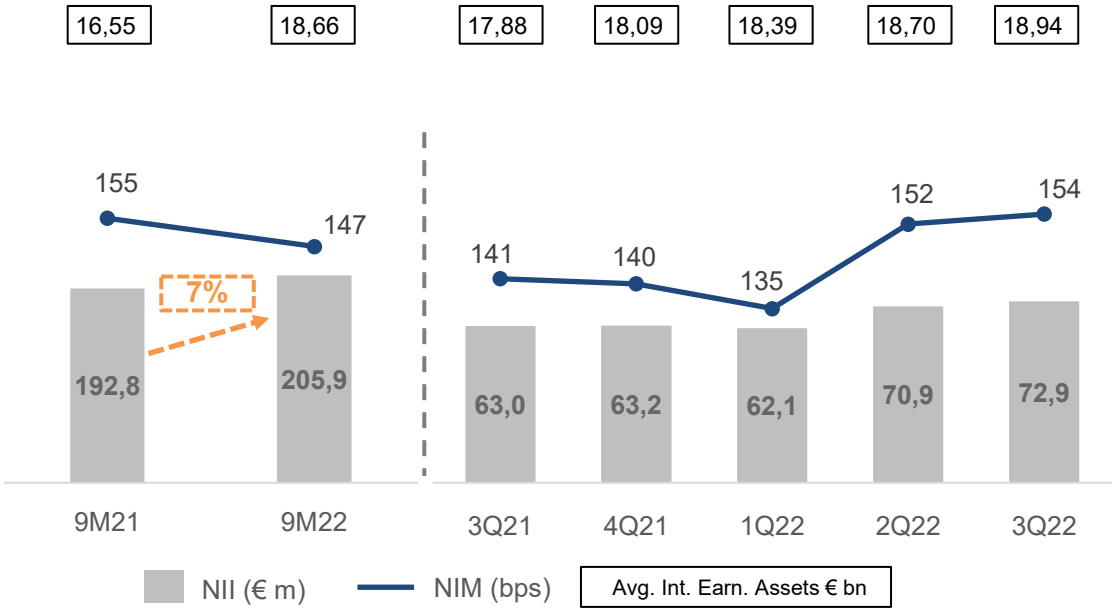
# Income Statement highlights

| € mn | 9M22 | 9M21 | y-o-y | 3Q22 | 2Q22 | q-o-q |
|---|---|---|---|---|---|---|
| Interest income | 232,6 | 216,7 | 7% | 79,3 | 81,1 | (2%) |
| Interest expense | (26,7) | (23,9) | 12% | (6,4) | (10,2) | (37%) |
| **Net interest income** | **205,9** | **192,8** | **7%** | **72,9** | **70,9** | **3%** |
| Non-interest income | 84,5 | 73,4 | 15% | 28,8 | 27,6 | 4% |
| **Total net income** | **290,4** | **266,2** | **9%** | **101,6** | **98,6** | **3%** |
| **Total expenses** | **(214,2)** | **(194,9)** | **10%** | **(70,8)** | **(67,6)** | **5%** |
| **Profit before impairment losses** | **76,2** | **71,3** | **7%** | **30,8** | **31,0** | **0%** |
| Impairment losses & net gains on derecognition | 8,0 | (43,2) | (118%) | (3,8) | 2,1 | (281%) |
| Negative goodwill | 4,8 | - | - | 0,0 | 1,8 | (100%) |
| **Profit before taxation** | **88,9** | **28,1** | **217%** | **27,0** | **34,9** | **(23%)** |
| Taxation | (7,4) | (1,4) | 440% | (4,3) | (3,0) | 44% |
| **Profit from continuing operations** | **81,5** | **26,7** | **205%** | **22,7** | **31,9** | **(29%)** |
| Discontinued operations | (5,2) | (5,7) | (9%) | (1,7) | (1,7) | 5% |
| **Profit for the period** | **76,4** | **21,0** | **263%** | **21,0** | **30,3** | **(31%)** |
| **Net interest margin** | 1,47% | 1,55% | (8 bps) | 1,54% | 1,52% | 2 bps |
| **Cost to income ratio** | 73,8% | 73,2% | 0,5 p.p. | 69,7% | 68,6% | 1,1 p.p. |
| **Return on Tangible Equity** | 9,3% | 2,6% | 6,7 p.p. | 7,5% | 11,0% | (3,5 p.p.) |
| **Earnings per share (€ cent)** | 18,5 | 5,1 | 13,4 | 5,1 | 7,3 | (2,2) |

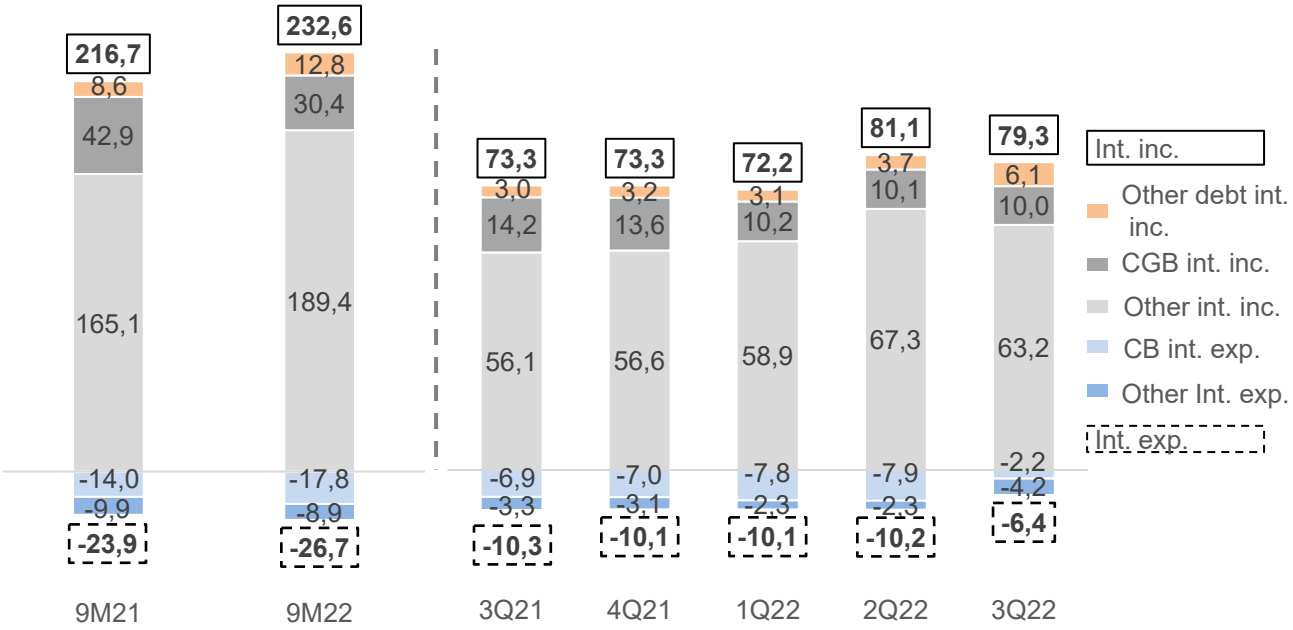
- **3Q22 NII of €72,9 mn up 3% q-o-q mainly due to higher interest income from CB placements and debt securities,** partially offset by the interest expense on the Senior Preferred notes issued in July 22; **9M22 net interest income of €205,9 mn up 7% y-o-y mainly driven by TLTRO related income of €13,9 mn**
- 3Q22 non-interest income up 4% q-o-q mainly due to increased gains on FC&FI, offset by the decrease in Net FCI. **9M22 non-interest income up 15% y-o-y mainly due to increased Net FCI and net income from insurance operations** partially offset by the decrease in FC&FI
- **3Q22 total expenses up 5% q-o-q mainly due the 2H22 DGS contribution charged in 3Q22 and higher repairs and maintenance**, partially offset by lower transformation costs. **9M22 total expenses up 10% y-o-y mainly due to staff costs** and higher administrative and other expenses.
- **3Q22 Profit before impairment losses of €30,8 mn** broadly flat q-o-q; **9M22 Profit before impairment losses up 7%** driven by the increase in total net income
- **9M22 release of impairment losses of €8,0 mn compared to a charge of €43,2 mn in 9M21,** mainly due to updated macroeconomic projections (9M21 impairment losses mainly due to the Starlight) partially offset by the recognised impairment losses for ECB higher rates
- 9M22 negative goodwill of €4,8 mn recognised for the RCB loan portfolio acquisition
- **9M22 Profit for the period of €76,4 mn, up by 263% y-o-y,** mainly reflecting improved income performance and the reversal of certain impairment losses. 3Q22 Profit for the period of €21,0 mn, down 31% q-o-q, mainly due to higher expenses and impairment losses being recognised

# Higher interest rates are supporting NII

## NII and NIM performance




## NII components (€ mn)

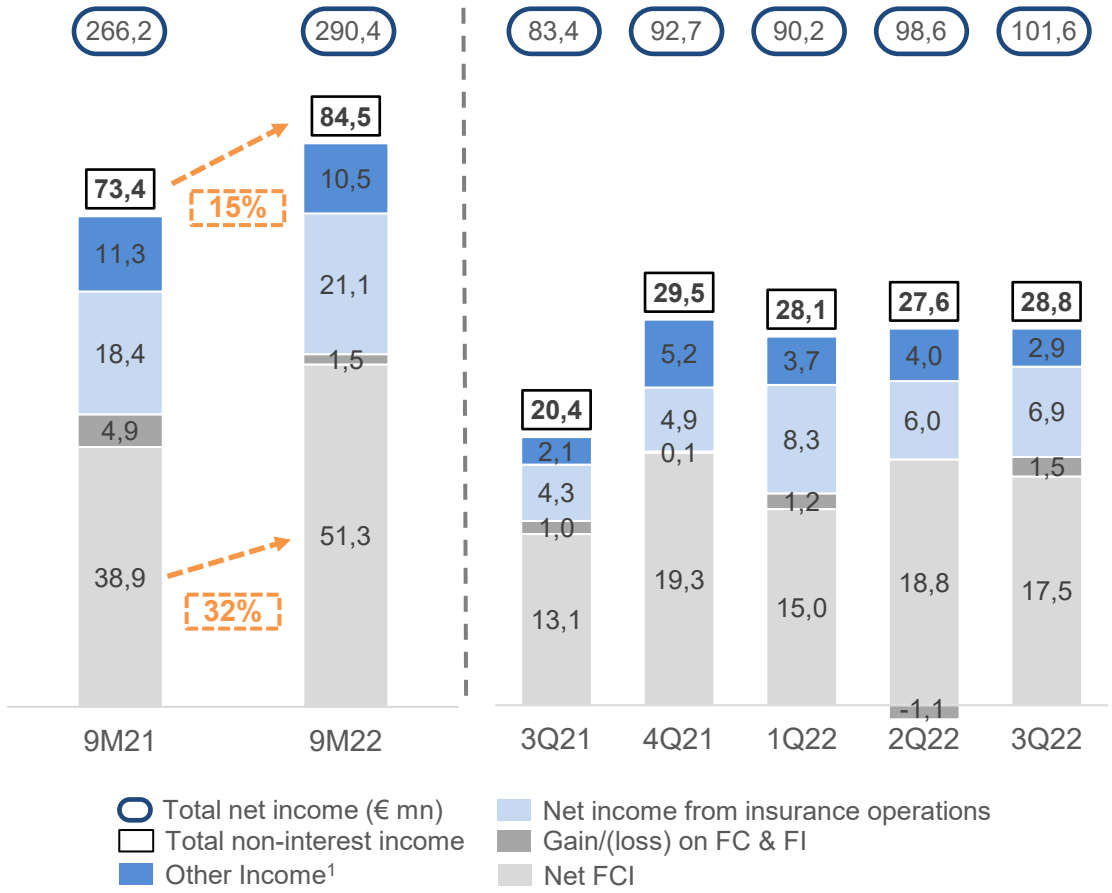



- 3Q22 NIM of 154 bps compared to 152 bps in 2Q22 reflecting **higher interest income from CB placements and debt securities partially offset by the interest expense on Senior Preferred notes issued in July 2022. 9M22 net interest income of €205,9 mn up 7% y-o-y mainly driven by the TLTRO income of €13,9[1] mn**
- NIM reflects a highly liquid balance sheet (net loans at 31% of total assets versus an average of 39% for Cypriot and 60% for EU banks)[2]
- The Bank's financial performance in 2023 and 2024 will benefit from higher interest rates, which are expected to have a **NII positive impact of >c.€150 mn on an annual basis for 2023 and 2024**, compared to the Bank's strategic plan approved in December 2021. This is based on current market expectations, **with the basic assumption of the ECB Deposit Facility Rate rising to 2,75% by 2023.** The majority of the expected positive impact relates to the Bank's ECB placements, followed by the potential to invest maturing bonds in higher yielding bonds of similar credit quality[3]

1) TLTRO impact of €2,9 mn for 1Q22, €8,8 mn for 2Q22 and €2,3 mn for 3Q22; 2) As per EBA Risk Dashboard 2Q22; 3) This statement compares to a similar statement included in the 6M22 financial results, according to rising interest rates were expected to have a NII positive impact of c. €130 mn on an annual basis for 2023 and 2024, with the basic assumption of the ECB Deposit Facility Rate rising to 1,5% by end-2022

# Non-interest income evolution

## Breakdown of non-interest income (€ mn)




- **3Q22 Non-interest income of €28,8 mn**, up 4% q-o-q, mainly due to increased gains on FC&FI, offset by the decrease in Net FCI. **9M22 non-interest income up 15% y-o-y** mainly due to increased Net FCI and net income from insurance operations partially offset by the decrease in FC&FI
- **3Q22 Net FCI of €17,5 mn**, down 7% q-o-q (seasonality) and up 32% y-o-y, reflecting higher FCI due to revised pricing and the lower FCI in 9M21 due to the COVID lockdown
- **3Q22 gains on FC&FI of €1,5 mn, compared to €1,1 mn loss for 2Q22,** mainly due to higher unrealized investment revaluation losses in 2Q22 as a result of the geopolitical crisis
- **3Q22 Net income from insurance operations of €6,9 mn** up 15% q-o-q, mainly due to lower net investment income in 2Q22 due to the geopolitical crisis. **9M22 Net income from insurance operations increased by 15% y-o-y** due to the higher gross income from premiums from new products partially offset by the increase in insurance claims and benefits incurred (higher claims in 9M22 due to the COVID lockdown release measures) and lower net investment income due to the geopolitical crisis
- **3Q22 Other income of €2,9 mn, down 28%** q-o-q mainly due to lower net gains from the disposal of stock of property

1) Other mainly comprises Net gain from the disposal of stock of property and sundry income

# Insurance business with significant potential to be a major profit contributor

## Breakdown of net income from insurance operations

| | 9M22 | | | 9M21 | | |
|---|---|---|---|---|---|---|
| | Life insurance | Non-life insurance | Total | Life insurance | Non-life insurance | Total |
| | *€' mn* | *€' mn* | *€' mn* | *€' mn* | *€' mn* | *€' mn* |
| Gross income from premiums | 33,4 | 27,8 | 61,2 | *21,1* | *27,6* | *49,8* |
| Net insurance premiums earned | 25,9 | 18,1 | 43,9 | 13,0 | 17,8 | 30,8 |
| Net insurance claims and benefits | (11,7) | (8,0) | (19,7) | (5,6) | (7,4) | (13,1) |
| Net investment income/(loss) | (3,1) | 0,0 | (3,1) | 0,5 | 0,1 | 0,6 |
| Net income from insurance operations | 11,1 | 10,0 | 21,1 | 7,9 | 10,5 | 18,4 |
| % of total net income | 3,8% | 3,5% | 7,3% | 3,0% | 3,9% | 6,9% |

**Market Shares**

Hellenic Life
9,8%[1]
*(vs 6,0% Dec-21)*

Pancyprian
9,7%[1]
*(vs 9,1% Dec-21)*

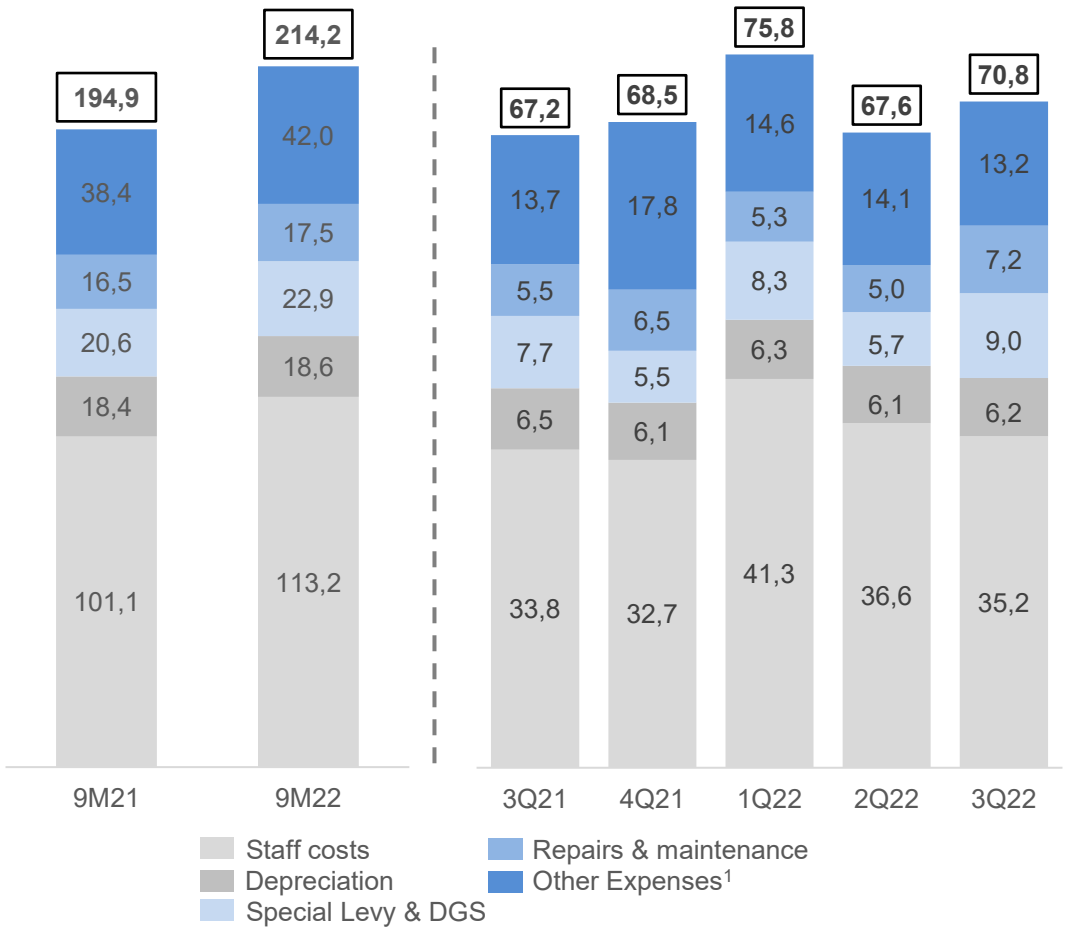
**Way forward:**

- ❑ Insurance subsidiaries transformation underway with focus on digitalisation, enhancing tools and infrastructure
- ❑ Improve customer service, reducing response times
- ❑ Expansion of product offering
- ❑ Increase market outreach and customer penetration

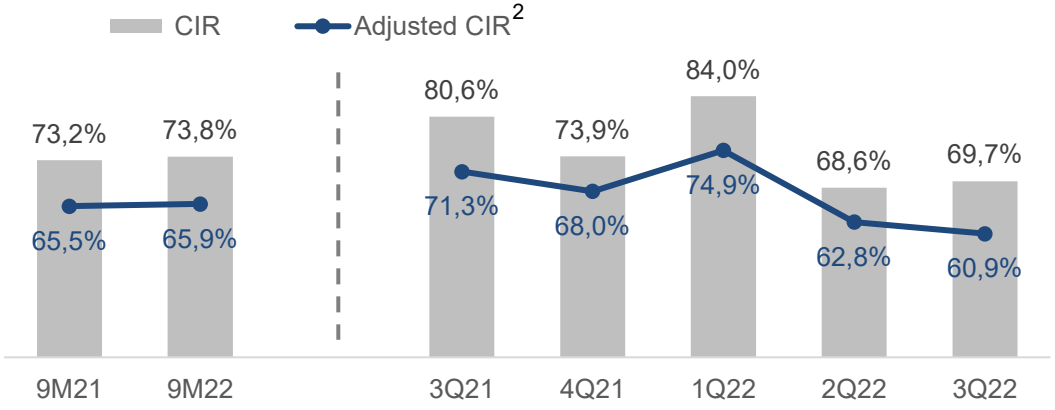
1) Based on Insurance Association of Cyprus statistical information as at June 2022

# Non-interest expense evolution

## Total expenses evolution (€ mn)




## Cost to income ratio




- **3Q22 total expenses up 5% q-o-q** mainly due to **higher DGS contribution** and **repairs and maintenance**. 9M22 total expenses up 10% y-o-y due to higher staff costs and other expenses
- **3Q22 Staff costs down by 4% q-o-q,** due to the **utilisation of accumulated staff annual leaves** (seasonality). 9M22 staff costs up 12% y-o-y mainly due to salary increases and COLA adjustments effective Jan-22 as well as the provision for the ex-CCB employees' salary reinstatement, partially offset by the decrease in utilised staff annual leaves provision
- **3Q22 Special Levy and DGS of €9,0 mn compared to €5,7 mn in 2Q22 due to the 2H22 DGS** contribution being charged in 3Q22
- 3Q22 CIR of 69,7% compared to 68,6% in 2Q22 reflecting the increase in expenses. **Adjusted CIR of 60,9% for 3Q22 when excluding Special Levy and DGS, compared to 62,8% in 2Q22**; Excluding transformation costs and early retirement costs 3Q22 adjusted CIR of 59,6% compared to 60,4% in 2Q22
- VEES completion with c. 450 employees leaving the Group (c. 17% of Group employees with annual payroll cost of c. €30 mn), for a total cost of c.€70 mn, enhancing the Bank's efficiency

1) Other expenses comprise consultancy and other professional services fees, property expenses, insurance expenses, communication expenses, transformation costs and other administrative expenses; 2) Adjusted cost to income ratio excludes the special levy and DGS

