ALPHA BANK

GROUP FINANCIAL STATEMENTS OF ALPHA BANK CYPRUS LIMITED

ANNUAL REPORT
For the year from 1 January to 31 December 2021

Nicosia,
31 March 2022

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	M.H. Colakides - (appointed on 3 November 2021)
	A.M. Michaelides - (resigned on 3 November 2021)
	C.N. Papadopoulos
	L. Georgiadou
	M.A. Iacovidou
	M.Ch. Drakou
	Ek. Marmara
	K.D. Koutentakis – Managing Director
	N. Mavrogenis
Secretary	N. Alkiviades
Legal Advisers	Chryssafinis & Polyviou LLC
Independent Auditors	Deloitte Limited
Registered Office	Corner of Chilonos & Gladstonos Street Stylianou Lena Square, Nicosia
Head Office	Alpha Bank Building 3, Limassol Avenue Nicosia
Reg. No.	H.E. 923

MANAGEMENT REPORT

The Board of Directors of Alpha Bank Cyprus Limited (the "Bank") presents to its members, its annual report, and the audited consolidated financial statements of the Alpha Bank Cyprus Group (the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

During 2021, the Group continued to conduct full banking operations by providing a wide range of banking and financial services.

REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES

Key financial data		**From 1 January to**	
In Euro mil	*Change*	**31.12.2021**	**31.12.2020**
Net interest income	-12,1%	45,6	51,9
Total income	-10,1%	66,0	73,4
Total expenses	-39,5%	(53,2)	(88,0)
Profit / (loss) before impairment	187,7%	12,8	(14,6)
Impairment losses and provisions to cover credit risk	6,7%	(57,5)	(53,9)
Loss after income tax	-37,3%	(44,6)	(71,1)
Loss per share	-37,3%	(21,0) cent	(33,5) cent
In Euro mil.		**31.12.2021**	**31.12.2020**
Loans and advances to customers	-21,9%	1.063,4	1.361,3
Due to customers	8,7%	2.284,9	2.102,3
Transitional common equity Tier I ratio (Common Equity Tier I)	-230 basis points	13,1%	15,4%
Transitional Tier I ratio	-170 basis points	17,8%	19,5%
Non-performing exposures ratio	-2.050 basis points	4,7%	25,2%

Net Interest income in 2021 amounted to Euro 45,6 million, presenting a decrease of 12,1% compared to Euro 51,9 million in 2020, which is attributed to the sale of a non-performing portfolio in June 2020, the decrease of which was offset by purchases of loans by the Group and the decrease of the deposits interest rates.

Total income of the Group amounted to Euro 66,0 million in 2021, compared to Euro 73,4 million in 2020. The total decrease of income during 2021 of 10,1% is mainly attributed to the sale of non-performing portfolio in June 2020, whose impact was offset by the purchases of loans by the Group, the decrease of the deposits interest rates and the increase in fee and commission income.

Total expenses of the Group for 2021 amounted to Euro 53,2 million, compared to Euro 88,0 million for 2020. The decrease of total expenses is mainly due to the implementation of a voluntary separation scheme in 2020, the cost of which amounted to Euro 26,2 million, resulting in a fall in staff costs for 2021. Excluding the cost of the voluntary separation scheme, the expenses in 2021 decreased by Euro 8,6 million with a percentage decrease of 13,9%. The cost to income ratio, excluding non-recurring voluntary separation costs, is at 80,6% for 2021 compared to 84,2% in 2020.

REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES (cont.)

Impairment loss and provisions to cover credit risk increased to Euro 57,5 million in 2021 compared to Euro 53,9 million in 2020. Impairment and provisions for 2021 include a non-recurring cost of Euro 50,8 million which relates to the impairment of the portfolio of non-performing loans which was selected for sale (SKY project).

As part of the effective management of non-performing loans, the Group initiated the process for the sale of a non-performing loan portfolio and investment properties in September 2021 (Project SKY). Binding offers were submitted in December 2021 and bilateral discussions were initiated with the preferred investor to reach an agreement. The transaction is expected to be completed within the third quarter of 2022. As a result, at 31.12.2021, the specific portfolio of loans and properties was reclassified as an asset held for sale. The fair value of the portfolio which was classified in "Assets held for sale" amounted to Euro 153 million and comprises of loans amounting to Euro 134 million and properties amounting to Euro 19 million.