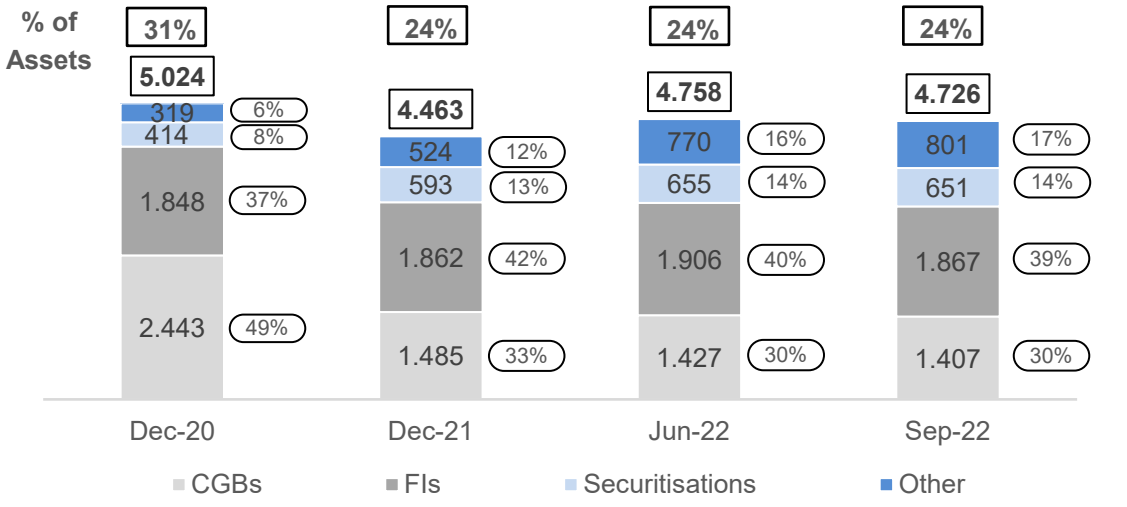
# Balance sheet structure and ample liquidity to result in significantly higher income due to rising interest rates

| € mn | Sep-22 | Jun-22 | q-o-q | Dec-21 | y-t-d | |
|---|---|---|---|---|---|---|
| Cash and balances with Central Banks | 7.614 | 7.233 | 5% | 7.346 | 4% | **Includes TLTRO of €2,3 bn maturing June 2024** |
| Placements with banks[1] | 502 | 499 | 0% | 414 | 21% | |
| Loans and advances to customers | 6.047 | 6.124 | (1%) | 5.732 | 5% | **Net loans up 5% y-t-d mainly due to the RCB portfolio acquisition** |
| Debt securities[1] | 4.726 | 4.758 | (1%) | 4.463 | 6% | **Debt securities up 6% y-t-d** |
| Equity and other securities[1] | 102 | 109 | (7%) | 94 | 8% | |
| Property, plant and equipment | 170 | 172 | (1%) | 180 | (6%) | |
| Intangible assets | 45 | 46 | (2%) | 47 | (4%) | |
| Other assets[1] | 495[2] | 529 | (6%) | 559 | (11%) | |
| **Total assets** | **19.699** | **19.472** | **1%** | **18.836** | **5%** | |
| | | | | | | |
| Deposits by banks | 132 | 124 | 6% | 122 | 8% | |
| Deposits by Central Banks | 2.274 | 2.277 | 0% | 2.294 | (1%) | **Includes TLTRO funding of €2,3 bn maturing June 2024** |
| Customer deposits | 15.561 | 15.458 | 1% | 14.942 | 4% | **Customer deposits continue to increase despite negative deposit rates** |
| Other liabilities | 327 | 328 | 0% | 242 | 35% | |
| Debt securities in issue | 100 | - | - | - | - | **Inaugural MREL issuance of eligible senior preferred notes of €100 million in July 22** |
| Loan capital | 130 | 130 | 0% | 130 | 0% | |
| **Total liabilities** | **18.524** | **18.317** | **1%** | **17.730** | **4%** | |
| Share Capital | 206 | 206 | 0% | 206 | 0% | |
| Reserves | 969 | 949 | 2% | 900 | 8% | |
| **Shareholders' equity** | **1.175** | **1.156** | 2% | **1.106** | **6%** | |
| **Total liabilities and equity** | **19.699** | **19.472** | **1%** | **18.836** | **5%** | |

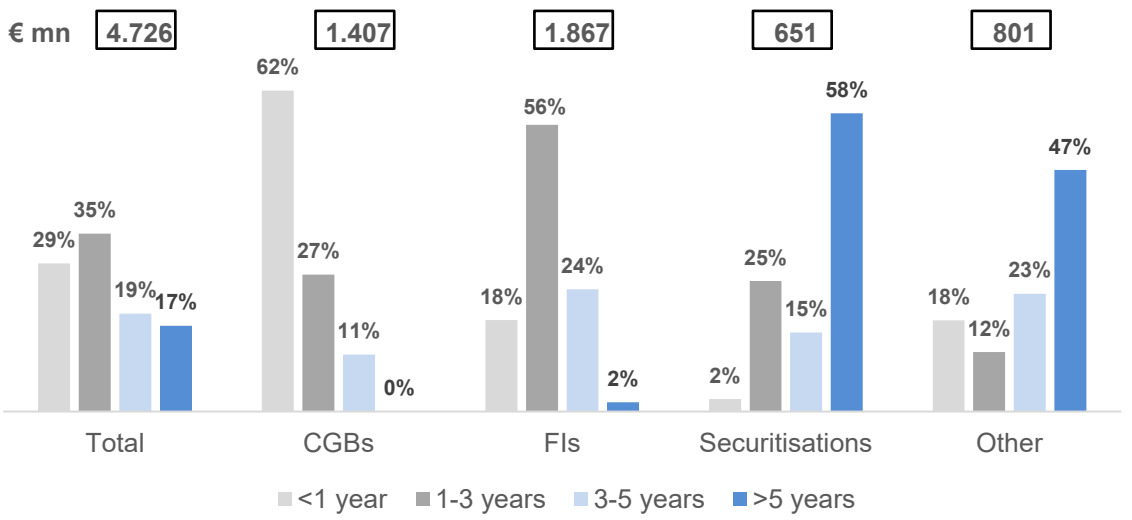
1) Comparative figures on placements with other banks, investments in debt securities and investments in equity securities and collective investments, have been reclassified to conform with changes in the presentation of the current period which reflects the reclassification of the assets held to cover liabilities of unit linked funds included in "Other assets" to each of these categories; 2) Includes €219 mn Assets and disposal group held for sale

# Diversifying the securities portfolio

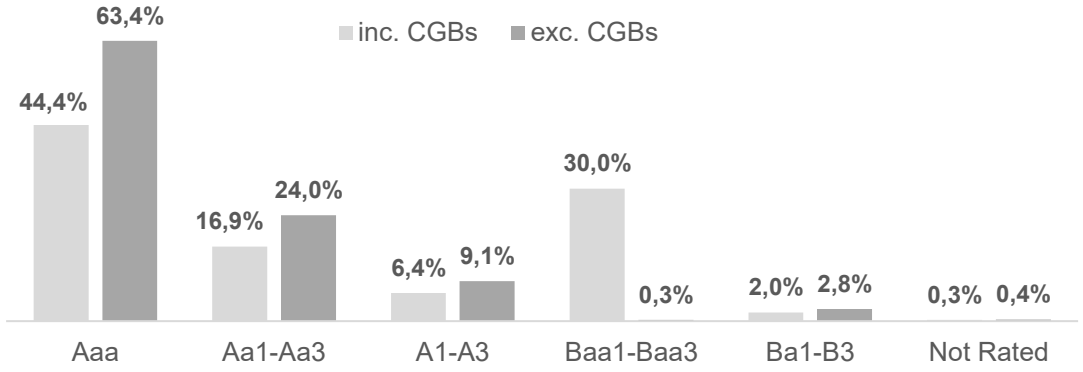
## Debt securities by issuer (€ mn)




## Debt securities by maturity[2]




## Securities ratings distribution[1]

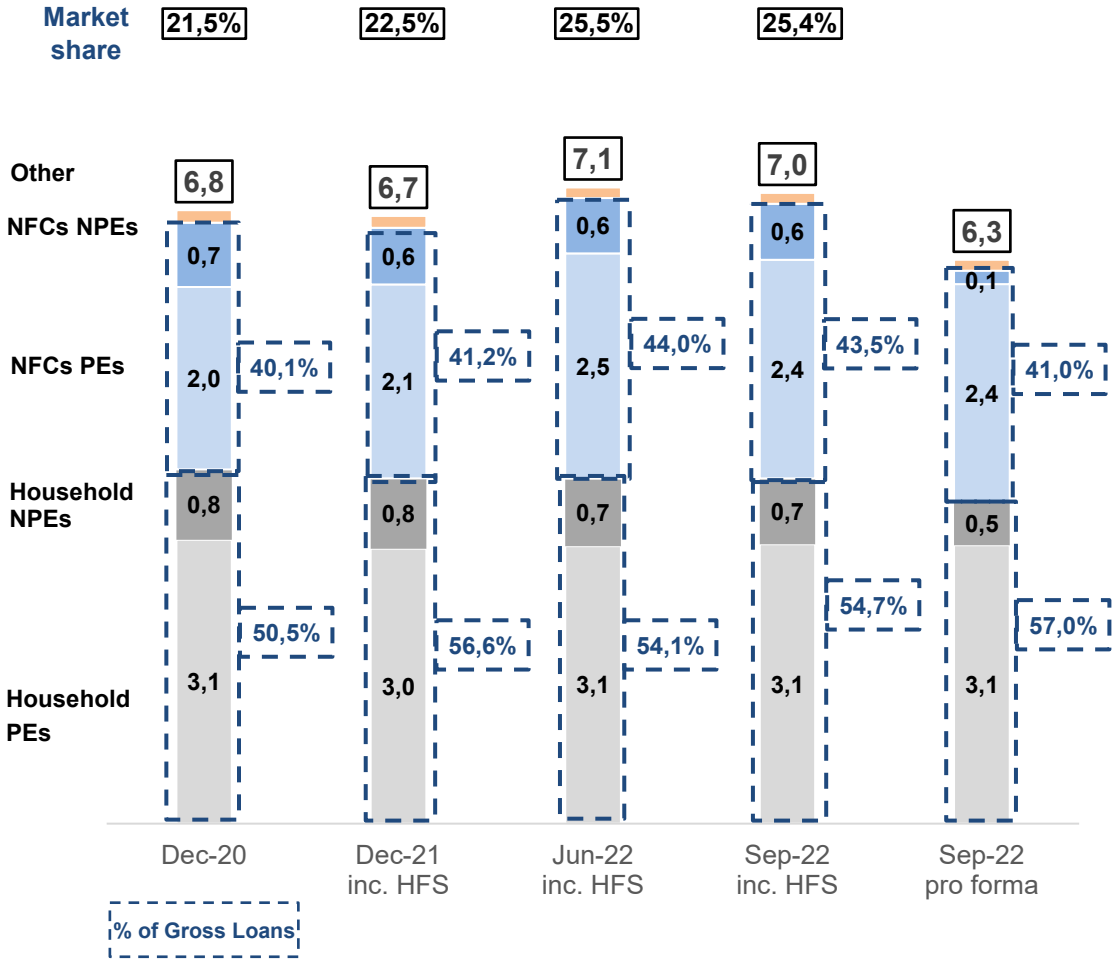



- **Debt securities at 24% of total assets in Sep-22**
  - CGBs at 30% of debt securities, down from 49% in Dec-20
  - Financial institutions (FIs) and securitisations account for 53% of debt securities in Sep-22, up from 45% in Dec-20
  - 64% of Other (or 11% of debt securities) relates to Supranationals, with the rest being Corporates and Other government (non-CGB)
- About 54% of FIs exposure is senior debt, with c. 72% rated Aaa-Aa3, 27% rated A1-A2; Covered bonds account for the remaining 46% of FI exposure, rated Aaa

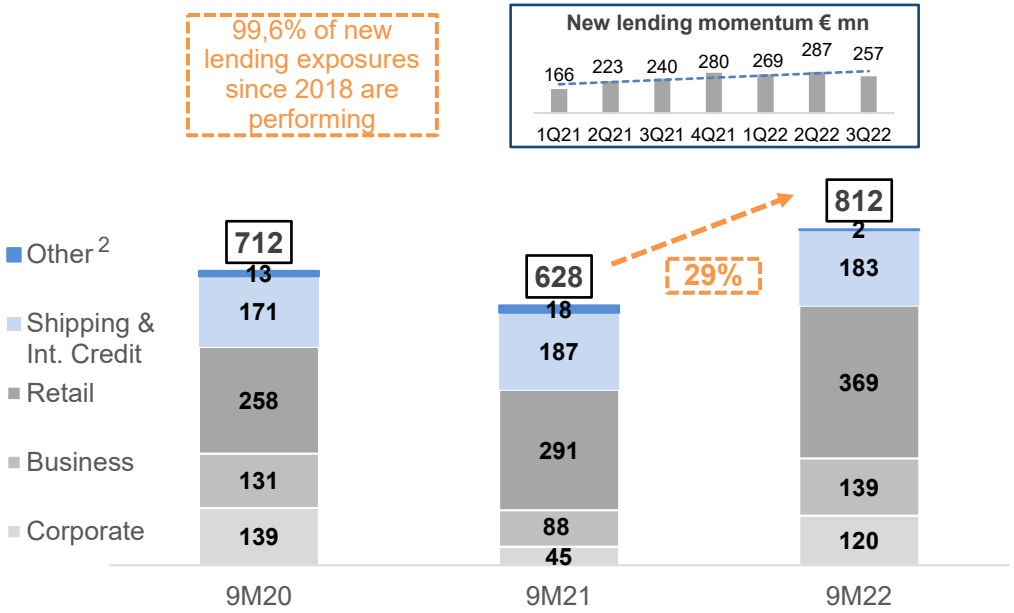
1) The ratings distribution is based on the Bank's CRR credit rating; 2) The Group's investments in debt securities comprised mainly high-grade investments in financial institutions senior unsecured bonds, covered bonds, RMBS (Residential Mortgage-Backed Security), CLOs (Collateralised Loan Obligations), sovereign bonds including CGB (Cyprus Government Bonds), supranational bonds and High Yield Corporate bonds through a discretionary Asset Manager mandate

# New lending momentum picking up during 2022

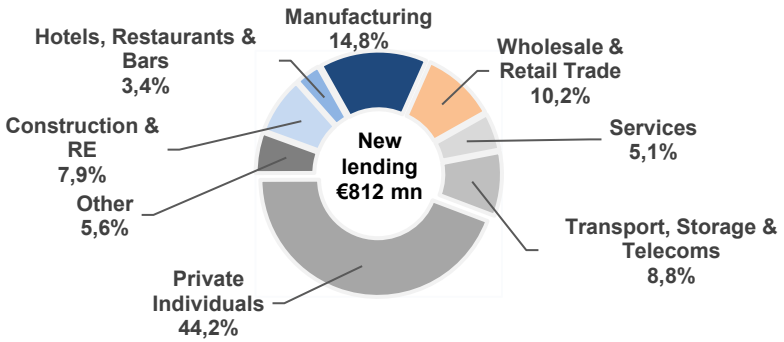
## Gross loans composition (€ bn) and lending market share[1]




## New lending (€ mn)



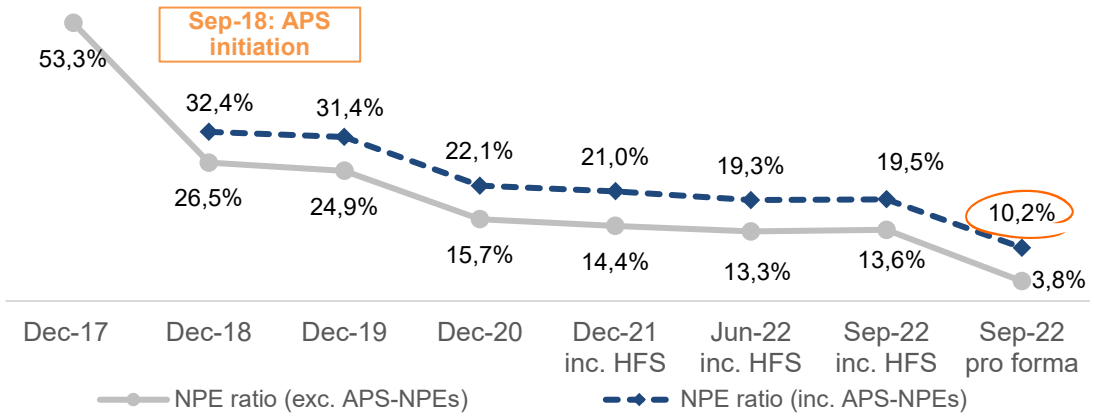

## 9M22 New lending by sector



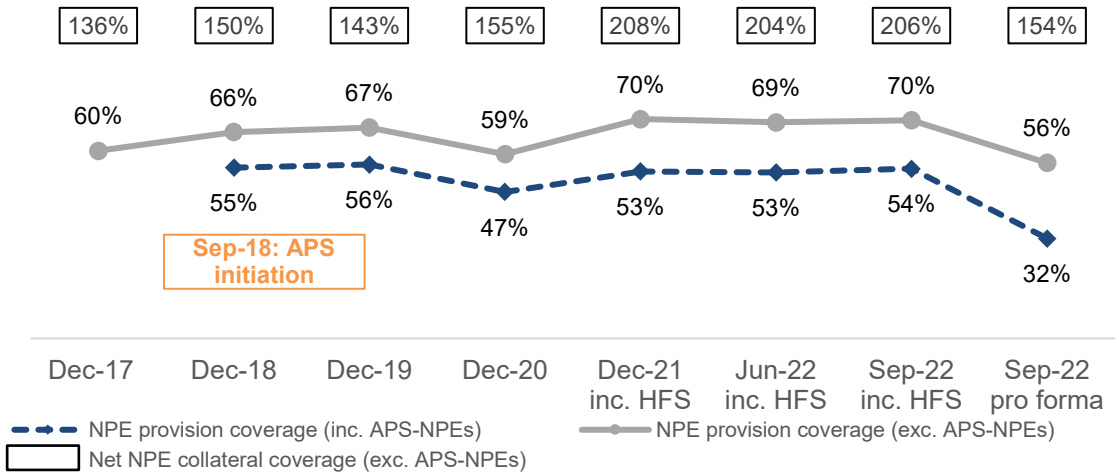

1) Source system data: CBC; 2) Other includes IBUs and APS Cyprus

# Balance sheet clean up almost complete, with pro forma NPE ratio of 3,8%

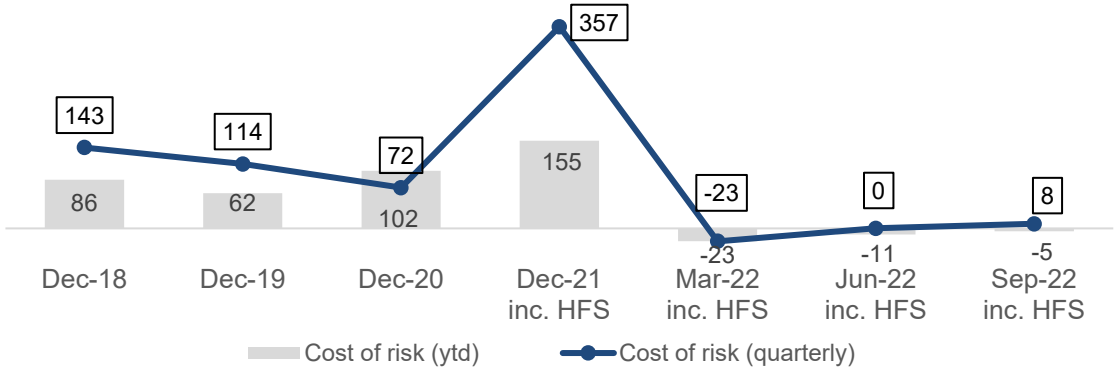
## NPE ratio at 3,8%



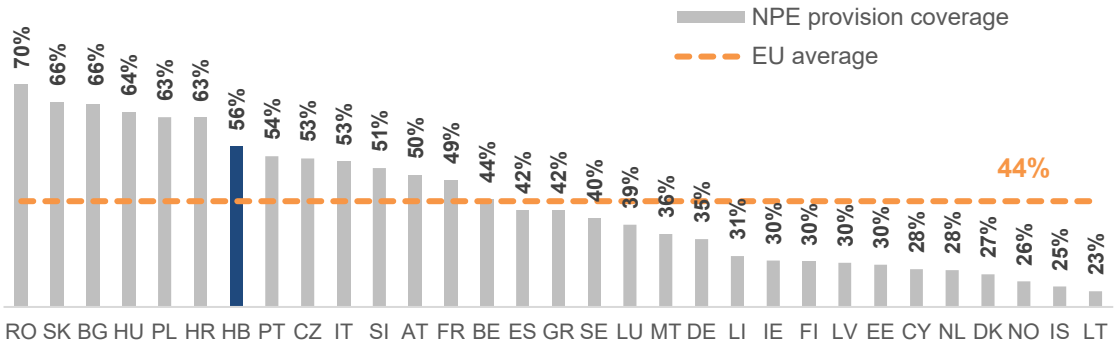

## NPE provision coverage at 56%




## Cost of risk (bps)[1]

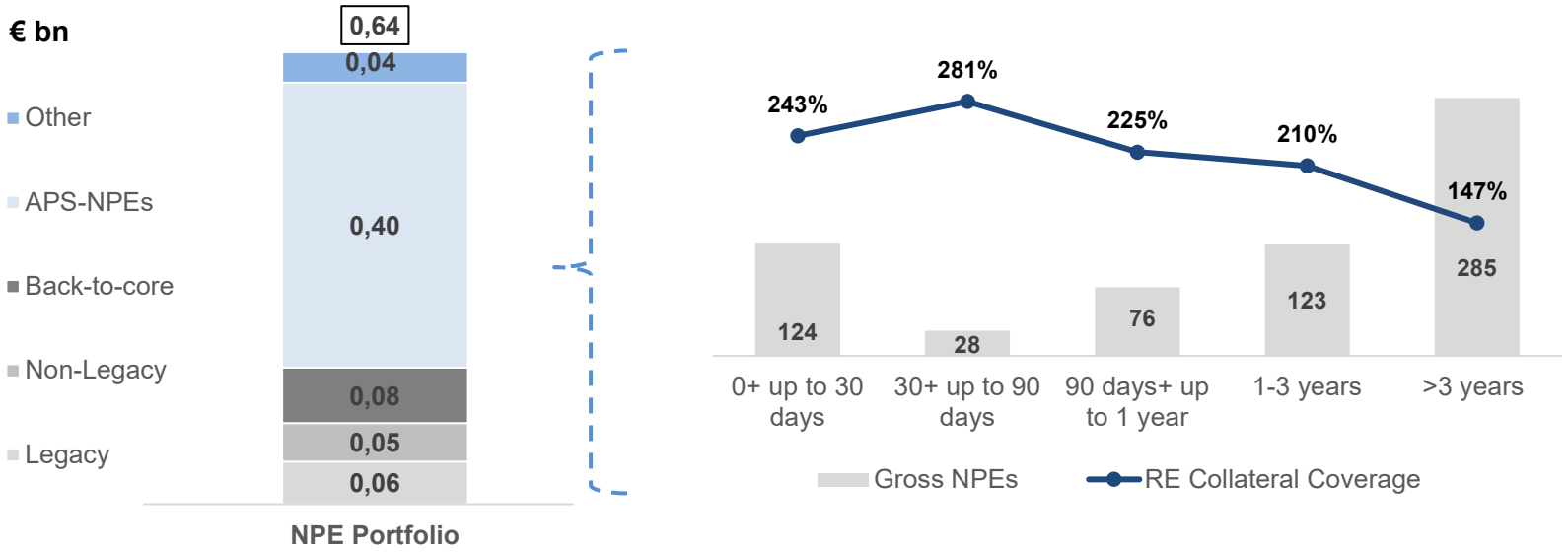



## NPE provision coverage compares well with EU average[2]




1) Adjusted for the amortisation of the APS Indemnification asset; 2) As per EBA Risk Dashboard 2Q22

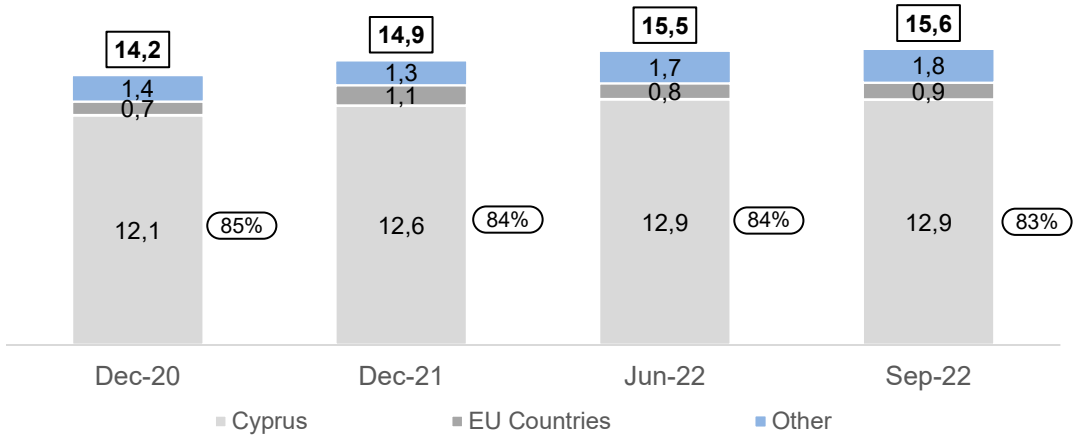
# NPE resolution way forward, with 63% of residual NPEs covered by an APS



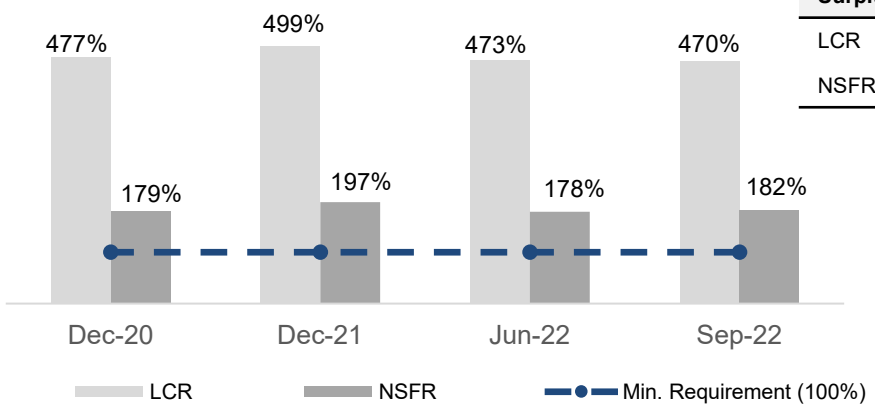

- **Residual NPE portfolio totaling €0,64 bn, of which APS-NPEs account for 63%,** which are covered by an asset protection scheme, whereby originally 90% of unexpected credit losses were guaranteed by the Cyprus Republic
- With the completion of the Starlight Project, the Bank will enter into a **long-term exclusive servicing agreement for the management of its residual NPE portfolio** and any additional future defaults that might arise

# A solid deposit base with ample liquidity

## Customer deposits (€ bn)

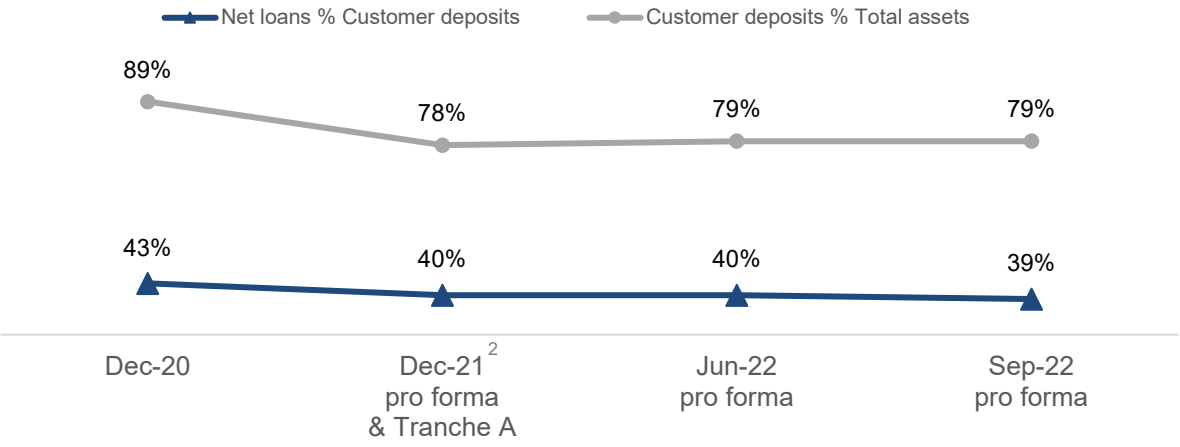



## LCR and NSFR exceeding minimum requirements




| Surplus liquidity (€ bn ) | |
|---|---|
| LCR | 6,6 |
| NSFR | 7,6 |

## Stable funding structure

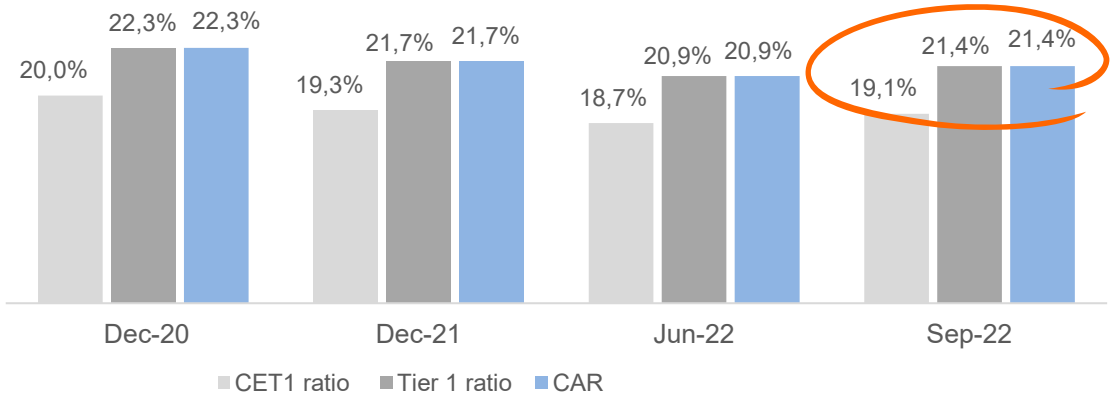



- Increasing deposits despite negative deposit rates for non-household deposits between March 2020 and September 2022
- **Primarily retail deposit base; 76% of Sep-22 deposits being retail,** 13% being International Business deposits and 8% being Corporate/Business deposits
- L/D ratio of 39% (compared to an EU banks average of 113%)[1], enables asset expansion
- LCR of 470% and NSFR of 182%, significantly above minimum requirements
- Unencumbered assets of €2,2 bn book value

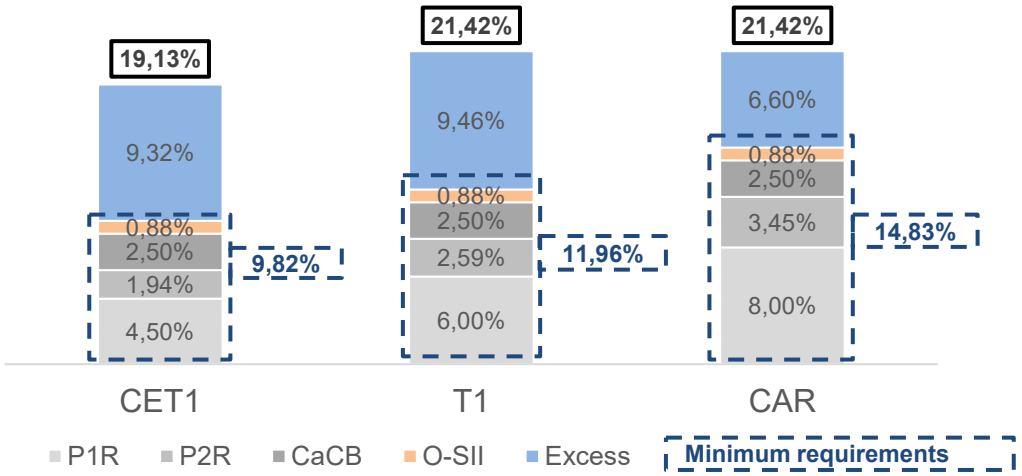
1) As per EBA Risk Dashboard 2Q22; 2) Pro forma for Starlight, other NPE disposal and the acquisition of Tranche A from RCB Bank

# Solid capital position supports business plan

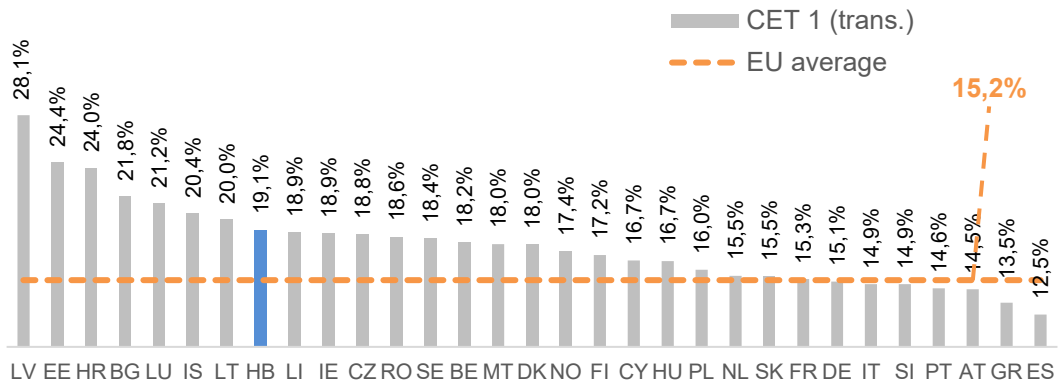
## Capital ratios (Transitional)[1]




## Capital ratios significantly above the minimum requirements[2]




## CET1 ratio compares well to EU average[3]

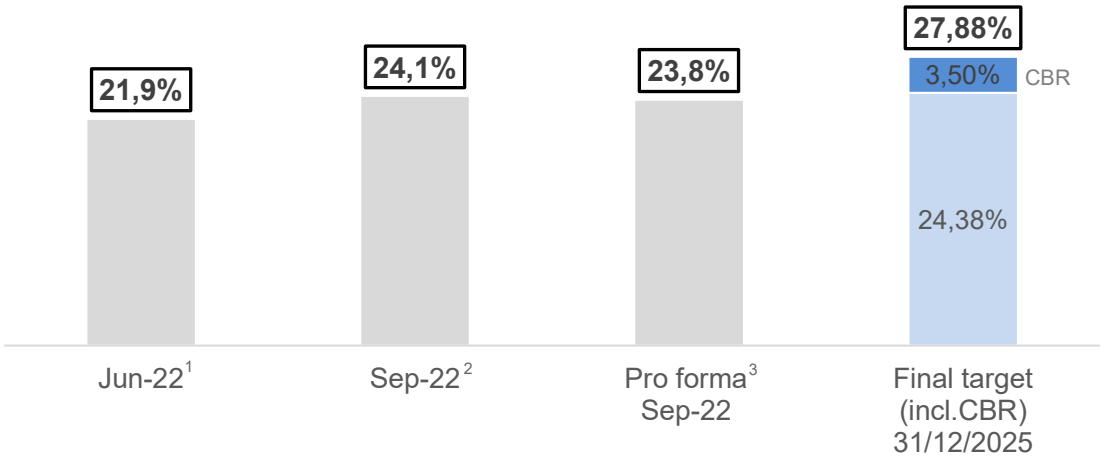



- **CAR and CET1 ratio (Trans.) of 21,4% and 19,1%,** respectively. **Fully loaded CAR and CET1 ratio of 21,2% and 18,9%,** respectively
- Sep-22 CET1 (transitional) evolution compared to Dec-21 mainly reflecting:
  - 9M22 profits (+138 bps)
  - change in IFRS9 (transitional arrangements) and COVID-19 relief measures (-63 bps)
  - Increase in RWAs mainly due to RCB portfolio acquisition (-67bps)
- **Pro forma[4] CAR and CET1 ratio (Trans) of c. 21,0% and c. 18,7%, respectively,** taking into account the VEES and the Starlight Project positive impact

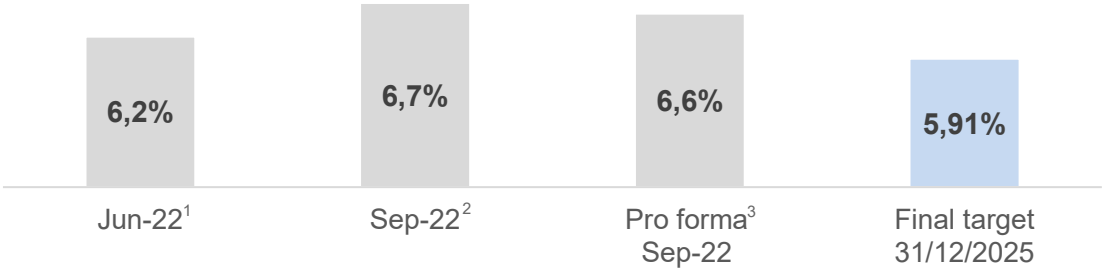
1) Including 9M22 unaudited profits; 2) Based on ECB's decision for SREP effective 1 March 2022. Own funds that are used to meet P2R shall not be used to meet P1R, CBR, and P2G per CRD5. The Combined Buffer Requirement (CBR) is made up of: (a) a Counter-Cyclical Capital Buffer (CCyB) for which the CBC has set the level at 0% for exposures located in Cyprus in 2021 as well as for the first nine months of 2022 (b) Capital Conservation Buffer (CaCB) at 2,5% (fully phased-in from 2019 onwards) and (c) the Other systemically important institution (O-SII) buffer which was reduced in November 2021 to 1,0% on a fully loaded basis and applicable as per: 0,75% effective 1 January 2021, 0,875% effective 1 January 2022 and 1,0% effective 1 January 2023; The Pillar II requirement has increased to 3,45% compared to 3,2% previously; 3) As per EBA Risk Dashboard 2Q22; 4) HB pro forma capital ratios taking into account the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine)

# MREL position

## MREL as % of TREA




## MREL as % of LRE




- In November 2022, the SRB notified the Bank of its draft decision for an MREL requirement at 24,38% of total risk exposure amount (TREA) plus CBR, a total target of 27,88%, and at 5,91% of leverage exposure (LRE), both to be met by 31 December 2025
- The Group's MREL to TREA ratio was 24,1%[2] at 30 September 2022; Adjusting for VEES and the Starlight project, the pro forma MREL to TREA ratio is c.23,8%[3]. At 30 September 2022, the Group's MREL to LRE ratio was 6,7%[2]; adjusting for the VEES and the Starlight project, the proforma MREL to LRE ratio is c.6,6%[3]
- **In July 2022 the Bank completed its inaugural MREL issuance of eligible senior preferred notes of €100 mn**, with a 9% coupon and maturity of 3 years with 2 years non-call (3NC2)
- Going forward, the Bank will proceed with additional MREL issuances within the compliance period until 31 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

1) Including 1H22 unaudited profits; 2) Including 9M22 unaudited profits; 3) Including 9M22 unaudited profits and Pro forma taking into account the VEES cost and the positive impact from the Starlight agreement (includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine);

# Key message: In a strong position to transform and deliver value to stakeholders

- Retail focused with a solid franchise
- Transformation plan for optimising cost efficiency
- Rising interest rates supporting NII and profitability
- Strong capital and ample liquidity support the business

**9M22 financial results at a glance**

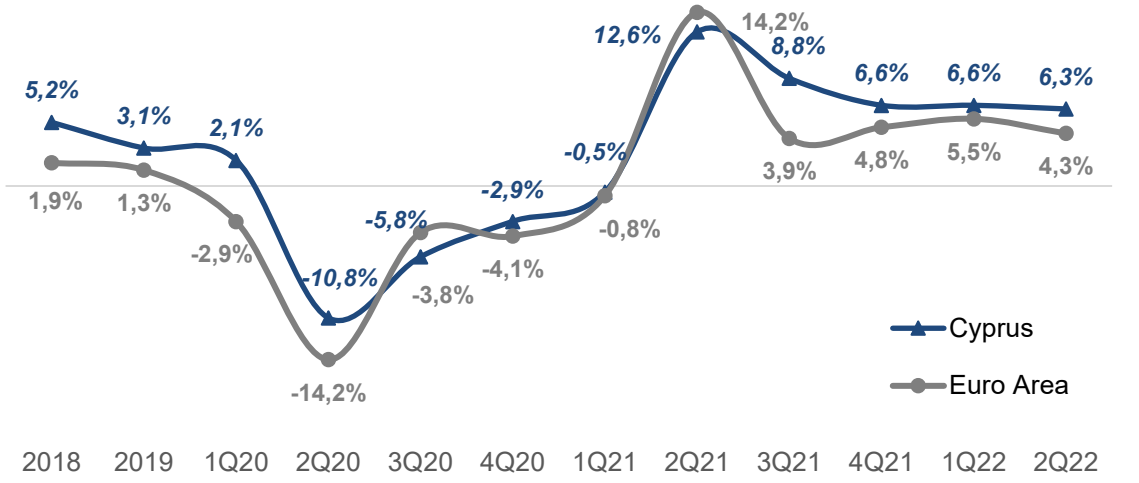
| | | |
|---|---|---|
| €76 mn[1]<br>Profit, with ROTE of 9% | 66%[2]<br>CIR with cost rationalisation underway | 39%[3]<br>L/D with new lending picking up in 2022 |
| 3,8%<br>NPE ratio, pro forma for Project Starlight | 21,0%[4]<br>CAR, best in class with no DTC | 470%<br>LCR, enabling growth |
| 6,4%<br>GDP in 1H22, in challenging economic conditions | 33%<br>Household Loans Market Share | 38%<br>Household Deposits Market Share |

1) 9M22 period 2) Excluding Special Levy and DGS; 3) Proforma for HFS; 4) Proforma for VEES and Starlight

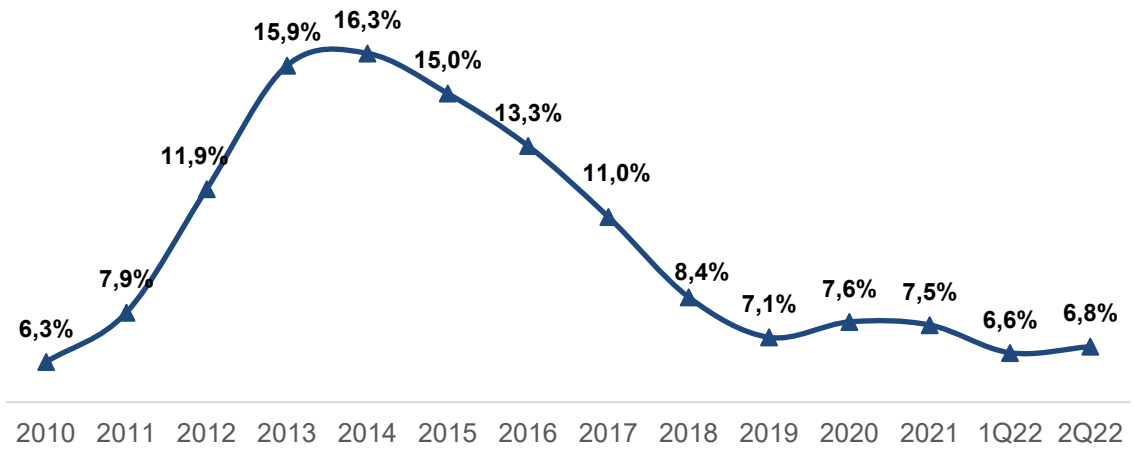
# 3 Appendix

# Key macroeconomic indicators

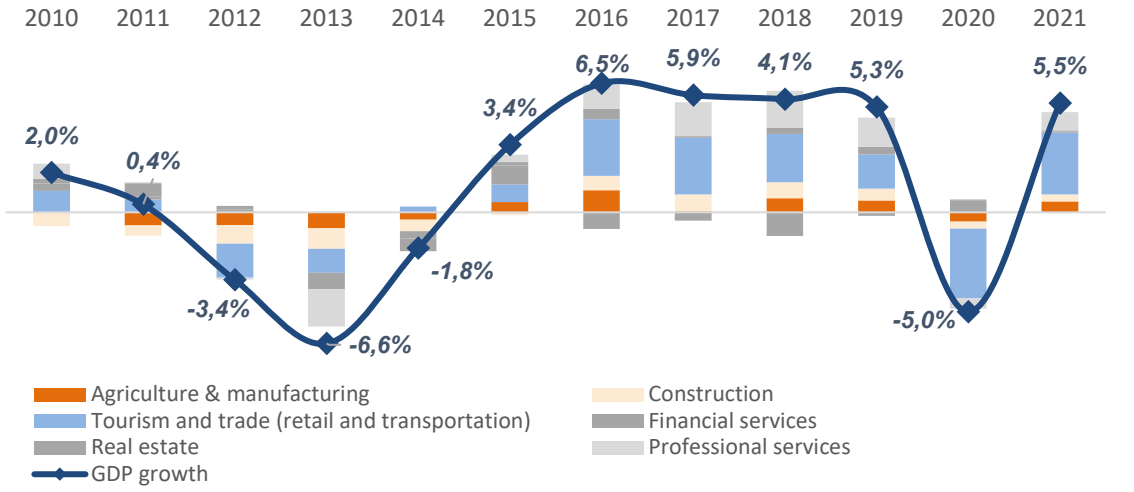
## GDP growth (y-o-y % change)