Accumulated impairments to cover credit risk for on balance sheet balances amounted to Euro 13,2 million on 31 December 2021 compared to Euro 181,9 million in 2020. The decrease is attributed to the transfer of provisions amounting to Euro 210 million relating to the portfolio SKY to assets held for sale. Provisions for 2021 cover 1,2% of gross loans, compared to 11,8% for 2020. Accumulated impairments include the fair value of adjustment of the loan portfolio acquired at fair value, as well as exposures that were initially designated as Purchased or Originated Credit Impaired (POCI). The total fair value adjustment amounted to Euro 0,8 million in 2021 (2020: Euro 28,0 million).

Net loans and advances to customers on 31 December 2021 amounted to Euro 1.063,4 million, decreased by 21,9% compared to Euro 1.361,3 million on 31 December 2020. The main reason relates to the classification of a non-performing portfolio of loans to assets held for sale with a fair value of Euro 134 million, as well as, to the repayments of loans.

Non-performing exposures, after the reclassification of the non-performing portfolio of loans to assets held for sale, according to the definition of the European Banking Authority (EBA) stood at Euro 50,4 million compared to Euro 388,7 million in 2020. These represent the 4,7% of gross loans, compared to 25,2% in 2020.

In 2021, the coverage ratio of non-performing exposures, according to the definition of the European Banking Authority (EBA), stands at 26,2% compared to 46,8% in 2020.

Amounts due to customers on 31 December 2021 amounted to Euro 2.284,9 million, presenting an increase of 8,7% compared to Euro 2.102,3 million on 31 December 2020. The net loans to deposits ratio was improved from 64,8% in 2020 to 46,5%.

On 31 December 2021, Common Equity Tier I ratio (CET I) of the Group stood at 13,1% (2020: 15,4%) and Total Capital Adequacy ratio stood at 17,8% (2020: 19,5%). The capital adequacy ratios are in accordance with transitional provisions for the year. Despite the impact of the results including the impairment relating to the SKY transaction, the ratio decreased due to the recognition of losses related to the application of IFRS9 up to 2022.

FINANCIAL RESULTS

The results of the Group are presented in the Consolidated Statement of Comprehensive Income on page 38 of the financial statements.

The loss for the year attributable to the owners amounted to €44.657 thousands. (2020: loss €71.135 thousands.)

DIVIDENDS

The Board of Directors does not recommend the payment of dividend for the year 2021 (2020: €nil)

RISK MANAGEMENT

The Group has established a thorough and prudent risk management framework which is built on best supervisory practices and which, based on the common European legislation and banking system rules, principles and standards, is evolved over time in order to be implemented on the Bank's conduct of day-to-day business and to ensure the effectiveness of its corporate governance.

The Group's main focus in 2021 was to maintain high standards of internal governance and compliance with regulatory risk guidelines and to retain confidence in the conduct of its business activities through sound and robust provision of financial services.

A detailed description of risk management, as well as description of the response to the pandemic is presented in note 38 of the financial statements.

CAPITAL ADEQUACY

Capital adequacy – Ratios

On 31 December 2021, Common Equity Tier I (CET I) of the Group was 13,1% and the Total Capital Adequacy ratio was 17,8% which exceeds the minimum capital requirements for Pillar I and Pillar II, allowing the Group to have a capital buffer.

Alpha Bank Cyprus Ltd is a major subsidiary of the Group Alpha Bank S.A., which continues to maintain high capital adequacy ratios with a significant margin to cover the current and future risks on the basis of its business plan and in accordance with its approved risk appetite framework.

The total capital ratio of the Group on 31.12.2021 stood with transitional provisions at 17,8%. According to the European Central Bank (ECB), the minimum Overall Capital Requirement (OCR) is 13,75% for 2021 and remains the same for 2022 due to the change adopted by the Central bank of Cyprus whereby the buffer for systemically important institutions (O-SII) for the Group remains at 0,25% until 1.1.2023. The Group's capital adequacy on 31 December 2021 exceeds the minimum capital requirements of Pillar I and Pillar II, providing the Group with significant capital buffer. It is noted that the Pillar II capital requirement assessment is performed annually by the supervisory authority, with a specific supervisory process that is dynamic and subject to change over time.

In relation to the impact from the application of IFRS 9, the Group will make use of the transitional provisions, according to which the impact will be absorbed applying within five years the provisions of the new standard. The Group is sufficiently capitalized to meet the needs arising from the application of the standard as the CETI ratio stands at 13,1% as at 31.12.2021 under the transitional provisions, while the impact from full implementation is estimated at around 1,7% thus forming a ratio of 11,4% on 31.12.2021.