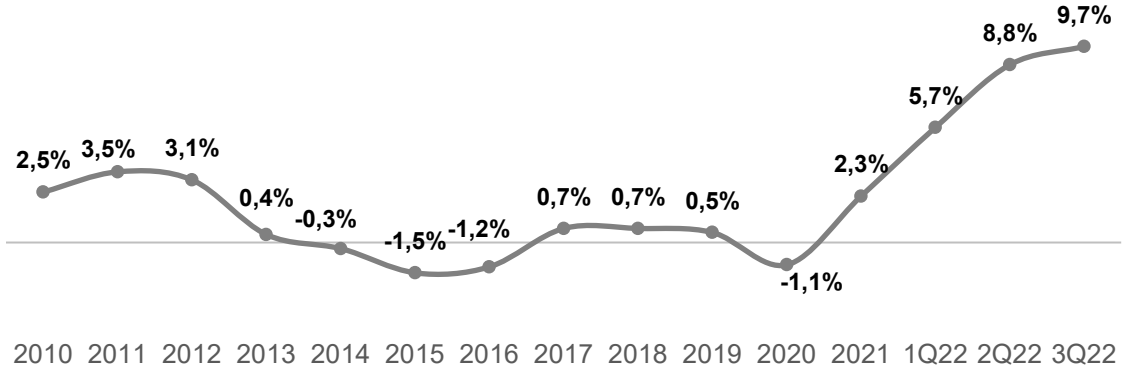

## Unemployment rate




## Real GDP growth and contributions (y-o-y % change)

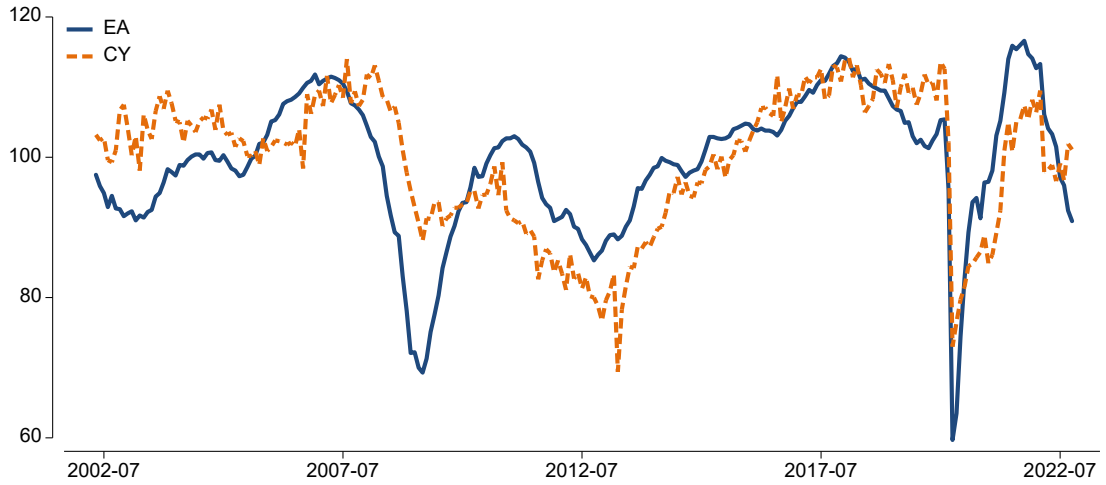



## Inflation (y-o-y % change)

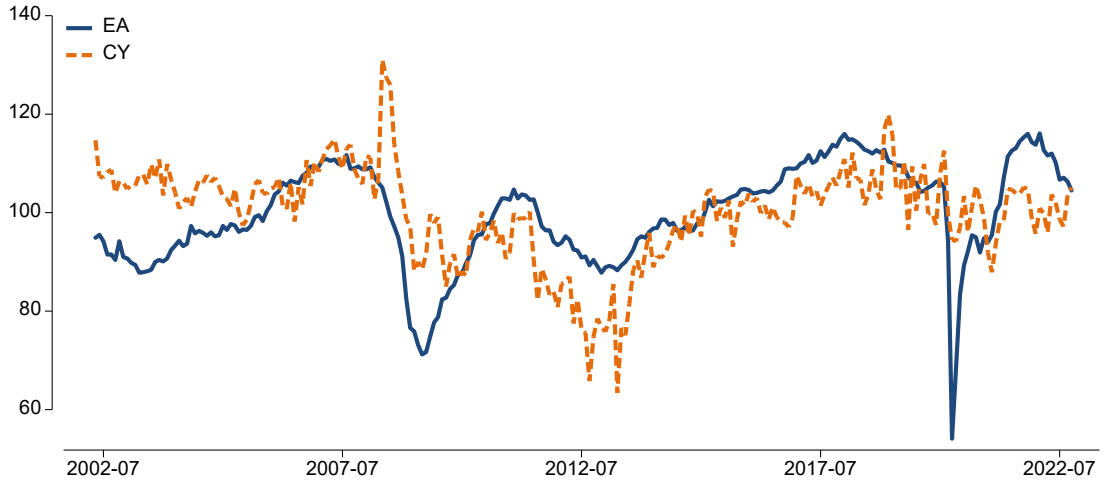


# Selected high frequency indicators of economic activity

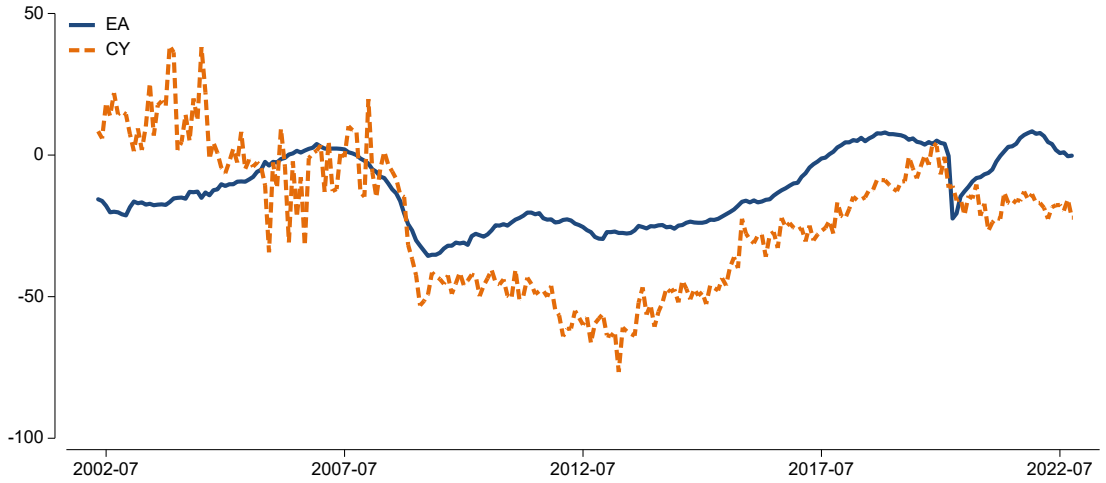
## Economic Sentiment Indicator



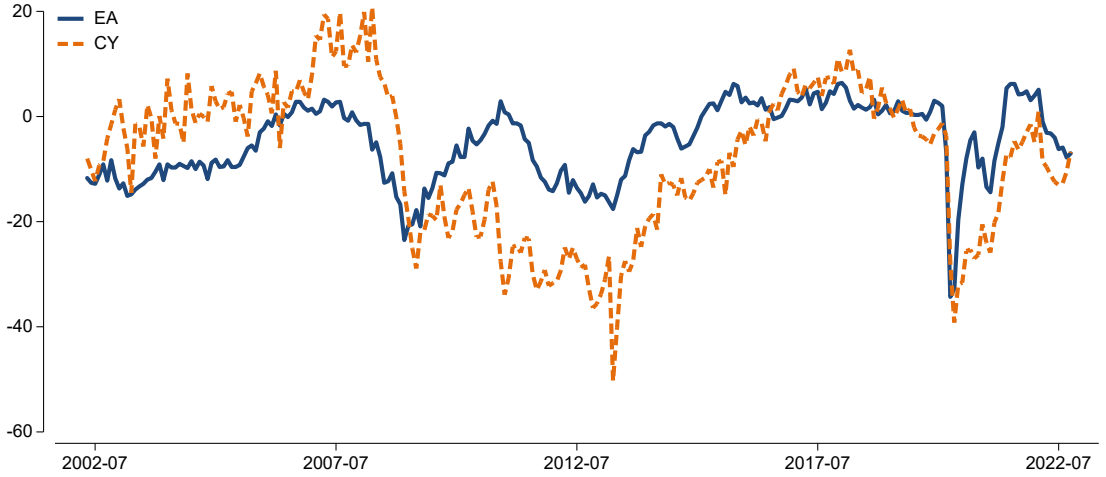

## Employment expectations indicator




## Construction confidence indicator

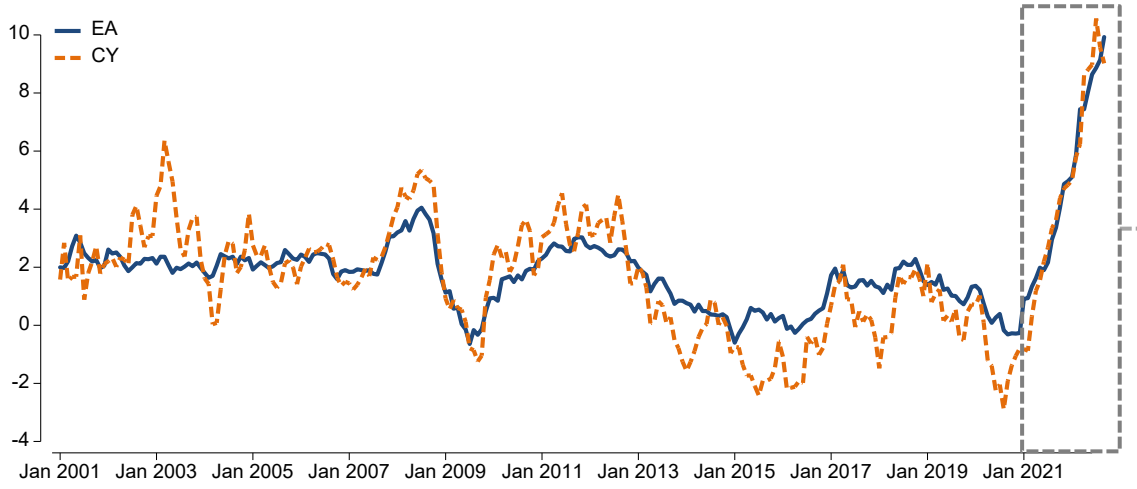


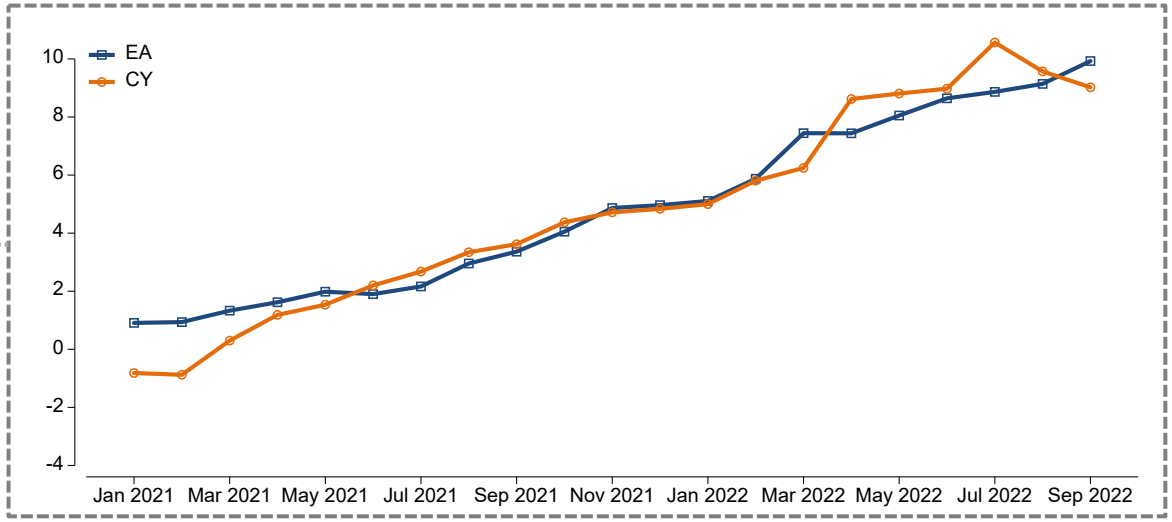

## Retail Trade confidence indicator



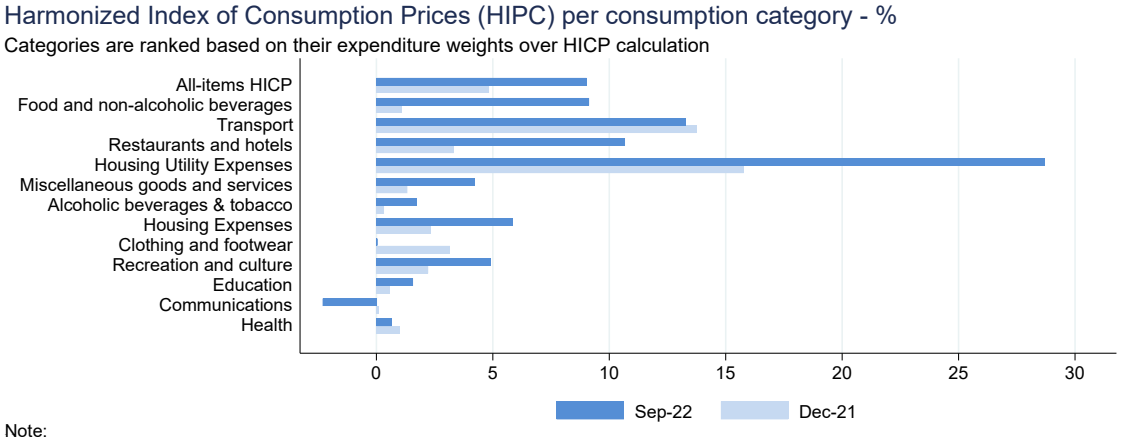
# Inflation dynamics

## Inflation Rate (%)



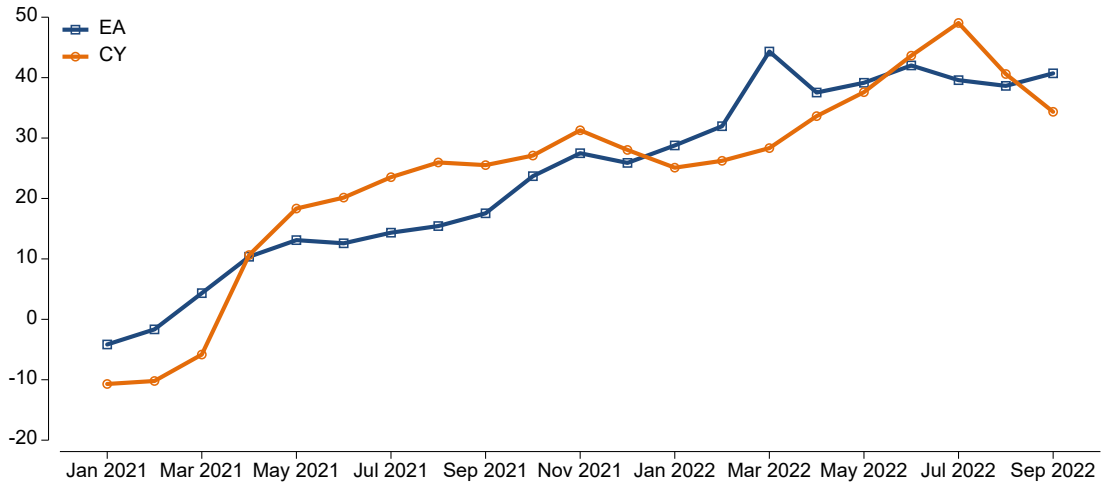




## Inflation Rate by consumption category



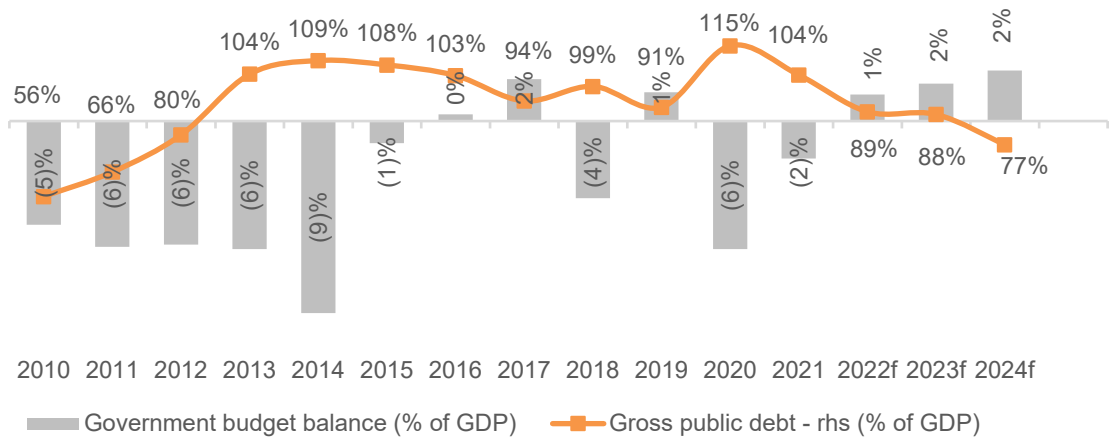

Note:
Housing expenses includes: Furnishings, household equipment and routine household maintenance
Housing utility expenses includes : Housing, water, electricity, gas and other fuels

## Energy Prices Inflation Rate (%)

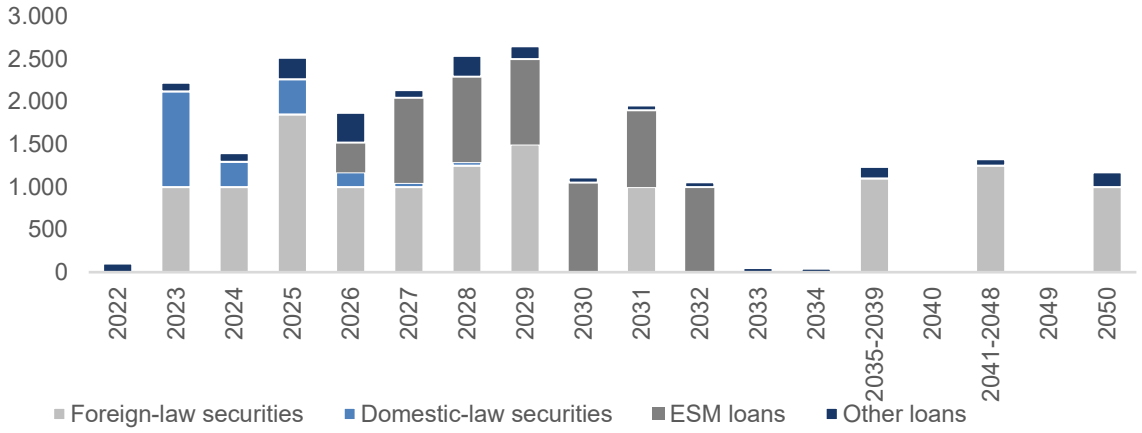


# Sustainable fiscal surpluses provide cushion and options

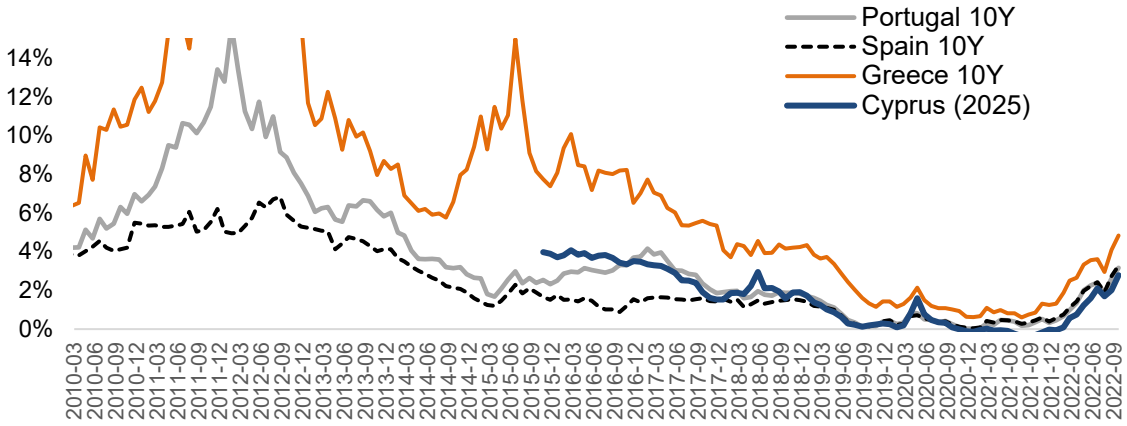
## Public Finances (% of GDP)



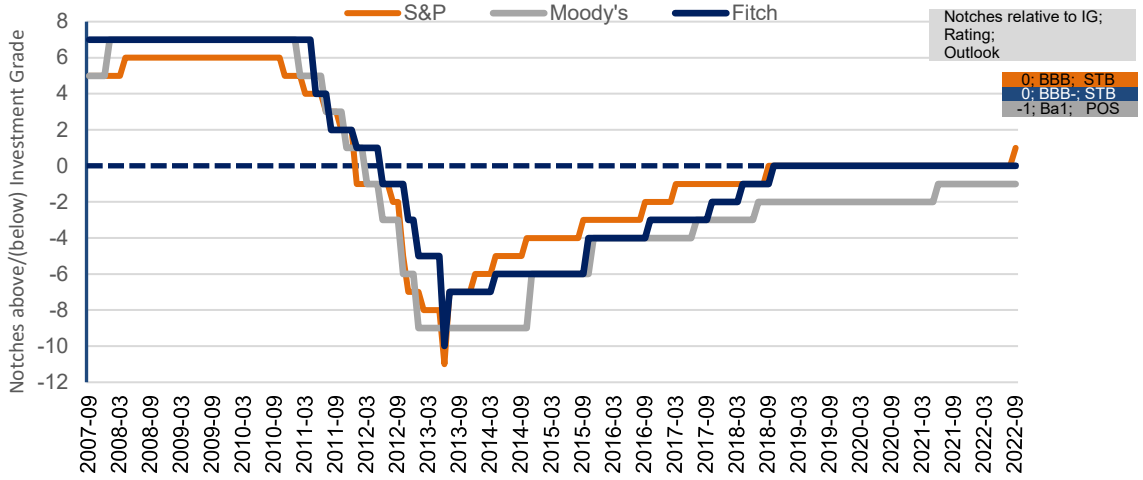

## Maturity Profile of General Government Debt (€ m)




## Government Bonds



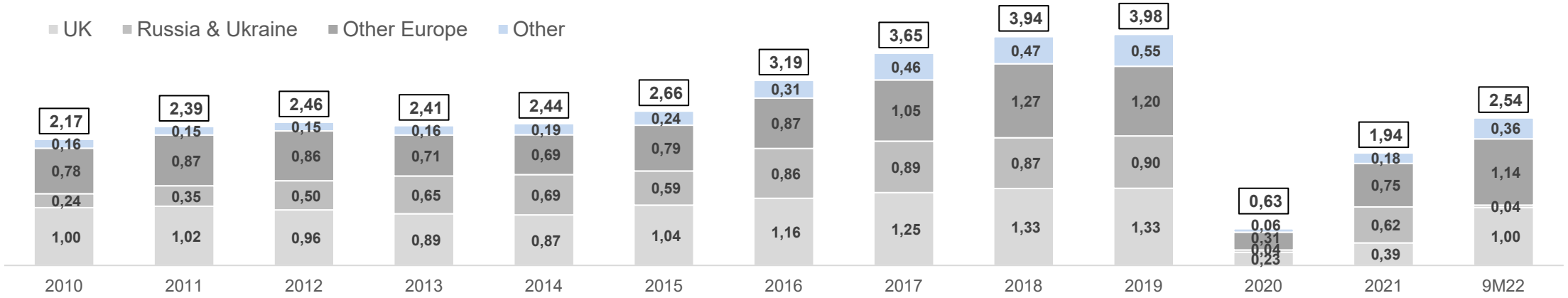

## Cyprus credit rating relative to "investment grade"



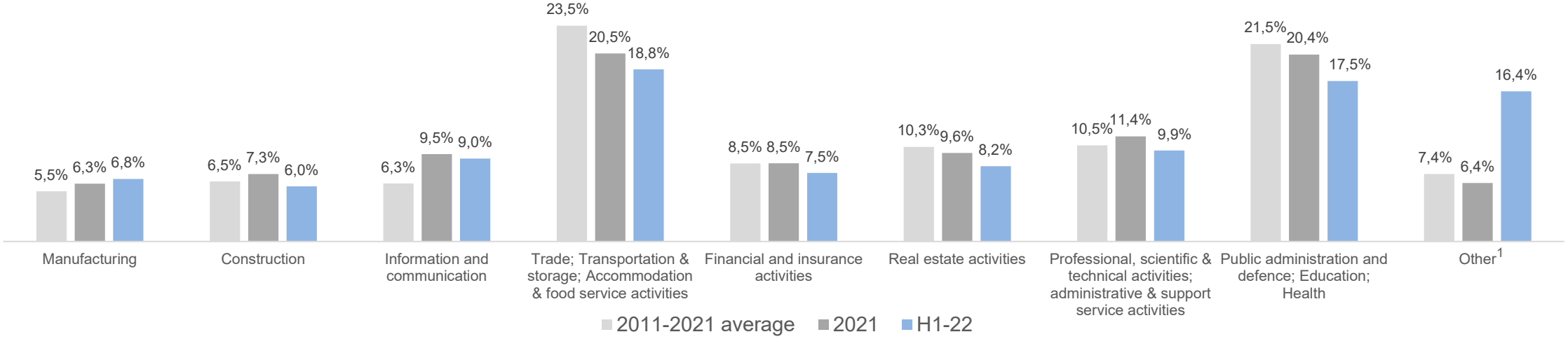

Source: Ministry of Finance, Bloomberg, HB – Economic Research

# Tourism statistics and GDP GVA by economic sector

## Tourist arrivals by country (mn)



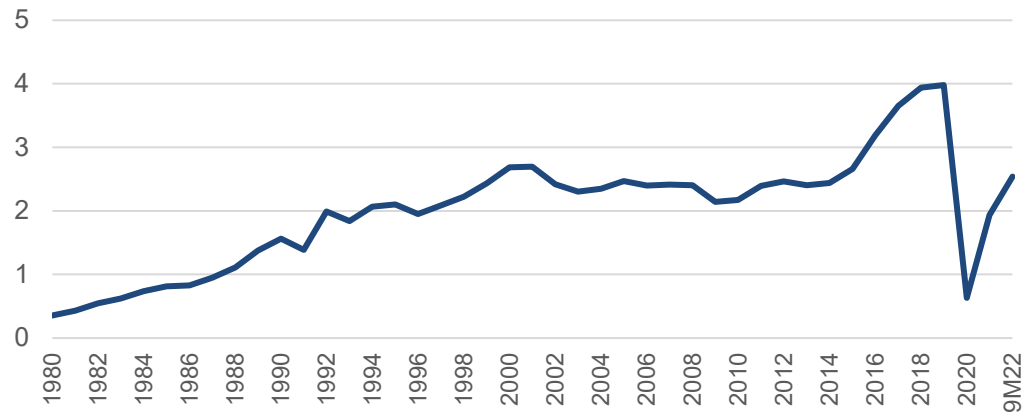

## GDP – Gross value added by economic sector



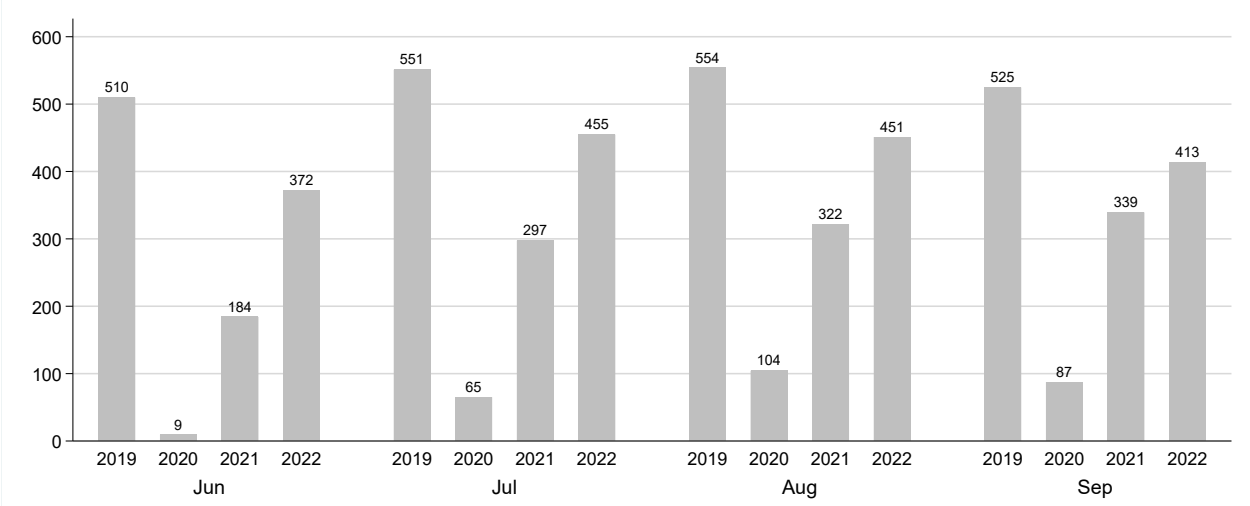

1) Category Other includes: Agriculture, forestry and fishing, Mining and quarrying, Electricity, gas, steam and air conditioning supply, Water supply; sewerage, waste management and remediation activities, Arts, entertainment and recreation, Other service activities

# Tourism statistics (High frequency indicators)

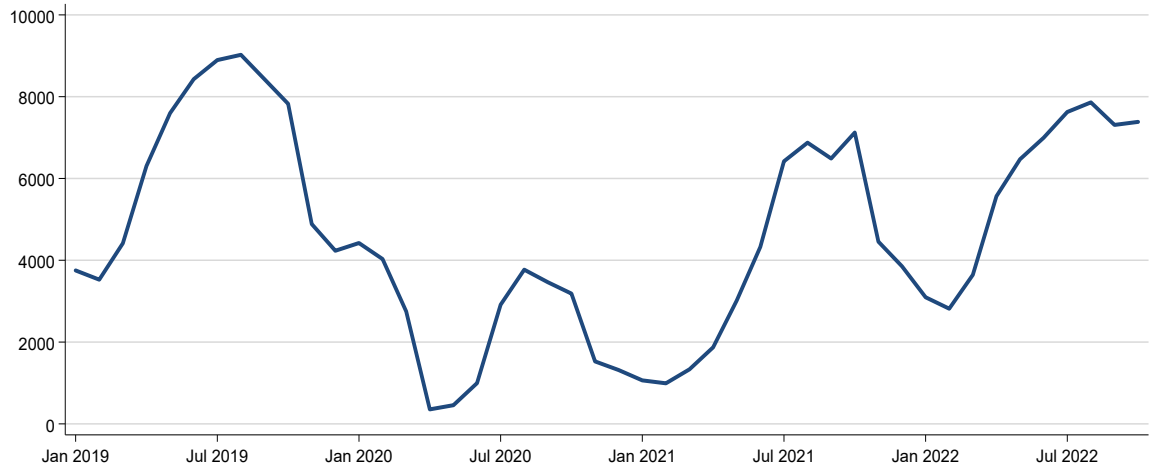
## Tourist arrivals (mn)



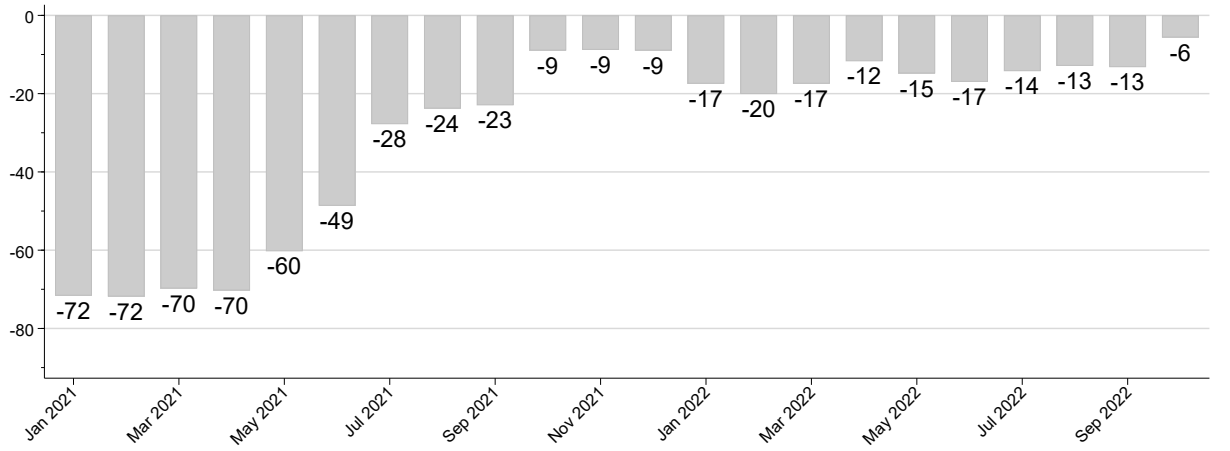

## Monthly tourism arrivals 2019 - 2022 - in ths




## Number of commercial flights in Cyprus airports (monthly Jan 2019 – Oct 2022)




## % Difference of incoming commercial flights compared to the same month in 2019



# Group income statement

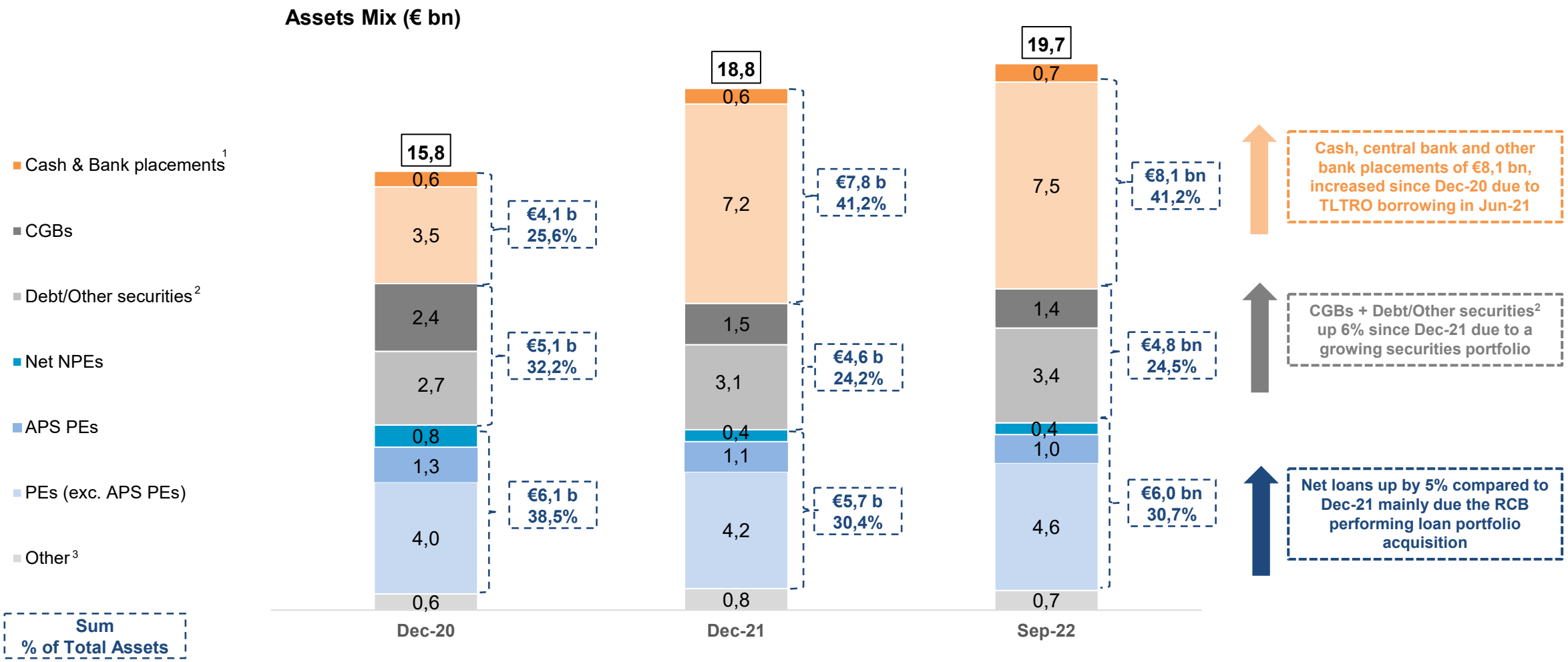
| [€ mn] | 9M22 | 9M21 | y-o-y | 3Q22 | 2Q22 | 1Q22 | 4Q21 | 3Q21 | 2Q21 | 1Q21 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest income | **232,6** | 216,7 | 7% | 79,3 | 81,1 | 72,2 | 73,3 | 73,3 | 71,6 | 71,8 |
| Interest expense | (26,7) | (23,9) | 12% | (6,4) | (10,2) | (10,1) | (10,1) | (10,2) | (7,1) | (6,5) |
| **Net interest income** | **205,9** | **192,8** | **7%** | **72,9** | **70,9** | **62,1** | **63,2** | **63,0** | **64,5** | **65,3** |
| Fee and commission income | 59,2 | 45,4 | 30% | 19,4 | 21,1 | 18,8 | 22,1 | 15,4 | 16,7 | 13,3 |
| Fee and commission expense | (7,9) | (6,5) | 22% | (1,8) | (2,3) | (3,8) | (2,8) | (2,3) | (1,8) | (2,3) |
| **Net fee and commission income** | **51,3** | **38,9** | **32%** | **17,5** | **18,8** | **15,0** | **19,3** | **13,1** | **14,8** | **11,0** |
| Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments | 1,5 | 4,9 | (69%) | 1,5 | (1,1) | 1,2 | 0,1 | 1,0 | 2,7 | 1,3 |
| Net income from insurance operations | 21,1 | 18,4 | 15% | 6,9 | 6,0 | 8,3 | 4,9 | 4,3 | 5,8 | 8,2 |
| Other income | 10,5 | 11,3 | (7%) | 2,9 | 4,0 | 3,7 | 5,2 | 2,1 | 5,8 | 3,4 |
| **Total net income** | **290,4** | **266,2** | **9%** | **101,6** | **98,6** | **90,2** | **92,7** | **83,4** | **93,6** | **89,2** |
| Staff costs | (113,2) | (101,1) | 12% | (35,2) | (36,6) | (41,3) | (32,7) | (33,8) | (33,4) | (33,8) |
| Depreciation and amortisation | (18,6) | (18,4) | 1% | (6,2) | (6,1) | (6,3) | (6,1) | (6,5) | (5,9) | (6,0) |
| Administrative and other expenses | (82,4) | (75,5) | 9% | (29,4) | (24,8) | (28,2) | (29,7) | (26,9) | (23,8) | (24,8) |
| **Total expenses** | **(214,2)** | **(194,9)** | **10%** | **(70,8)** | **(67,6)** | **(75,8)** | **(68,5)** | **(67,2)** | **(63,2)** | **(64,6)** |
| **Profit from ordinary operations** | **76,2** | **71,3** | **7%** | **30,8** | **31,0** | **14,4** | **24,2** | **16,2** | **30,5** | **24,6** |
| Net gains on derecognition of financial assets measured at amortised cost | (0,1) | 4,9 | - | (0,8) | 0,0 | 0,6 | 1,0 | 2,0 | 2,0 | 0,8 |
| Impairment losses on financial instruments | 12,1 | (44,4) | - | (1,3) | 3,8 | 9,6 | (57,7) | (14,2) | (22,3) | (7,9) |
| Impairment losses on non-financial assets | (4,0) | (3,7) | 9% | (1,8) | (1,7) | (0,6) | (2,6) | (2,2) | (1,1) | (0,4) |
| **Profit/(loss) before negative goodwill** | **84,1** | **28,1** | **-** | **27,0** | **33,1** | **24,1** | **(35,1)** | **1,8** | **9,1** | **17,2** |
| Negative goodwill | **4,8** | **-** | **-** | **0,0** | **1,8** | **3,0** | **-** | **-** | **-** | **-** |
| **Profit/(loss) before taxation** | **88,9** | **28,1** | **-** | **27,0** | **34,9** | **27,1** | **(35,1)** | **1,8** | **9,1** | **17,2** |
| Taxation | (7,4) | (1,4) | - | (4,3) | (3,0) | (0,2) | 4,1 | 0,3 | 0,8 | (2,5) |
| **Profit/(loss) for the period from continuing operations** | **81,5** | **26,7** | **-** | **22,7** | **31,9** | **26,9** | **(31,0)** | **2,1** | **9,9** | **14,7** |
| Loss for the period from discontinuing operations | (5,2) | (5,7) | (9%) | (1,7) | (1,7) | (1,8) | (1,7) | (2,1) | (1,7) | (1,8) |
| **Profit/(loss) for the period** | **76,4** | **21,0** | **-** | **21,0** | **30,3** | **25,1** | **(32,7)** | **0,0** | **8,2** | **12,9** |