As per the announcement of the European Banking Authority (EBA) and the European Central Bank (ECB), in view of the COVID-19 outbreak, capital regulatory thresholds for European banking institutions have been relaxed.

The European Central Bank (ECB) and the European Banking Authority (EBA) have taken a number of measures to counter the spread of COVID-19 to ensure that supervised banks continue to fulfill their role and finance the real economy.

Specifically, on 12 March, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the following relaxation measures for the minimum capital and liquidity requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level of capital defined by the Capital Conservation Buffer (CCB) and the Counter Cyclical Buffer (CCyB). Furthermore, on 28 July 2020 the European Central Bank (ECB) announced in a press release that Banking Institutions are allowed to operate below aforementioned limits at least until the end of 2022.

CAPITAL ADEQUACY (cont.)

Capital adequacy – Ratios (cont.)

• Furthermore, the upcoming change under CRD V regarding the P2R buffer was brought forward allowing the Pillar 2 Requirement (P2R) to be covered by Additional Tier 1 (AT1) capital by 18,75% and Tier 2 (T2) capital by 25% and not only by CET 1.

The European Commission has decided to review the existing supervisory framework by bringing into force, earlier, regulations that would be included in CRR2/CRDV framework, as well as to offer greater flexibility in dealing with the supervisory impact of IFRS 9 on the Bank's supervisory funds. The revised supervisory framework was published on the Official Journal of the European Union on 22 June 2020.

On 6 April 2020, the Central Bank of Cyprus decided on the amount of the buffer (O-SII) to be maintained by each banking institution and the timeframe for its gradual implementation. The third and fourth phase shall be carried over by 12 months respectively, with effect from 1 January 2022 and 1 January 2023. This decision is part of the framework for taking measures to address the Covid-19 pandemic.

On 22 December 2020, published on the Official Journal of the European Union the Commission delegated regulation 2020/2176 of 12 November 2020 amending delegated regulation (EU) no. 241/2014 concerning the subtraction of assets in the software category from Common Equity Tier 1 assets.

SIGNIFICANT EVENTS

COVID

The year ended as of 31 December 2021, as well as 2020, was a special year which was marked by uncertainty due to the spread of the Covid 19 pandemic. The Group has been monitoring Government announcements regarding restrictive measures and adapts the way with which it operates responsibly towards its employees and their families. Physical presence of the employees at the place of work is fully compliant with the instructions issued by the Competent Authorities in a way which on the one hand ensures the proper functioning of the Bank and on the other hand ensures the reduction of the risk of spread of the virus.
Additionally, given the high percentage of employees working remotely, training in new applications and collaboration tools expands continuously.

In support of its clients affected by the crisis caused by the Covid-19 pandemic, the Group implemented a series of support measures aimed at businesses and self-employed individuals who were facing temporary difficulties in making payments due to limited cash flow. Initially, the Group provided suspension of installment schemes to its clients until 31.3.2021, based on the relevant guidance from European Banking Authority. It is noted that on 31.12.2021, there are no active schemes relating to suspensions of instalments.

SIGNIFICANT EVENTS (Cont.)

In this difficult, uncertain and volatile environment, the Bank and the Group have taken steps to:

a) Monitor loans in a negative economic environment
b) Apply effective liquidity management during the recession and the negative interest rates environment
c) Contain operating costs
d) Ensure a healthy working environment for staff
e) Strengthen distance work
f) Retain the continuous customer service

For these reasons, the Group offers new solutions for loan restructuring, participates in the Cyprus Government plans to subsidise the interest rate, as well as in the plans to suspend installment payments.

Classification of the portfolio to “Assets held for sale” (Project SKY)

As part of the effective management of non-performing loans, the Group initiated the process for the sale of a portfolio of non-performing loans, subsidiaries and repossessed assets in September 2021 (Project Sky). In December 2021, binding offers were submitted, and bilateral discussions were initiated with the preferred investor to reach an agreement. The transaction is expected to be completed on the third quarter of 2022. As a result, on 31.12.2021, the portfolio of loans and repossessed assets, as well as the subsidiaries related to the transaction were classified in assets held for sale.

The fair value of the portfolio which was reclassified in “Assets held for sale” as part of the SKY transaction amounts to Euro 153 million and comprises of loans amounting to Euro 134 million, repossessed assets amounting to Euro 14 million and net assets of subsidiaries amounting to Euro 5 million.

The Group sold repossessed assets with carrying value of Euro 6,7 million in 2021.

ESTIA

The Group participates in the “ESTIA” project which was introduced by the Republic of Cyprus with the aim to protect the primary residence of borrowers whose value does not exceed Euro 250 thousand. For those loans that qualify for the ESTIA project, the state will contribute the 1/3 (one third) of the loan installment.