# Group statement of financial position

| [€ mn] | Sep-22 | Jun-22 | Mar-22 | Dec-21 | Sep-21 | Jun-21 | Mar-21 | Dec-20 | % of Assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Sep-22 | Jun-22 | Mar-22 | Dec-21 | Sep-21 | Jun-21 | Mar-21 | Dec-20 |
| Cash and balances with Central Banks | **7.614** | **7.233** | **7.429** | **7.346** | 6.622 | 6.656 | 3.822 | 3.635 | 38,7 | 37,1 | 38,6 | 39,0 | 35,5 | 36,0 | 23,9 | 22,9 |
| Placements with other banks[1] | **502** | **499** | **435** | **414** | 461 | 392 | 403 | 422 | 2,5 | 2,6 | 2,3 | 2,2 | 2,5 | 2,1 | 2,5 | 2,7 |
| Loans and advances to customers | **6.047** | **6.124** | **6.073** | **5.732** | 6.007 | 6.002 | 6.073 | 6.097 | 30,7 | 31,5 | 31,6 | 30,4 | 32,2 | 32,5 | 38,0 | 38,5 |
| Debt securities[1] | **4.726** | **4.758** | **4.420** | **4.463** | 4.936 | 4.752 | 5.007 | 5.024 | 24,0 | 24,4 | 23,0 | 23,7 | 26,4 | 25,7 | 31,3 | 31,7 |
| Equity securities and collective investment units[1] | **102** | **109** | **106** | **94** | 91 | 94 | 93 | 80 | 0,5 | 0,6 | 0,6 | 0,5 | 0,5 | 0,5 | 0,6 | 0,5 |
| Property, plant and equipment | **170** | **172** | **177** | **180** | 180 | 182 | 183 | 183 | 0,9 | 0,9 | 0,9 | 1,0 | 1,0 | 1,0 | 1,1 | 1,2 |
| Stock of property | **138** | **152** | **156** | **169** | 189 | 192 | 204 | 208 | 0,7 | 0,8 | 0,8 | 0,9 | 1,0 | 1,0 | 1,3 | 1,3 |
| Intangible assets | **45** | **46** | **46** | **47** | 48 | 50 | 51 | 51 | 0,2 | 0,2 | 0,2 | 0,2 | 0,3 | 0,3 | 0,3 | 0,3 |
| Tax receivable | **5** | **5** | **5** | **3** | 0 | 0 | 0 | 1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Asset and disposal group held for sale | **219** | **226** | **246** | **254** | 0 | 7 | 9 | 9 | 1,1 | 1,2 | 1,3 | 1,3 | 0,0 | 0,0 | 0,1 | 0,1 |
| Other assets[1] | **133** | **147** | **137** | **133** | 131 | 141 | 144 | 136 | 0,7 | 0,8 | 0,7 | 0,7 | 0,7 | 0,8 | 0,9 | 0,9 |
| **Total assets** | **19.699** | **19.472** | **19.231** | **18.836** | **18.666** | **18.470** | **15.988** | **15.847** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** |
| | | | | | | | | | | | | | | | | |
| Deposits by banks | **132** | **124** | **194** | **122** | 229 | 131 | 155 | 143 | 0,7 | 0,6 | 1,0 | 0,7 | 1,2 | 0,7 | 1,0 | 0,9 |
| Funding by Central Banks | **2.274** | **2.277** | **2.288** | **2.294** | 2.297 | 2.300 | 0 | 0 | 11,5 | 11,7 | 11,9 | 12,2 | 12,3 | 12,5 | 0,0 | 0,0 |
| Customer deposits and other customer accounts | **15.561** | **15.458** | **15.179** | **14.942** | 14.608 | 14.477 | 14.284 | 14.180 | 79,0 | 79,4 | 78,9 | 79,3 | 78,3 | 78,4 | 89,3 | 89,5 |
| Tax payable | **4** | **5** | **3** | **3** | 10 | 20 | 10 | 9 | 0,0 | 0,0 | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 | 0,1 |
| Deferred tax liability | **10** | **10** | **10** | **10** | 5 | 8 | 20 | 19 | 0,1 | 0,1 | 0,1 | 0,1 | 0,0 | 0,0 | 0,1 | 0,1 |
| Other liabilities | **312** | **313** | **298** | **229** | 239 | 257 | 249 | 239 | 1,6 | 1,6 | 1,6 | 1,2 | 1,3 | 1,4 | 1,6 | 1,5 |
| Debt securities in issue | **100** | **-** | **-** | **-** | - | - | - | - | 0,5 | - | - | - | - | - | - | - |
| Loan capital | **130** | **130** | **130** | **130** | 130 | 130 | 130 | 130 | 0,7 | 0,7 | 0,7 | 0,7 | 0,7 | 0,7 | 0,8 | 0,8 |
| **Total liabilities** | **18.523** | **18.317** | **18.102** | **17.730** | **17.518** | **17.321** | **14.847** | **14.719** | **94,0** | **94,1** | **94,1** | **94,1** | **93,9** | **93,8** | **92,9** | **92,9** |
| Share capital | **206** | **206** | **206** | **206** | 206 | 206 | 206 | 206 | 1,0 | 1,1 | 1,1 | 1,1 | 1,1 | 1,1 | 1,3 | 1,3 |
| Reserves | **969** | **949** | **922** | **900** | 941 | 942 | 935 | 921 | 4,9 | 4,9 | 4,8 | 4,8 | 5,0 | 5,1 | 5,8 | 5,8 |
| **Shareholders' equity** | **1.175** | **1.156** | **1.129** | **1.106** | **1.148** | **1.149** | **1.141** | **1.128** | **6,0** | **5,9** | **5,9** | **5,9** | **6,1** | **6,2** | **7,1** | **7,1** |
| Non-controlling interest | **0** | **0** | **0** | **0** | 0 | 0 | 0 | 0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| **Total liabilities and equity** | **19.699** | **19.472** | **19.231** | **18.836** | **18.666** | **18.470** | **15.988** | **15.847** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** | **100,0** |

1) Comparative figures on placements with other banks, investments in debt securities and investments in equity securities and collective investments, have been reclassified to conform with changes in the presentation of the current period which reflects the reclassification of the assets held to cover liabilities of unit linked funds included in "Other assets" to each of these categories.

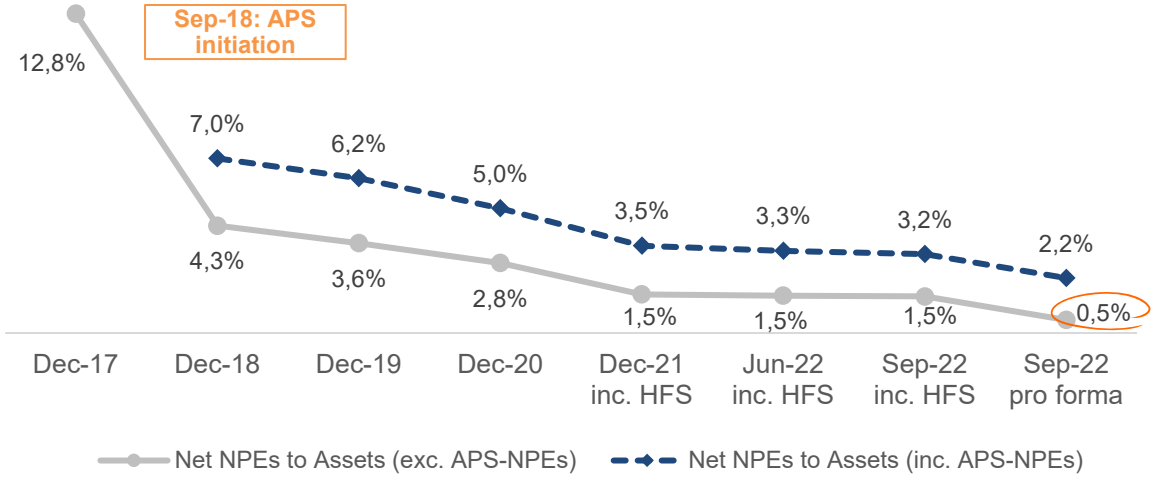
# Balance sheet asset composition



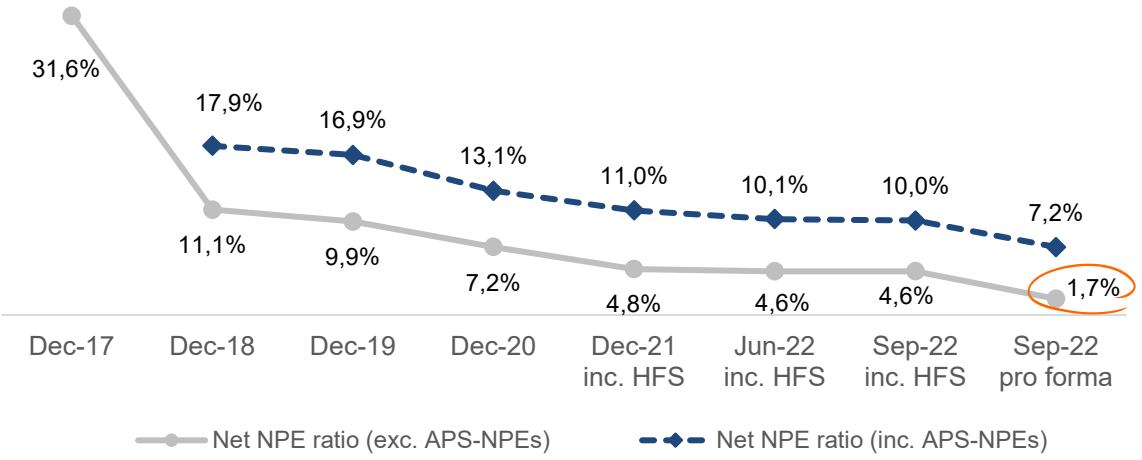

1) Including CBC MRR;2) Other Securities comprises Equity & Collective Investment Units and totalled €102 m at Sep-22; 3) Includes Assets and disposal group held for sale of €219 mn at Sep-22

# Net NPEs reduced to 0,5% of assets

## Net NPEs to Assets at 0,5%

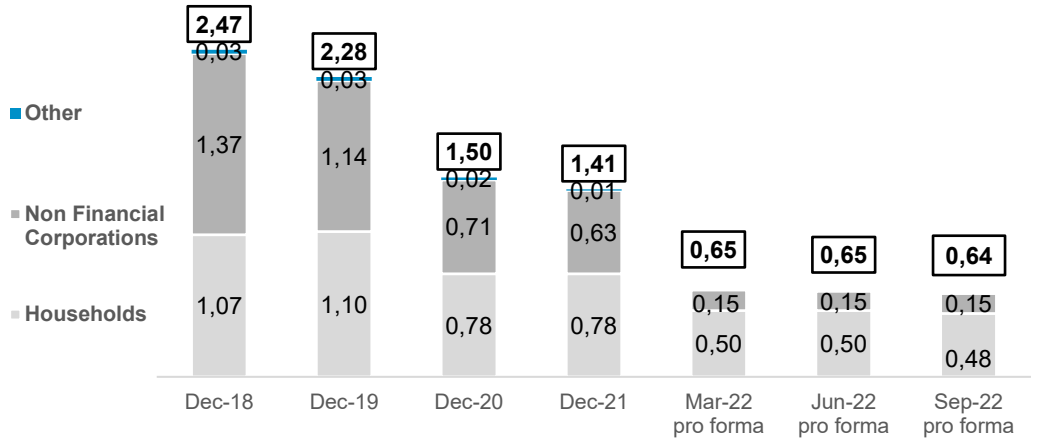



## Net NPE ratio at 1,7%

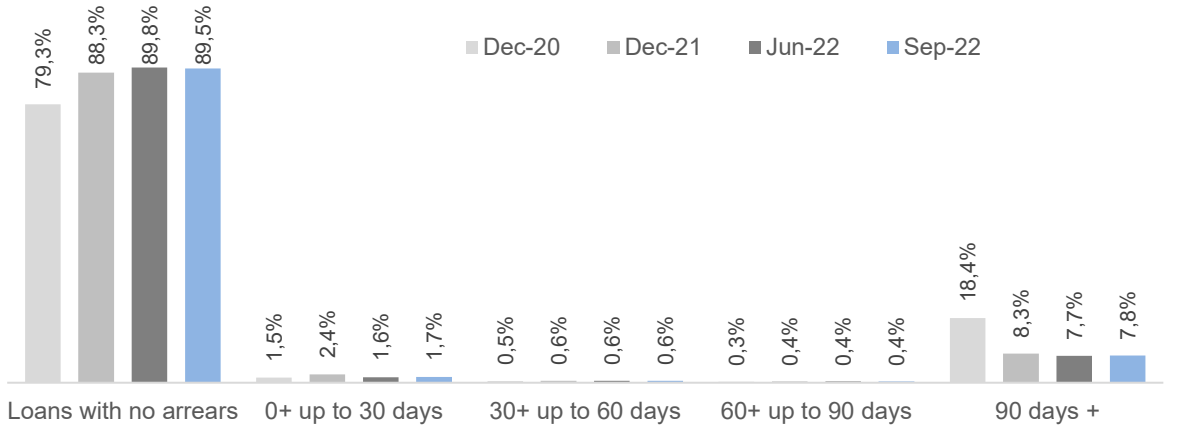


# Evolution of NPEs

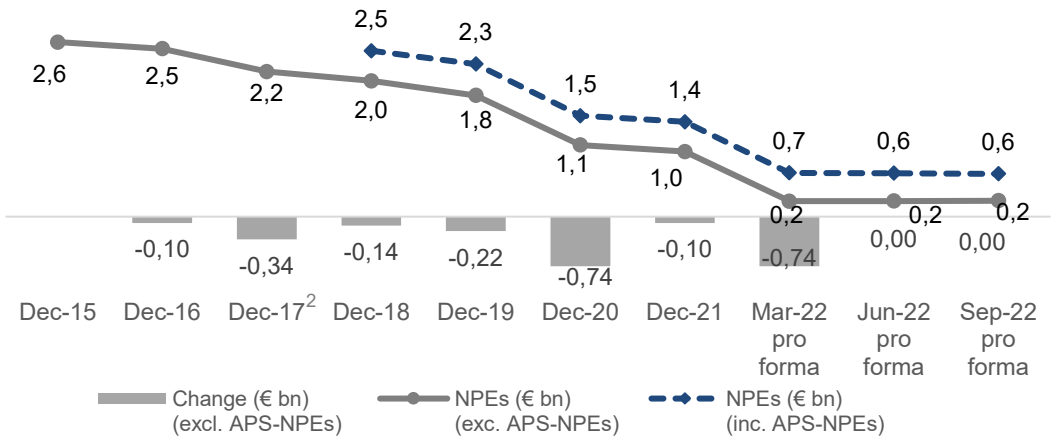
## NPEs by segment (€ bn)




## Gross Loans arrears analysis[1]




## NPE formation




## APS Agreement

- The APS portfolio comprises 2 pools[3]: 1) APS Pool 1 for high risk assets and a 12-year duration (expiring in Sep-30) and 2) APS Pool 2 for performing assets and a 10-year duration (expiring in Sep-28)
- Up to 30 September 2022, and in accordance with the terms of the APS agreement, the Bank has submitted twelve claims including clawbacks in relation to APS Net Losses, the cumulative net amount of which is €106,5 million (covering the period up to 31 March 2022)
- 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 paid in 2020, €22,6 million paid in 2021).
- The remaining €28,3 mn including the claims from the date of Completion until 30 September 2022 have been recognised in Other Assets as a receivable
- At September 2022 the APS indemnification asset amounted to €19,1 mn

1) Data are pro forma for HFS; 2) An NPE portfolio sale of €144 mn (agreed in December 2017 and completed in June 2018) to B2Kapital Cyprus Ltd; 3) APS Pool 1 of €1.066 mn and APS Pool 2 of €346 m as at Sep-22

# Starlight Project: Agreements to sell an NPE portfolio and APS Debt Servicing

**Agreements dated April 2022 (the "Agreements") for:**

**a) the sale of the equity position and notes of a securitisation of NPEs**

**b) the sale of the Bank's servicing platform, APS Debt Servicer, to Themis Portfolio Management Limited (an indirect subsidiary of Oxalis Holding SARL ("Oxalis"), an entity owned by funds managed and advised by Pacific Investment Management Company LLC)**

**c) a long-term exclusive servicing agreement for the residual NPE portfolio management**

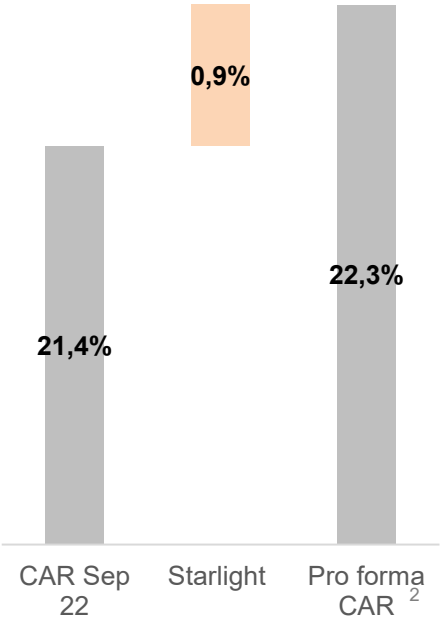
## Agreements

- Landmark transaction which **significantly de-risked the Bank's balance sheet,** reducing the NPE ratio (exc. APS-NPEs) to a pro forma **3,8%**[1] and allowing the Bank to normalize its cost of risk as well as to **benefit from the interest income** relating to the retained 66,7% of the Senior Note
- Transaction values the Starlight portfolio at an implied price of €320 mn. Oxalis to acquire 33,3% of the Senior Note at par and 95% of the Mezzanine & Junior Notes for €86 mn. Transaction values 100% of the Enterprise Value of the APS Debt Servicer, along with the 10 years contract for the management and servicing of the Bank's NPEs, at €37 mn which includes a €5 mn earn-out linked to the achievement of certain targets
- The Bank will enter into 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

## Significant progress

- As announced on 27 October 22, **significant progress has been made with regards to the legal steps, the operationalisation and the completion of Project Starlight,** with the following milestones achieved:
  - the entity to which the loans will be transferred has been set up and has been licensed by the CBC as a Credit Acquiring Company (the "CyCAC"),
  - the ECB has approved the Significant Risk Transfer (SRT),
  - the approval regarding the transfer of NPEs to the CyCAC in accordance with the requirements of section 16(1) of the Business of Credit Institutions Law (L. 66(I)/1997), as amended, has been received, and
  - the relevant clearance has been received from the Commission for the Protection of Competition of the Republic of Cyprus.
- The Bank and Oxalis are closely **working together to complete Project Starlight as soon as possible, with the 2022 year-end completion target expected to be extended to early 2023** due to certain parts of the project taking longer than initially anticipated
- On 27 November 2022, the CBC issued a license to APS Cyprus to operate as a Licensed Credit Servicer

## CAR impact for Starlight[2]




1) €1,36 bn of Total Contractual Amount and €0,74 bn of Gross Book Value ("GBV"); 2) Pro forma for Starlight, includes the servicer sale gain, the RWA relief from the NPE disposal and the RWA increase from retaining the Senior Note and the Mezzanine. The full impact will take place once the transaction is concluded

All figures related to the Starlight transaction are subject to completion

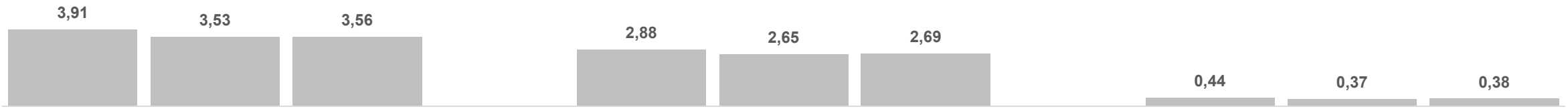
# Household lending

| Households | *Of which Residential mortgage loans* | *Of which Credit for consumption* |
|---|---|---|
| 57% | 43% | 6% |
| 53% | 49% | 87% |

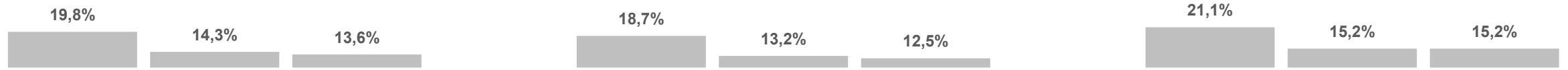
X% As a % of total gross loans at September 2022

X% *Weighted average LTV*

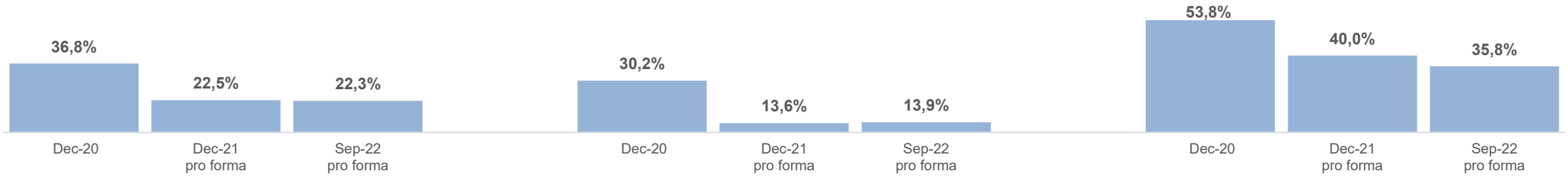
## Gross loans (€ bn)




## NPEs (%) of gross loans




## Cumulative impairment losses (%) of NPEs

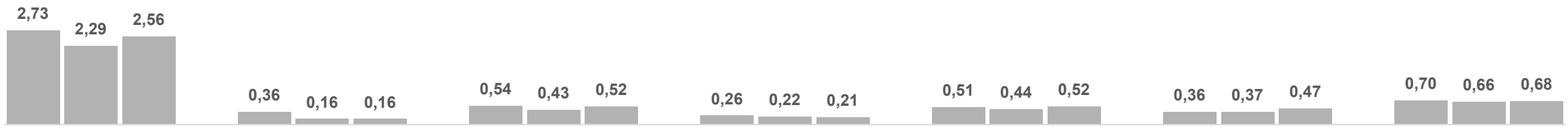


# Non-financial corporations lending

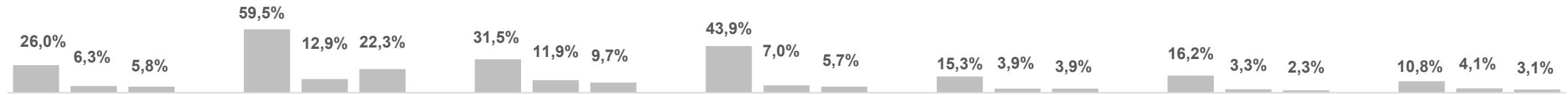
| Non-financial corporations | Construction | Wholesale and retail trade | Real Estate activities | Accommodation and food service activities | Manufacturing | Other sectors[1] |
|---|---|---|---|---|---|---|
| 41% | 2% | 8% | 3% | 8% | 8% | 11% |
| 71% | 53% | 76% | 53% | 53% | 115% | 76% |

X% As a % of total gross loans at September 2022
X% *Weighted average LTV*

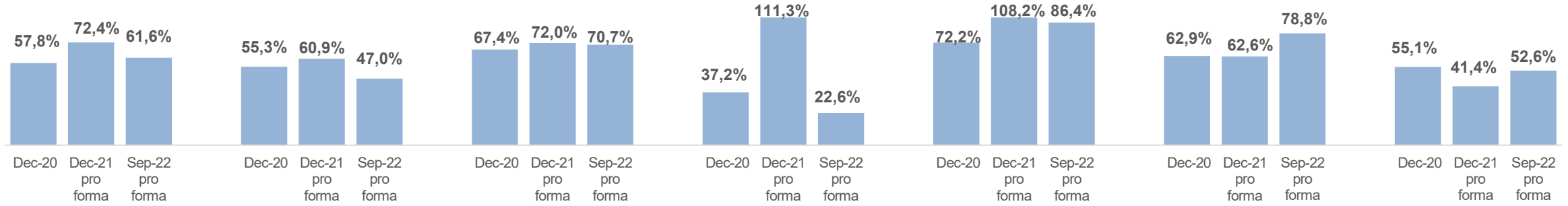
## Gross loans (€ bn)




## NPEs (%) of gross loans



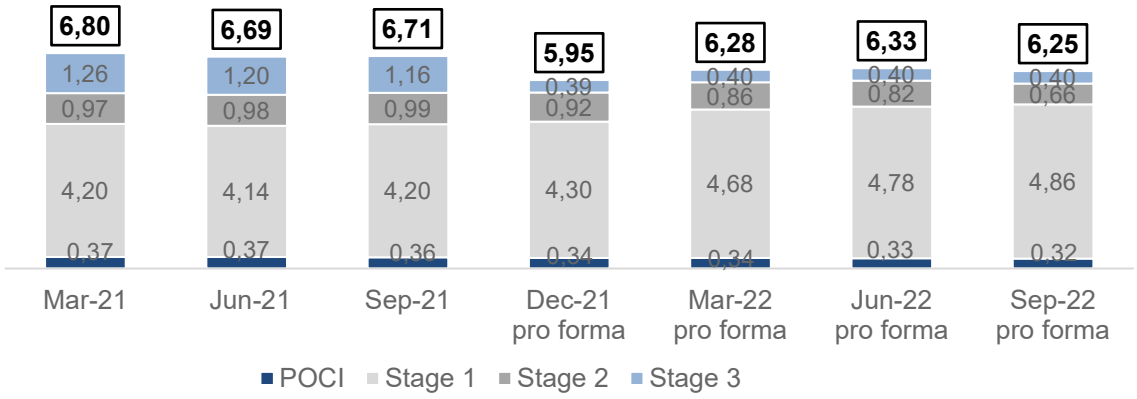

## Cumulative impairment losses (%) of NPEs



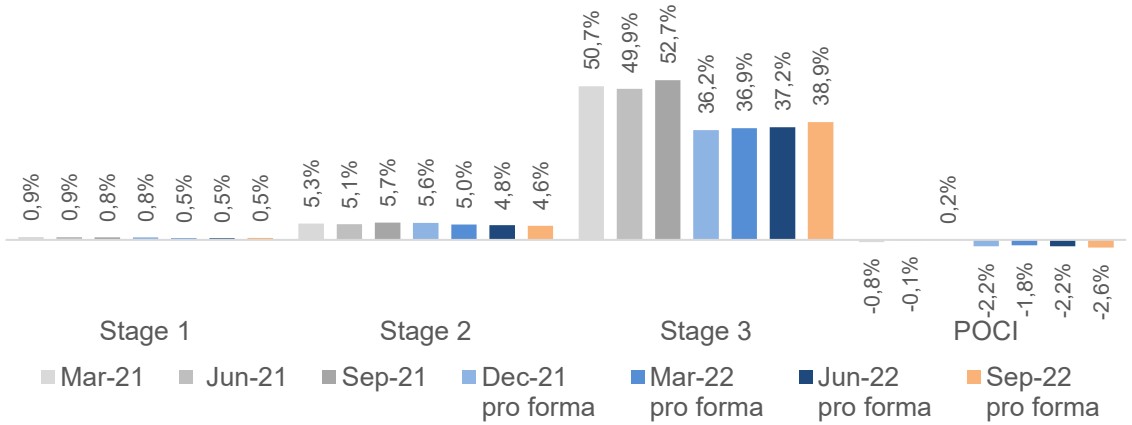

1) "Other sectors" includes a number of different sectors including professional, scientific and technical activities, transport and storage, human health services and social work activities

# Loan portfolio analysis by IFRS 9 staging and forborne

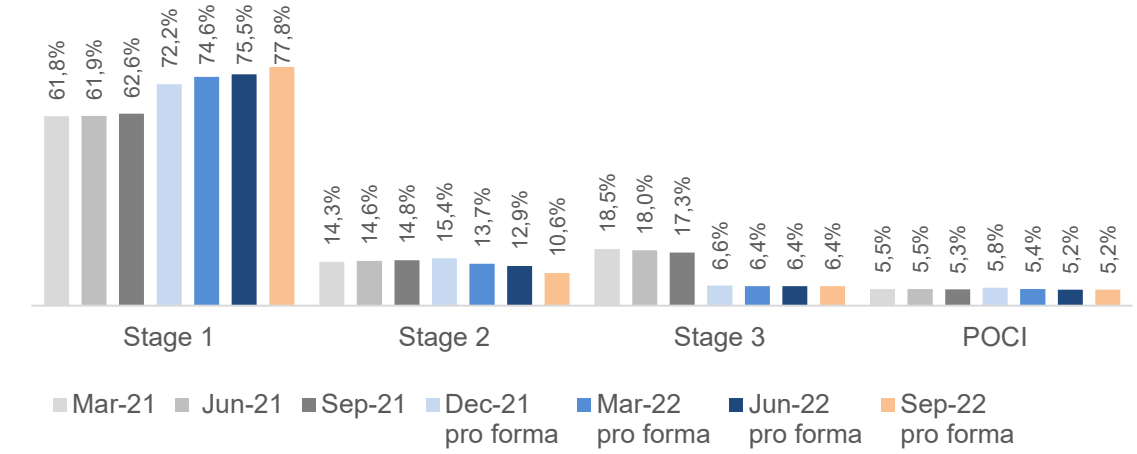
## Gross loans by IFRS 9 stages (€ bn)



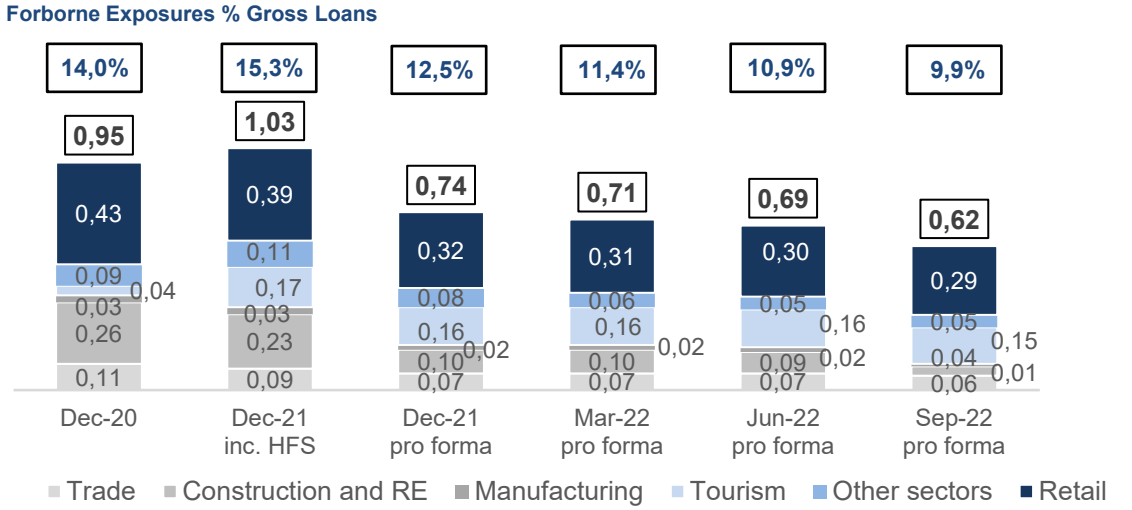

## Impairment Losses as a % of gross loans by IFRS 9 stages




## Gross Loans by IFRS 9 stages (%)




## Gross forborne exposures by sector (€ bn)

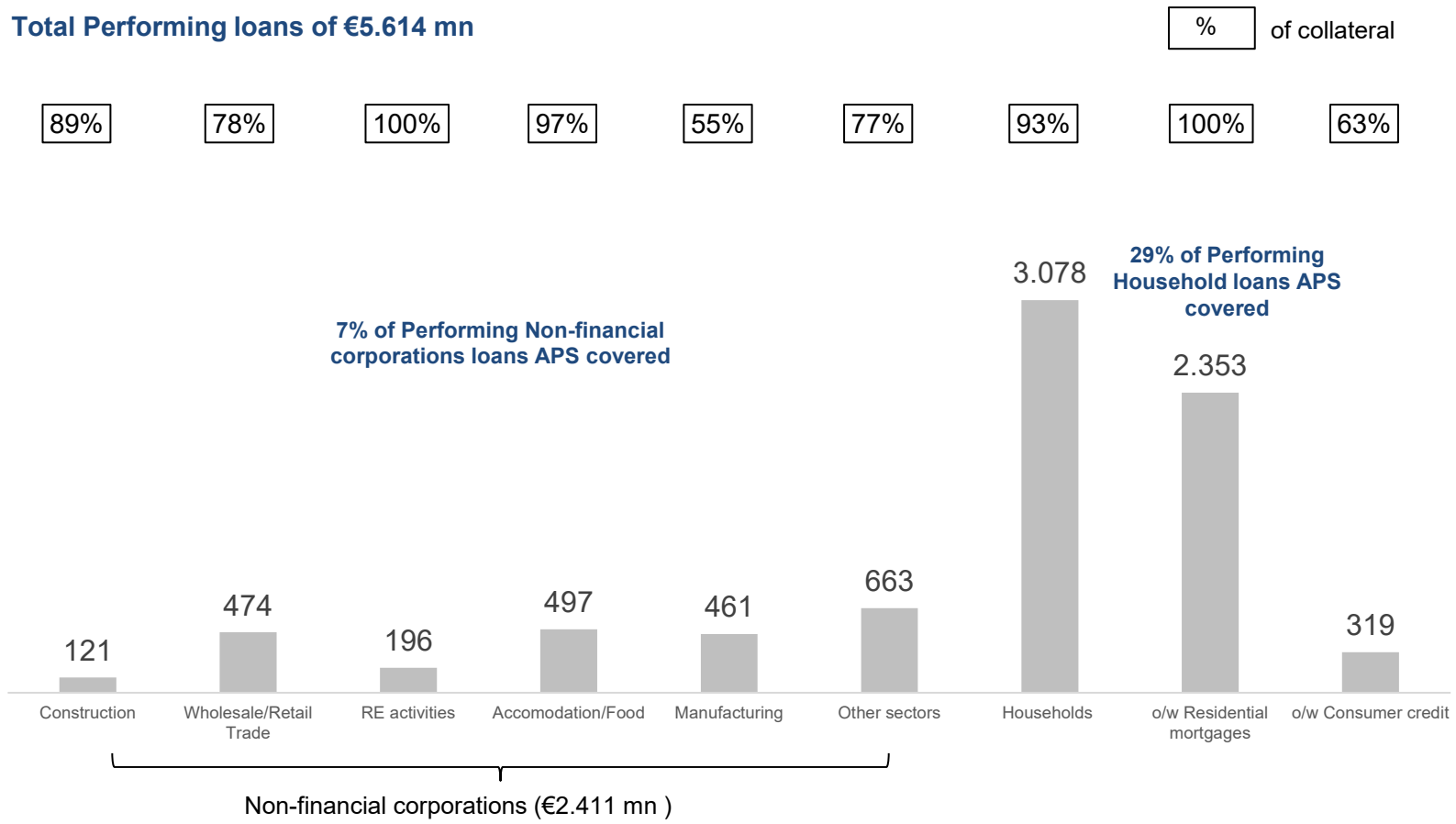



Data are pro forma for HFS

# Well diversified loan book, with factors limiting risks

## Predominately retail, well diversified loan portfolio – Performing loans (€ mn)[1]

**Total Performing loans of €5.614 mn**



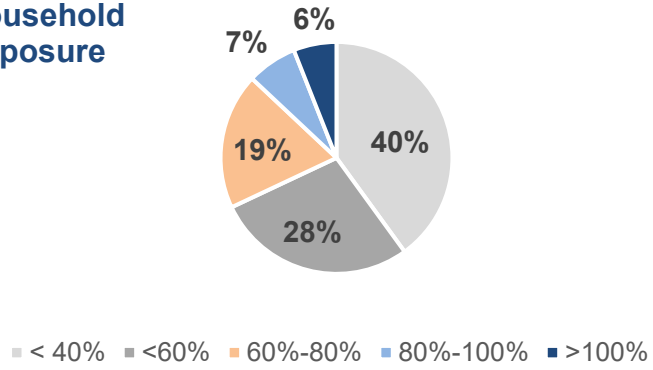

1) Data are pro forma for HFS

### Factors limiting credit risk[1]

**Asset Protection Scheme**

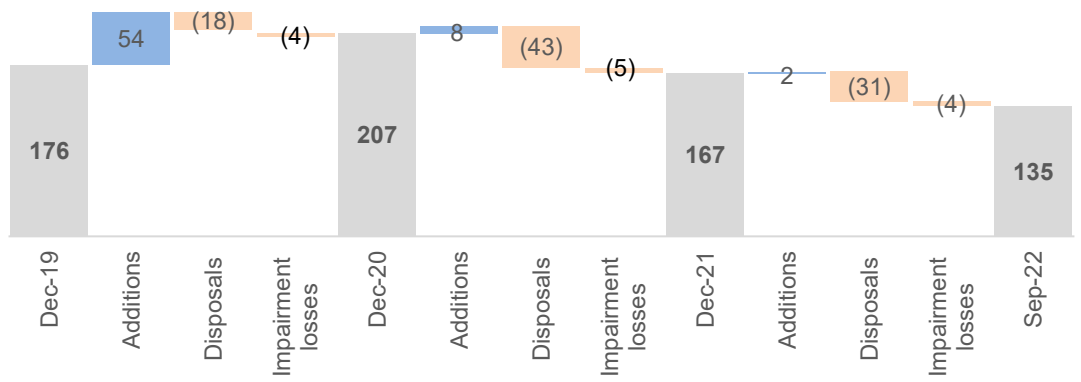
€ 1,0 bn or 18% of total performing loans covered by APS, whereby originally 90% of unexpected credit losses were guaranteed by the Cyprus Republic; €0,8 bn of Household lending and €0,2 bn of Non-financial corporations lending

**LTV analysis of household exposure**

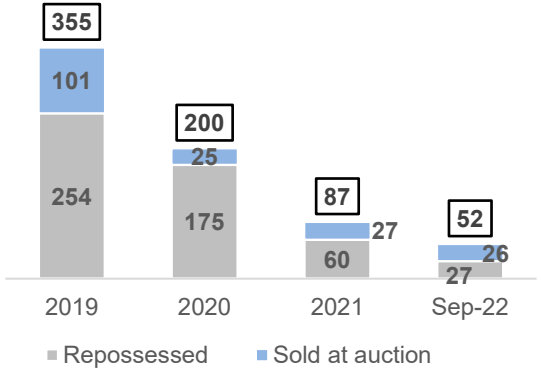


# REOs account for only 0,7% of total assets

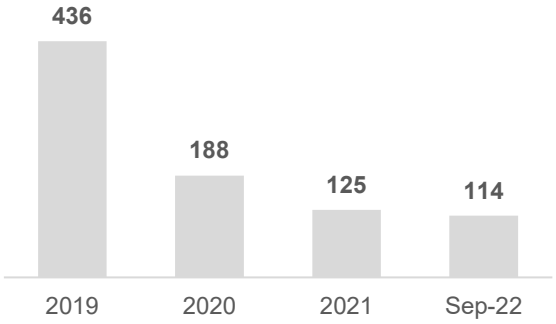
## Property stock (€ mn)[1]



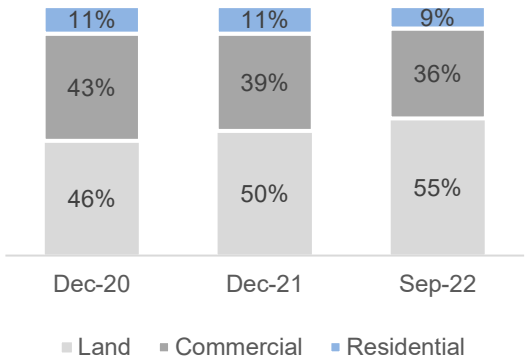

## Properties Repossessed or Sold at Auction



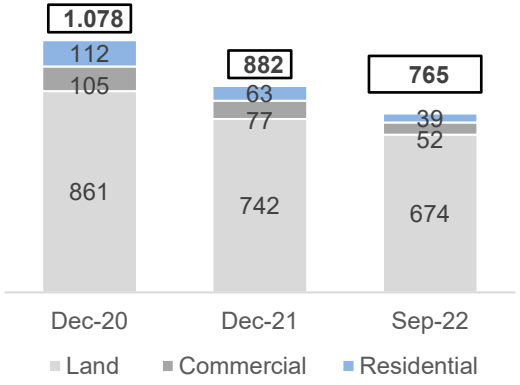

## Properties held at auctions




## REO value by type




## REO numbers by type

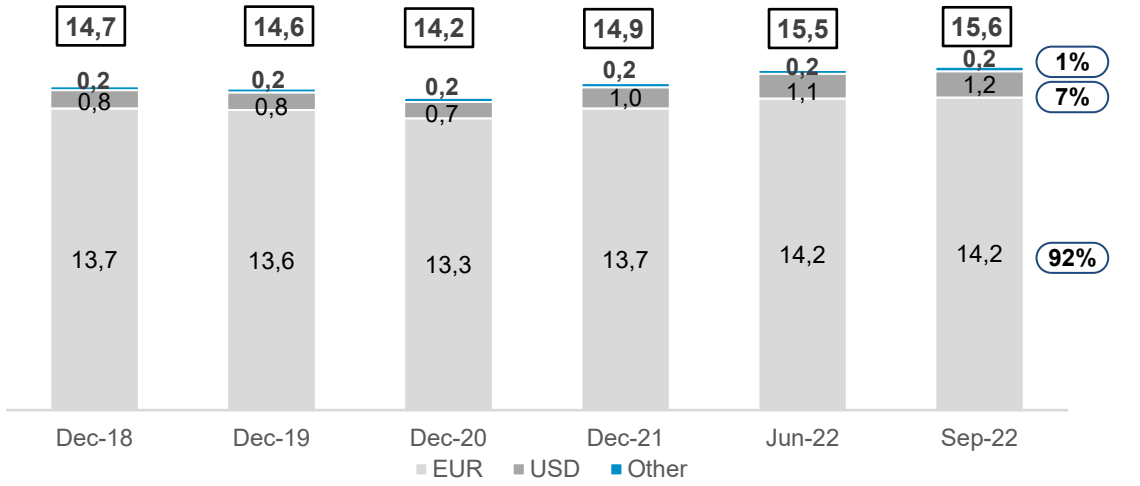



- Stock of properties of €135 mn relating to debt settlements and €12,8 mn classified as held for sale
- Successful sale rate at auctions exceeds c.20% (in terms of number of properties)
- Overall, during 2018 and 2019 foreclosure proceedings against more than 1.400 properties were initiated. Foreclosure progress was suspended for most of 2020 and part of 2021 following the government moratorium imposed

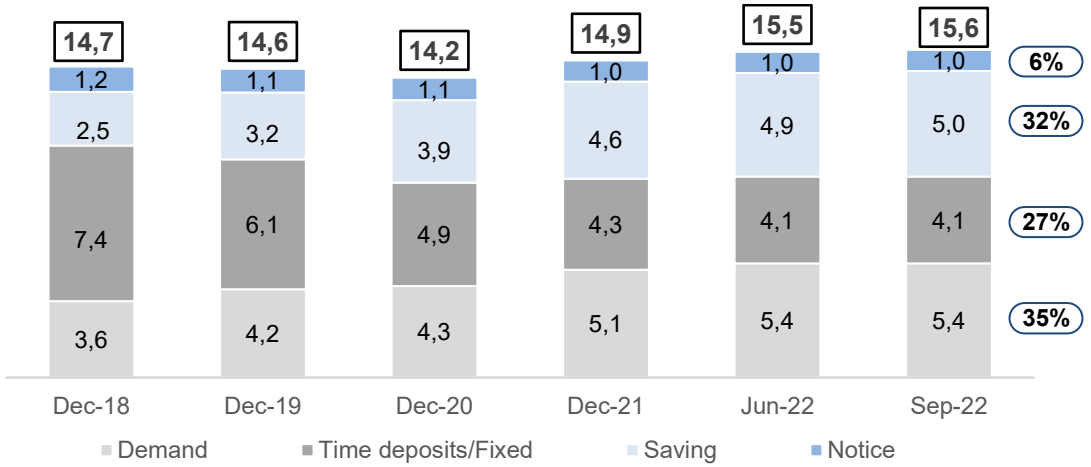
1) Book Value related to stock of property acquired in satisfaction of debt. Owner occupied property no longer in use of €3,3 mn and stock of property classified as held for sale of €12,8 not included above

# Evolution of deposits

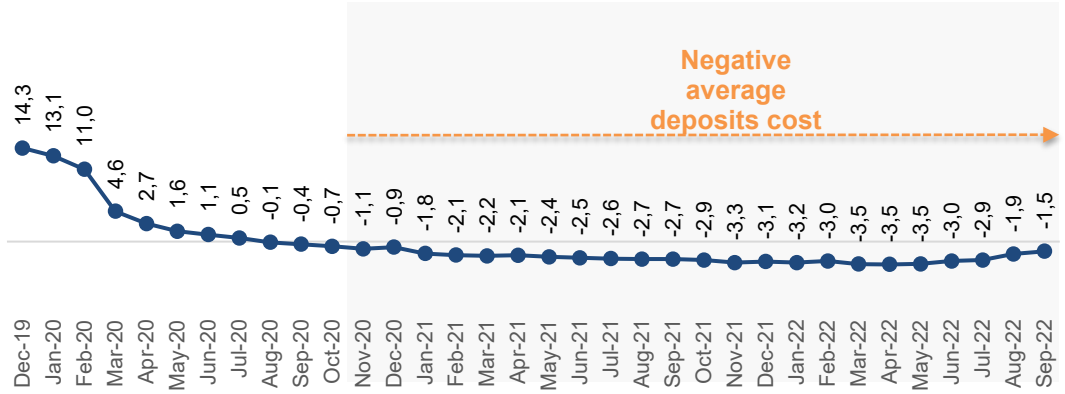
## Deposits by currency (€ bn)