IBOR

As of January 2022, the London Interbank Interest Rate (LIBOR), one of the main and most important interest rate benchmarks used in global financial markets, has been abolished or ceased to be representative. Specific LIBORs indexes in English pounds (GBP) and Japanese Yen (JPY) benchmarks, following instructions from the UK Financial Conduct Authority, will continue to be published using a different calculation methodology known as "Synthetic", for a limited period of time, to facilitate the transition. In addition, the continuation of some specific durations of LIBORs benchmarks in US Dollar (USD) until June 30, 2023 has the sole purpose of supporting the transition of existing products (legacy products).

SIGNIFICAN EVENTS (Cont.)

The Group took all the necessary measures for the timely preparation of the transition to the new alternative reference rates.

Indicatively, the main actions that took place are mentioned such as the Group's exposure to financial products inside and outside the Balance Sheet that are related to these reference interest rates and had maturities after 1/1/2022 was quantified. Furthermore, the Group created a transition strategy for contracts brought by LIBORs which expired or ceased to be representative on 1/1/2022, made the necessary amendments to the relevant contracts to be compatible with the new reference rates and local law by forming fallback clauses, performed new configuration of all IT systems, and informed the clientele about the transition from LIBOR through uploading on its website all the relevant information.

Minimum requirement for own funds and eligible liabilities (MREL)

According to the decision of the Single Resolution Board, the Group is required to meet a minimum requirement for own funds and eligible liabilities (MREL). According to the ddecision, the requirement for own funds and eligible liabilities (MREL) which must be met by 1.1.2024 corresponds to 23,98% of risk-weighted assets. The intermediate requirement which must be met by 1.1.2022 is 21,4%. To meet the requirement, the Bank issued at the end of 2021 two bonds with a total value of EUR 90mil. held by Alpha Bank AE which is the single point of entry for resolution purposes, meaning that Alpha Bank Cyprus Ltd will be recapitalized by the parent company without being put at resolution regime. The MREL rate of 31.12.2021 is 24,4%.

UKRAINE

Russia's invasion in Ukraine on 24 February 2022 has created uncertainties in the markets and in the evolution of macroeconomic conditions, while in addition the subsequent sanctions imposed by United States, the European Union, the United Kingdom and others affected the transactions with the parties involved in the sanctions. It is noted that the Group has direct exposure to Russia and Ukraine as at the end of February 2022 of a total amount of approximately €7 million (excluding the portfolio of loans reclassified for sale) derived from loans and interbank deposits. The Group has obligations to customers and banks of €50 million Nevertheless, the Group is monitoring the unfolding crisis and assesses the impact on its business, financial position and profitability. Due to the existence of significant uncertainty as to event continues to evolve, it is not possible to assess the wider impacts.

The extent to which the Cyprus economy will be affected will be moderate to marginally significant as:

- the financial (majority of local Banks) and corporate sector have strong links to customers related to Russia, while
- there is also a significant dependence on Russian and Ukrainian markets in relation to the recovery of the tourism industry in 2022.

The extent of the impact of the Russian/Ukrainian conflict depends on the level of escalation, the duration of the conflict, and the level of international response when it comes to its resolution.

DEVELOPMENTS AND PROSPECTS

DEVELOPMENTS

CYPRUS ECONOMY

Challenges and uncertainties

In addition to the challenges caused by Covid 19, non-performing loans and private debt continue to be major challenges for the banking sector and the economy in general. The high public debt due to the pandemic which is one of the highest in the Eurozone continues to be a challenge.

The war in Ukraine and sanctions imposed on Russia are expected to have a knock-on effect that is estimated to affect all sectors of business due to increased energy costs as well as a lack of basic goods. Tourism is also expected to be affected because both Russia and Ukraine represent two of the most important tourism in Cyprus.

It remains important to maintain jobs through government plans to support employees and businesses, to support business activity and to increase private consumption.

The uncertainty caused to construction by the termination of the Cyprus Investment Program (CIP) poses a serious risk to this sector and the economy in general.

The G20 decisions to raise the tax rate to 15% are expected to create imbalances that Cyprus will have to face, in order to continue to remain competitive as it is a country primarily offering services.

Any developments on a political level will affect the economic environment accordingly.

Prospects

The Cypriot economy, before the spread of coronavirus (Covid-19) disease, was expected to continue to grow in the coming years, according to the European Commission and international rating agencies.

The GDP growth rate for 2021 rose to 5,5%. According to the European Commission's new Winter Economic Forecast, economic growth in the first quarter will be moderate due to rising inflation. Economic growth will be higher in the following quarters due to the high vaccination rates of the population and the relaxation of the restrictive measures imposed to combat COVID 19. The number of airline bookings indicate an increase in the inflows of tourists to Cyprus which substantially contributes to GDP. In 2022, GDP is expected to grow by 4,1%. This is mainly attributed to domestic demand underpinned by the Cypriot Recovery and Resilience plan of 2021-2026. GDP growth for 2023 is expected to reach 3,5%.

The Group, under the current circumstances and perspectives, is following its business plan, with the aim of continuously consolidating its balance sheet and strengthening its profitability. At the same time, the Group recognizes the risks and challenges of the Cypriot economy, as well as the specificities related to the geopolitical stability of the region, the war in Ukraine, and the interconnection with the economic stability of Greece and the Eurozone.

DEVELOPMENTS AND PROSPECTS (cont.)

PROSPECTS (cont.)

The Group monitors recent developments about the Coronavirus (Covid-19) disease, the war in Ukraine and considers any potential impact on its asset quality, the sensitivity of risk models to macro-parameters, and the implementation of the business plan.

Developments resulting from the spread of the Covid-19 virus and the war in Ukraine, may lead the Group to reconsider its business plan.

- **Greek Economy – Operating Environment of Parent Company**

The swift and strong recovery of economic activity in 2021, recouped a significant part of the losses registered in 2020, as GDP at constant prices increased by 8.3% on an annual basis, compared to a decrease of 9% in 2020.

The European Commission (European Economic Forecast, Winter 2022) expects a further increase of 4.9% in 2022 and 3.5% in 2023. Furthermore, according to the latest projections by the Bank of Greece (Interim Monetary Policy Report, December 2021), the GDP growth rate is estimated to reach 5% in 2022 and 3.9% in 2023.

The steep rebound of GDP in 2021 can be attributed, firstly, to the strong increase of private consumption, driven by the sharp increase in savings accumulated during the pandemic and the significant gains in employment secondly, to the rise in investment, especially in machinery and technological equipment and, thirdly, to the higher-than-expected performance of exports of services, due to the remarkable recovery of tourism in the summer of 2021.
The rebound of economic activity in Greece in 2021 was in line with the evolution of the Economic Sentiment Indicator (ESI), which is a leading indicator of economic activity and stood at 110,3 points in December 2021, compared to 91.8 points in the same month of 2020.

In April 2021, Standard & Poor's upgraded Greece's sovereign credit rating by one notch from BB- to BB while maintaining a positive outlook. In parallel, the Athens Stock Exchange (ASE) General Index recorded an increase in 2021, by 10.4% on an annual basis.

In March 2022, the credit rating agency DBRS upgraded Greece's sovereign credit rating to BB whereas Moody's did not carry out an assessment.

DEVELOPMENTS AND PROSPECTS (cont.)

Group priorities

The primary objective of the Group is the management the loan portfolio that is affected by the pandemic, the maintenance of an adequate protection of capital adequacy ratios and liquidity adequacy to effectively address any new challenges. To this end, it cooperates closely with the competent supervisory authorities to take any precautionary measures.

The Group's business plan, among other things, focuses on the following main priorities:

- provision of new loan restructuring plans for addressing the effects of the pandemic on customers
- targeted launch of new services and new credit facilities to boost commission income and interest income
- enhance the effectiveness of non-performing loans management both with own funds as well as in cooperation with the external service provider
- streamline the cost of financing from deposits,
- containment of operating costs and increase productivity,
- upgrade IT infrastructure to improve productivity, efficiency and customer service
- take initiatives that will lead the Group to a digital transformation with the aim of maximizing operational efficiency
- address the consequences of the outbreak of Covid-19 disease
- protect the staff from Covid-19 disease
- monitoring and evaluating the consequences for the economy, businesses and consumers of the war in Ukraine.

CORPORATE RESPONSIBILITY - NON FINANCIAL REPORT

Alpha Bank Cyprus Ltd, as a subsidiary of Alpha Bank A.E. does not prepare a separate Non-Financial Report since it is included in the said report of Alpha Bank A.E. and Alpha Bank AE Group.

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

As per the guidelines of European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs) published in October 2015, applicable since 3 July, 2016 and adopted by the Cyprus Stock Exchange Commission with the circular E148 dated 15 July 2016, the Group publishes additional information. The Group believes that certain Alternative Performance Measures (APMs) provide additional information that is useful both for assessing performance and for taking strategic decisions.