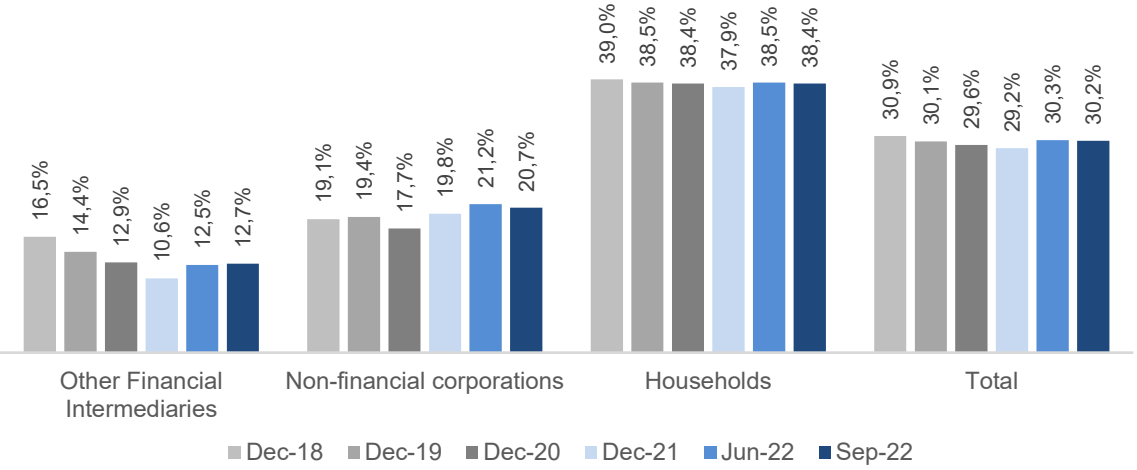

## Deposits by category (€ bn)




## Customer deposits cost (bps)




## Deposit market share (%)[1]



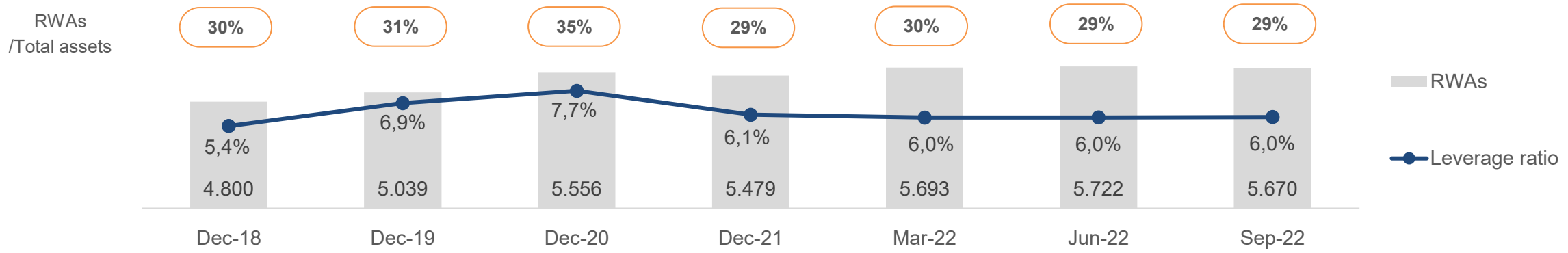

1) Source system data: CBC

# Capital and risk weighted assets breakdown

| Capital breakdown € mn[1,2] | Dec-18 | Dec-19 | Dec-20 | Dec-21 | Mar-22 | Jun-22 | Sep-22 |
|---|---|---|---|---|---|---|---|
| CET 1 | 760 | 1.007 | 1.112 | 1.058 | 1.039 | 1.069 | 1.085 |
| Additional Tier 1[3] | 130 | 130 | 130 | 130 | 130 | 130 | 130 |
| Tier 1 | 889 | 1.137 | 1.241 | 1.187 | 1.169 | 1.198 | 1.215 |
| Tier 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total regulatory capital** | **889** | **1.137** | **1.241** | **1.187** | **1.169** | **1.198** | **1.215** |

| RWAs € mn[2] | Dec-18 | Dec-19 | Dec-20 | Dec-21 | Mar-22 | Jun-22 | Sep-22 |
|---|---|---|---|---|---|---|---|
| Credit Risk | 4.010 | 4.276 | 4.821 | 4.778 | 4.990 | 5.018 | 4.967 |
| Market Risk and Credit Valuation Adj. | 5 | 4 | 2 | 5 | 8 | 8 | 8 |
| Operational Risk | 785 | 759 | 733 | 696 | 696 | 696 | 696 |
| **Total RWAs** | **4.800** | **5.039** | **5.556** | **5.479** | **5.693** | **5.722** | **5.670** |

## Leverage ratio[2]

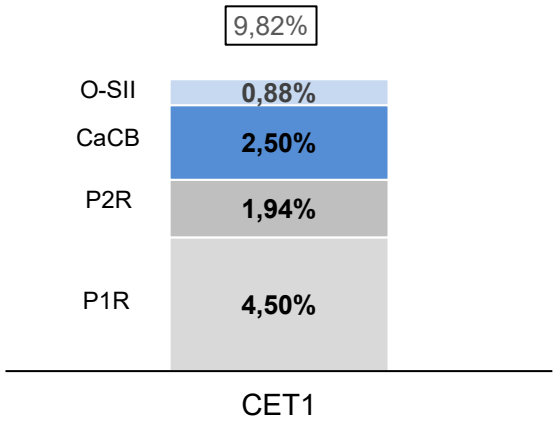



1) Including 9M22 unaudited profits; 2) All numbers are on a transitional basis; 3) Credit valuation adjustments (CVA)

# Distance to Maximum Distributable amount (MDA) restrictions

- Capital requirements as at 30 Sep 2022 at 9,82% for CET1, 11,96% for T1 Capital Ratio and 14,83% for CAR
- Pillar 2 Guidance (non-public), not applicable for distributable amount restrictions thus MDA restriction level at capital requirement levels
- Capital ratios[1] as at 30 September 2022 at
  - ✓ 19,1% for CET1
  - ✓ 21,4% for T1 capital ratio and
  - ✓ 21,4% for CAR (on a transitional basis)
- **Distance as at 30 September 2022 to MDA levels at c.€374 mn**

**CET 1 capital requirement Sep-22**

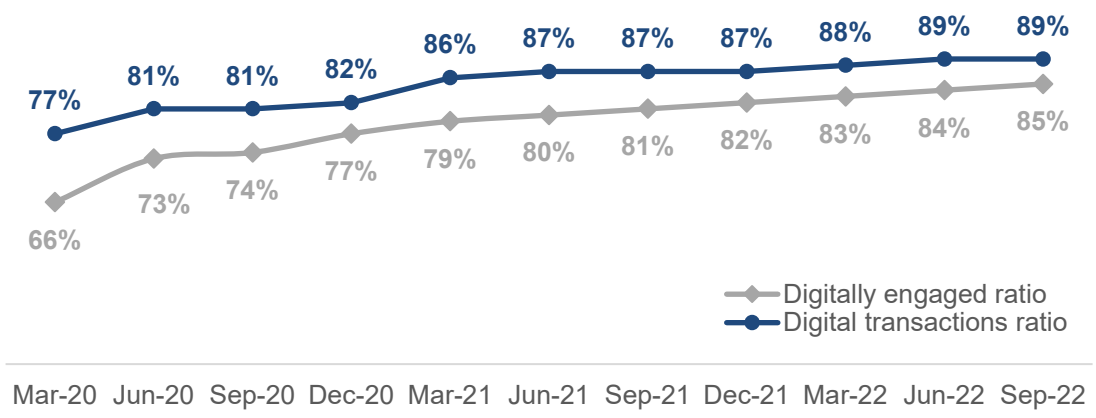



| | |
|---|---|
| Unfilled T2 capacity | c.€154 mn |
| CET 1 Sep-22 | 19,1% |
| Distance to MDA | **c.€374 mn** |

1) Including 9M22 unaudited profits

# Digital adoption across distribution channels

**Increasing digitalisation**




**236 k**
# active digital users

**85%**
digitally engaged ratio

**89%**
digital transactions ratio

**4,2 mn**
Monthly mobile app logins

- Digital Strategy placing the customer at the core of the transformation
- Channels, Technology and Data Analytics key components of Digital Strategy

Data extracted from HB systems on the 11 November 2022

# 2021 ESG Impact Report # *Highlights*

## MARKETPLACE

Enhanced Transformation Plan around the necessity to increase customer engagement, streamline operations and build a sustainable bank

21,7%
Capital Adequacy Ratio

€908 mn
New Lending

209k
of active digital users

72%
Digitally engaged ratio

*# Highlights*

## PEOPLE

1.680
Staff members used the Remote Working option for approximately 100.000 days

631
Training programs in total have been successfully implemented for all staff members

feedBank
Launch of feedBank App for exchange of feedback between colleagues across levels and Divisions

*# Highlights*

## SOCIETY

€63k
For Environmental Activations

€160k
Scholarships, Awards and Educational activations

€82k
Local Communities & Culture

AWARD for the 2020 #HBVolunteersChallenge
from the Pancyprian Volunteerism Coordinative Council

€123k
Health related activations & projects

2.296
Staff members participated in #HBVolunteers Challenge 2021

*# Highlights*

## ENVIRONMENT

Integration of the ex- CCB buildings in the scope of ISO 50001, successfully completed

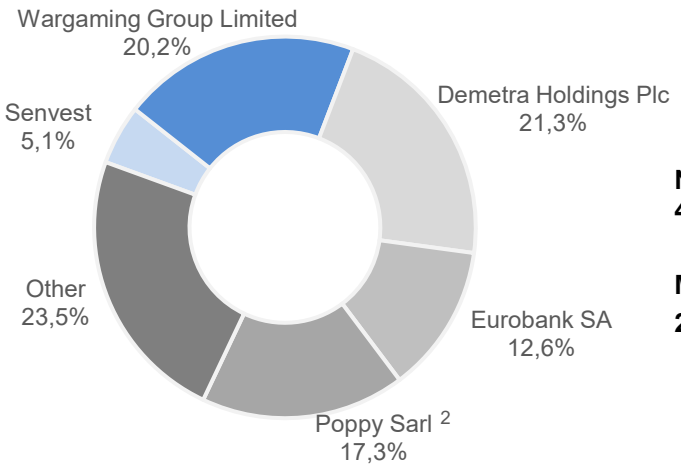
160
Cases assessed for E&S risks totalling
€154 mn

€15,6 mn
Renewable energy finance

*# Highlights*

# Shareholder information and governance

## Main shareholders[1]



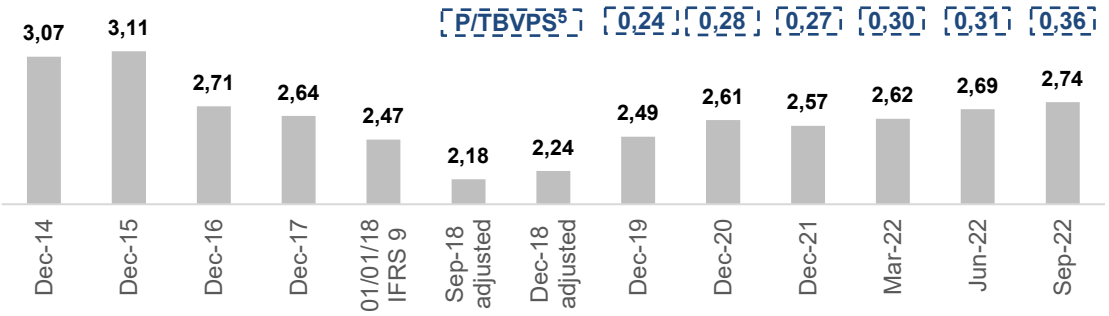

**Number of issued shares: 412.805.230**

**Market capitalisation on 22 November 2022: €413 m**

## Board Composition *(end November 2022)*

- Evripides A. Polykarpou, Chairman, *Independent*
- Marco Comastri, *Vice Chairman, Independent*
- Stephen John Albutt, *Senior Independent Director*
- Oliver Gatzke, *Executive*[3]
- Kristofer Richard Kraus[4], *Non-Independent*
- Marios Maratheftis[4], *Non-Independent*
- Marianna Pantelidou Neophytou[4], *Non-Independent*
- Christos Themistocleous, *Independent*
- Demetrios Efstathiou, *Independent*
- John Gregory Iossifidis, *Independent*
- Andreas Persianis, *Independent*
- Antonis Rouvas, *Executive*
- Miranda Xafa, *Independent*

## TBVPS evolution (€)




## Other information

**Investor Relations team** ir@hellenicbank.com

- Constantinos Pittalis, c.pittalis@hellenicbank.com
- Maria Elia, m.g.elia@hellenicbank.com
- Demetris Antoniades, d.a.antoniades@hellenicbank.com

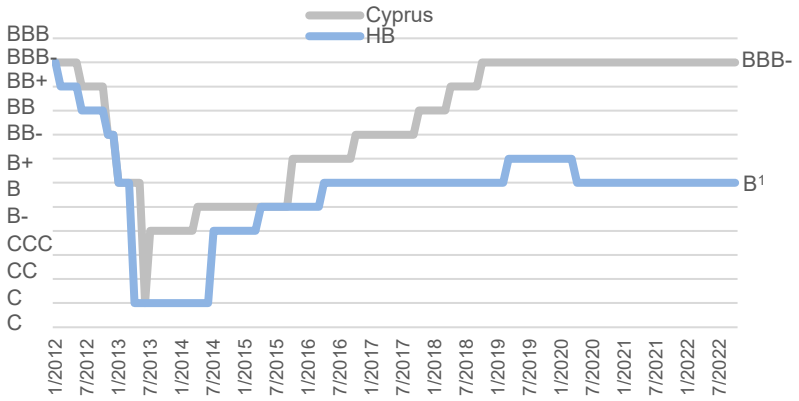
**Securities ISIN**

- HB shares – CY0105570119
- HBCS1 (CCS1) – CY0144170111
- HBCS2 (CCS2) – CY0144180110

1) Shareholders with direct stake >5% as at 31 October 2022. Furthermore, a) The Provident Fund Executive Directors of Wargaming and the Provident Fund Senior Management Personnel Wargaming own 0,21% each, b) Logicom Services Ltd, with a 3,3% direct holding in Hellenic Bank, has a 29,62% holding in Demetra Holdings, while Demetra Holdings Plc owns 10,28% in Logicom Public Ltd; 2) Owned by investment funds managed by Pacific Investment Management Company LLC or a related party; 3) CEO currently abstains from his duties as per announcement dated 10 October 22; 4) Considered as non-independent under the independence criteria of the Directive on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions of 2020 of the CBC, which differ from those in the CSE Corporate Governance Code, under which are considered as independent; 5) P refers to average share price of €0,99 for the period 3 October-22 November 2022

# Credit ratings

## Fitch Ratings




## Fitch Ratings: 14 December 2021, revises Outlook to positive

…the Positive Outlook reflects…expectation that asset quality will improve as … working to reach an agreement by early 2022 to dispose of €0,7 billion gross non-performing exposure (NPE; project Starlight). If completed, the NPE trade will reduce capital encumbrance by unreserved problem assets, which include NPEs and foreclosed assets

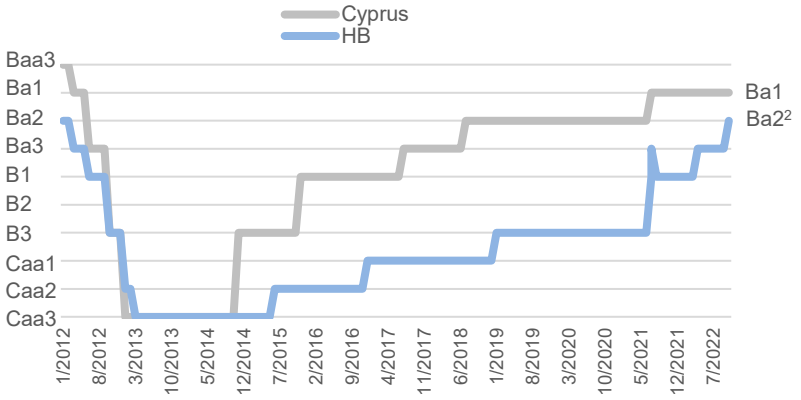
…We expect a strong economic recovery in Cyprus to prevent material asset-quality deterioration following the pandemic. Execution risks remain because HB has not yet reached an agreement with a buyer

**B**
Long term Issuer Default Rating

**b**
Viability rating

**Positive Outlook**

## Moody's Investors Service




## Moody's: 05 October 2022, upgrade of deposit rating to Ba2

…the resilience of the Cypriot economy, that is supporting the operating conditions of the banking system

…will strengthen their profitability, in the context of the higher interest rate environment, and will continue to improve their asset quality, despite potential new nonperforming loans (NPL) formation

…continued asset quality improvements...solid capital buffers…material reduction in its legacy problem loans…profitability outlook has also strengthened, supported by the higher interest rate environment and the bank's ongoing initiatives to rationalize costs

**Ba2**
Long term Bank Deposit Rating

**b1**
Baseline Credit Assessment

**Positive Outlook**

1) Long term Issuer Default rating; 2) Long term Bank deposit rating

# Glossary & Definitions

| Abbreviation | Name | Definition |
|---|---|---|
| | Active customers | Clients who transacted at least once in the last 3 months |
| | Active digital users | Refers to digital users who have logged in at least once to mobile or web in the last 3 months. Data as of September 2022 |
| APS | Asset Protection Scheme | |
| APS Cyprus | APS Debt Servicing Cyprus Ltd | |
| AT1 | Additional tier 1 | |
| Bps | Basis points | |
| | Back to core | Clients with the majority of their accounts exhibiting less than 30dpd and are expected to cure/ be resolved in the next years |
| CBC | Central Bank of Cyprus | |
| CaCB | Capital Conservation Buffer | |
| CAR | Capital Adequacy Ratio | Total capital divided by Risk Weighted Assets |
| CBR | Combined Buffer Requirement | |
| CCyB | Countercyclical Capital Buffer | |
| CET 1 | Common equity tier 1 | |
| CGBs | Cyprus Government Bonds | |
| CIR | Cost to Income ratio | Total expenses divided by total net income |
| COLA | Cost of Living Allowance | |
| COR | Cost of risk ratio | 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 (annualised) |
| | CRR Credit Rating | The long-term credit ratings from the three rating agencies Moody's, Fitch and Standard and Poor's (S&P) are considered. The CRR Credit Rating is derived by finding the best 2 out of the 3 credit ratings, and then selecting the lower of the two. This is in line with Articles 138 and 139 of the CRR and used for the calculation of the Bank's Pillar I Risk Weighted Assets |
| D2A | Debt to asset | Debt to asset arrangement between the Bank and the borrower |
| | Digitally engaged ratio | Retail individual customers who have performed at least one transaction in Digital channels (ATM and Web/Mobile) over the total number of Active customers (performed at least one transaction in any of the channels). Data as of September 2022. |
| | Digital Transactions Ratio | The percentage of transactions completed from digital channels (web banking, mobile app, ATM) within the month. Data as of September 2022 |
| DGS | Deposit Guarantee Scheme | |
| DTA | Deferred tax asset | |
| EPS | Basic earnings/(loss) per share | Profit/(loss) attributable to shareholders of the parent company divided by the weighted average number of ordinary shares outstanding during the period |
| EBA | European Banking Authority | |
| ECB | European Central Bank | |
| ECL | Expected Credit Losses | |
| | 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 |
| ESG | Environmental, Social and Governance | |
| CCB | Cyprus Cooperative Bank | Cooperative Asset Management Company Ltd, previously known as Cyprus Cooperative Bank Ltd (the ex-CCB) |
| | FC & FI | Foreign currencies and financial instruments |
| FCI | Fee and Commission Income | |

| Abbreviation | Name | Definition |
|---|---|---|
| | Forborne Exposures | As per applicable 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 |
| LCR | Liquidity Coverage Ratio | 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 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 |
| | Legacy exposures | Exposures that defaulted prior to 2019 with less room for possible restructurings or consensual agreements. Provisions facilitate potential NPE transactions, while litigation & foreclosure strategies against non-cooperative borrowers are being pursued |
| | Leverage ratio | Tier 1 capital measure divided by the total exposure measure, defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 (Tier 1/total exposure measure) |
| MREL | Minimum requirement for own funds and eligible liabilities | |
| MTT | Medium Term Targets | |
| NIM | Net Interest Margin ratio | Net interest income (annualised) 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 divided by customer deposits and other customer accounts |
| | Net NPEs to total assets | NPEs less accumulated impairment losses divided by total assets |
| | 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 NPEs ratio | NPEs less accumulated impairment losses divided by Net Loans |

# Glossary & Definitions

| Abbreviation | Name | Definition |
|---|---|---|
| | Net NPE 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) |
| NII | Net Interest Income | Interest income less interest expense |
| | Non-Legacy exposures | Exposures that turned into non-performing status post 2018. The Bank examines consensual solutions before proceeding with litigation and foreclosure strategies against non-cooperative borrowers |
| | Non-interest income | Consists of net fee and commission income, net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments, net income from insurance operations and other income |
| NPEs | Non-Performing Exposures | Gross non-performing exposures as per applicable EBA definition |
| | NPE provision coverage ratio | Accumulated impairment losses divided by gross non-performing exposures |
| | NPE ratio | Gross non-performing exposures as per applicable EBA definition divided by gross loans |
| | NPE ratio excl. APS-NPES | Gross non-performing exposures as per applicable EBA definition excluding NPEs covered by the APS, divided by gross loans. |
| NSFR | Net Stable Funding Ratio | 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). |
| OCR | Overall capital requirement | |
| O-SII | Other Systemically important institution | |
| PEs | Performing exposures | |
| POCI | Purchased credit-impaired | |
| Pro forma (Dec-21/ Mar-22) | Pro forma for HFS (held for sale) | References to pro forma figures and ratios refer to the disposal of two non-performing portfolios unless otherwise stated. |

| Abbreviation | Name | Definition |
|---|---|---|
| Pro forma (Jun-22 and Sep-22) | Pro forma for HFS (held for sale) | References to pro forma figures and ratios refer to the disposal relating to Project Starlight (unless otherwise stated) |
| Project Starlight | | Project Starlight refers to the sale of a NPE portfolio with gross carrying value of c.€0,7 billion |
| q-o-q | Quarter on quarter | |
| REOs | Real Estate Owned | |
| ROTE | Return on Tangible Equity | Profit/(loss) attributable to shareholders of the parent company (annualised) divided by average tangible equity attributable to shareholders of the parent company |
| RWAs | Risk Weighted Assets | |
| SREP | Supervisory Review and Evaluation Process | |
| TBVPS | Tangible book value per share | Equity attributable to shareholders of the parent company less intangible assets divided by the number of issued shares |
| | Tangible Equity | Shareholders' equity minus Intangible assets |
| | Texas ratio | NPEs / (Equity attributable to shareholders of the parent company plus Accumulated impairment losses) |
| TLTROs | Targeted longer-term refinancing operations | |
| VEES | Voluntary Early Exit Scheme | |
| y-o-y | Year-on-year | |
| y-t-d | Year-to-date | |

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