Alternative Performance Measures

Ratio	Definition	Formula	31.12.2021	31.12.2020
			€'000	€'000
Cost to Income	Cost to Income ratio gives the relation between total expenses and generated income.	Total expenses minus non-recurring expenses / Total income minus non-recurring income	53.151 66.045 Ratio 80,5%	88.029-26.214 73.420 Ratio 84,2%
Net customer loans to customer deposits	The ratio gives the relation between net loans and advances to customers and customer deposits.	Gross loans and advances to customers minus provisions minus fair value of loans acquired / Customer deposits.	1.076.567-12.347-846 2.284.902 Ratio 46,5%	1.543.299-153.897-28.057 2.102.301 Ratio 64,8%
Non-performing exposures (NPE – European Banking Authority definition)	The ratio gives the relation of non-performing exposures according to EBA definition to the Gross loans and advances to customers.	Non-performing exposures according to EBA definition / Gross loans and advances to customers	50.382 1.076.567 Ratio 4,7%	388.723 1.543.299 Ratio 25,2%
Gross loans coverage	The ratio gives the coverage of Gross loans and advances to customers with provisions.	Provisions plus fair value of loans acquired / Gross loans and advances to customers	13.193 1.076.567 Ratio 1,2%	181.954 1.543.299 Ratio 11,8%
NPEs coverage ratio in accordance with the European Banking Authority (EBA) definition	The ratio states how much of non-performing exposures, as defined by EBA, are covered with provisions.	Provisions plus fair value adjustment of loans / Non-Performing exposures according to EBA definition.	12.347+846 50.382 Ratio 26,2%	153.897+28.057 388.723 Ratio 46,8%

MANAGEMENT RERORT (cont.)

SHARE CAPITAL

The share capital of the Bank numbers 212.581.357 common shares with a nominal value of Euro 0,85 each, with a total amount of Euro 180.694.153. All shares are held by Alpha International Holdings Single Member S.A., which is controlled by Alpha Bank S.A. which indirectly holds 100% of the share capital of Alpha Bank Cyprus Ltd.

BRANCHES

The Bank is currently comprised of a modern network of 17 branches (2020: 22) and other specialized units which are effectively supported by ATMs, internet banking and mobile banking.

BOARD OF DIRECTORS

The members of the Board of Directors at the date of this report are presented below:

M. H. Colakides, Chairman
C. N. Papadopoulos, Vice - Chairman
L. Georgiadou
M.A. Iacovidou
M.Ch. Drakou
Ek. Marmara
K. D. Koutentakis, Managing Director
N. Mavrogenis

MANAGEMENT REPORT (cont.)

CORPORATE GOVERNANCE REPORT

1. Introduction

Alpha Bank Cyprus Limited (the "Bank") is a wholly owned subsidiary of Alpha International Holdings Single Member S.A., with ultimate beneficial owner Alpha Bank S.A., which is listed on the Athens Stock Exchange.

The Board of Directors is obliged to apply the corporate governance framework, in order to ensure that the Bank is operating correctly and efficiently. The corporate values and the corporate governance framework followed by the Bank, is included in detail in the Corporate Governance Code, which is published in the Bank's website.

2. Board of Directors

The duties and responsibilities of the Board of Directors and its Members are recorded in the Corporate Governance Code.

On the 1st of January 2021, the composition of the Board of Directors was as follows:

	Full name	Category
Chairman	Andreas Michaelides	Independent Non-Executive
Members	Constantinos Papadopoulos	Senior Independent Non-Executive
	Konstantinos Koutentakis	Executive – Managing Director
	Nicholas Mavrogenis	Executive – Senior Manager Operations
	Maria Agrotou Iacovidou	Independent Non-Executive
	Lenia Georgiadou	Independent Non-Executive
Members	Ekaterini Marmara	Non-Executive
Chairman	Militsa Christodoulou Drakou	Independent Non-Executive

2.1 Changes in the composition of the Board of Directors and its Committees

With a letter dated 7 October 2021, the European Central Bank ("ECB") informed the Bank that it has no objection to the appointment of Mr. Michael Colakides as Chairman of the Board of Directors.

The Board of Directors decided to appoint Mr. Colakides as Chairman of the Board of Directors of the Bank at a meeting held on 3 November 2021. Given that Mr. Michaelides completed the maximum authorized term of office as Chairman of the Board and the decision confirming the appointment of Mr. Colakides as the new Chairman of the Board, he resigned from its duties as Chairman and Member of the Board of Directors at the end of the aforementioned meeting.

The Board of Directors approved the proposal of the Corporate Governance and Nomination Committee with regards to the new composition of the Board of Directors and its Committees.

Significant changes of the new composition relate to:

- The appointment of a Vice-Chairman whose position had remained vacant since the end of Mr. Giampana's term of office. Mr. Constantinos Papadopoulos who fulfills the requirements of that post and has served the longest in the Board was appointed in that post.
- The appointment of Mrs.Lenia Georgiadou as a Senior Independent Non-Executive Member of the Board, replacing Mr. Papadopoulos who held that post until 3 November 2021. Due to his appointment as Vice-Chairman, a new Member had to be appointed based on the relevant clause in article 8(4)(c) of the Circular of the Central Bank of Cyprus on Internal Governance 2021 which refers to:

  "… it is understood that the senior independent Member of the management body cannot hold the post of Chairman or Vice-Chairman"
- Mrs. Marmara who has specialized knowledge in issues related to Treasure and the relevant risks and risk management was appointed as a Member of the Risk Committee
- The appointment of a new Chairman of the Risk Committee, a post which was taken over by Mrs. Militsa Drakou who is already a member of the Committee and has very good knowledge and experience, especially in matters relating to credit risk.
- Mrs. Iacovidou, who is also a member in another Committee, replaced Mrs. Marmara in the Nominations Committee

It was also decided that the Nomination Committee would be renamed to Corporate Governance and Nominations Committee. The change occurred in the context of harmonization with the name of the respective Committee of the Group, as well as, due to the scope of the work which includes the monitoring of corporate governance.

The Corporate Governance and Nominations Committee in the context of finding new potential candidates for appointment in the Board of Directors, in order to increase the number of the members from 8 to 9 and for the replacement of potential vacancies in the Board according to the Bank's succession policy, conducted numerous interviews with candidates and came to the conclusion that Mr. Neophytos Karamanos, due to his extensive experience and knowledge in the technology, as well as in the banking and financial sectors, is considered a suitable candidate to contribute effectively to the Board's business and thus strengthen the Bank's Board of Directors.

The Board of Directors, taking into consideration the positive recommendation of the Corporate Governance and Nominations Committee, unanimously approved Mr. Neophytos Karamanos' candidacy for the position of the Bank's Independent Non-Executive Member of the Board of Directors. The Bank has forwarded to the CBC all the relevant and essential information/documents, requesting its consent, for the finalisation of the appointment of Mr. Neophytos Karamanos.

The operations of the Remuneration Committee continued to be performed by the respective Committee of the Parent Company. Following a suggestion of the parent Company, the Corporate Governance and Nominations Committee proposed, and the Board of Directors approved the establishment of a local Remuneration Committee with the following composition

Remuneration Committee:

	Full name	Category
Chairperson	Michael Colakides	Independent Non-Executive
Members	Militsa Christodoulou Drakou	Independent Non-Executive
	Ekaterini Marmara	Non-Executive

The composition of the Board and its Committees as at the date of this Report is as follows:

Board of Directors:

	Full name	Category
Chairman	Michael Colakides	Independent Non-Executive
Vice-Chairman	Constantinos Papadopoulos	Independent Non-Executive

Members	Lenia Georgiadou	Senior Independent Non-Executive
	Konstantinos Koutentakis	Executive – Managing Director
	Nicholas Mavrogenis	Executive – General Manager of Operations
	Maria Agrotou – Iacovidou	Independent Non-Executive
	Ekaterini Marmara	Non-Executive
	Militsa Christodoulou Drakou	Independent Non-Executive

Audit Committee:

	Full name	Category
Chairperson	Constantinos Papadopoulos	Independent Non-Executive
Members	Lenia Georgiadou	Senior Independent Non-Executive
	Maria Agrotou Iacovidou	Independent Non-Executive

Risk Committee:

	Full name	Category
Chairperson	Militsa Christodoulou Drakou	Independent Non-Executive
Members	Constantinos Papadopoulos	Independent Non-Executive
	Ekaterini Marmara	Non-Executive

Corporate Governance and Nominations Committee:

	Full Name	Cateogry
Chairperson	Lenia Georgiadou	Senior Independent Non-Executive
Members	Michael Colakides	Independent Non-Executive
	Maria Agrotou Iacovidou	Independent Non-executive

Remuneration Committee:

	Full name	Category
Chairperson	Michael Colakides	Independent Non-Executive
Members	Militsa Christodoulou Drakou	Independent Non-Executive
	Ekaterini Marmara	Non-Executive

2.2 Curriculum vitae of all the Members of the Board of Directors

Michael Colakides (Chairman of the Board of Directors – Independent Non-Executive Member)

He holds a bachelor's degree from London School of Economics and an MBA from London Business School. During 1979-1993, he was working at Citibank Greece as Head of Local Corporate Banking and Corporate Finance units. In 1993 he was voted Vice-Chairman of the Board of Directors and Deputy Governor of the National Bank of Greece and served as a Vice-Chairman of the Board of ETEBA and member of the Board of Directors of other subsidiaries of the National Bank of Greece. During 1994-2000, he served as Chief Financial Officer of TITAN and Member of the Board of Directors of the Group. In November 2000, he joined Piraeus Bank where he served as Managing Director and Vice-Chairman of the Board of Directors and was responsible for the International Banking and Wholesale Banking, Treasury Division, as well as the supervision of subsidiaries in both Greece and abroad. In November 2007, he joined the management of Eurobank EFG as Deputy CEO, Member of the Board and the Group's Risk Management. Since 2014, he serves as the Group CFO of the TITAN Group, as well as, as Managing Director of Titan Cement International S.A. He has been serving as Chairman of the Board of Directors of Alpha Bank Cyprus Ltd since November.

Date of Appointment:	3/11/2021
Participation in the Board's Committees	Corporate Governance and Nominations Committee and Remuneration Committee

Konstantinos Koutentakis (Executive Member- Managing Director)

He graduated from Stanford University (BSc in Electrical Engineering and MSc in Engineering Economic Systems), and holds an MBA from INSEAD Business School. He joined Alpha Bank Group in 2002. Initially, he worked at Alpha Mutual Funds, a Group Company of Alpha Bank S.A. In 2007, he joined Alpha Bank S.A., where he has held various managerial positions, among others, the positions of Head of Retail Distribution Strategy, Head of Asset Gathering, Personal Banking Segment, Mass Segment & CRM, and the position of Executive General Manager – Asset Gathering Management. In April 2017, he was appointed as the Bank's Managing Director and as an Executive Board of Director's member.

Date of Appointment:	28/04/2017
Participation in the Board's Committees:	Non-applicable.

Nicholas Mavrogenis (Executive Member- General Manager of Operations)

He graduated from Imperial College of Science and Technology, University of London with a BEng in Electrical and Electronics Engineering (1991), an MSc in Engineering and Physical Science in Medicine (1993) and an MBA (1994). He started his career in Alpha Bank Cyprus Ltd in 1994, where he has held, amongst others, the positions of Head of Brokerage Services, Head of Consumer Lending Department and Manager of the Organisation Division. Since April 2013, he has held the positions of General Manager of Operations and Member of the Board of Directors of the Bank.

Date of Appointment:	26/04/2013
Participation in the Board's Committees:	Non-applicable.

Maria Agrotou Iacovidou (Independent Non-Executive Member)

She graduated from the University of Essex with a B.A (Hons.) in Economics and holds an M.Sc. in Accounting and Finance from the London School of Economics. She started her career in 1983 in The Cyprus Investment & Securities Corporation Limited (CISCO), member of the Bank of Cyprus Group, where she gained wide experience in both Investment Banking and Capital Markets, serving as Head of the Department. In 2004 she joined Societe Generale Bank Cyprus Ltd as Head of the Corporate and Project Finance Department. In 2010 she moved to Barclays Bank Plc-Cyprus branch as Head of Business Development. In 2016 she assumed the position of Country Manager (Cyprus). In addition, Mrs. Agrotou Iacovidou has been a Member on the Board of Directors of Universal Life Insurance Public Company Ltd, since April 2017. She was appointed on the Bank's Board of Directors, in February 2019.

Date of Appointment:	01/02/2019
Participation in the Board's Committees:	Audit Committee and Corporate Governance and Nominations Committee

Constantinos Papadopoulos (Independent Non-Executive Member)

He studied economics at the London School of Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. From 1978 to 2012 he worked at Coopers & Lybrand (later renamed PriceWaterhouseCoopers), where he became a partner in 1982. He served as a Member of the Executive Board of the firm and as Deputy Managing Partner. He has also served as President of the Council of the Institute of Certified Public Accountants of Cyprus between 1993 and 1995, Chairman of the Board of the Cyprus Stock Exchange between 1993 and 2000 and President of the Cyprus-Greece Business Association between 2004 and 2008. He has served on the Bank's Board of Directors Bank since October 2015 and in January 2019, he was appointed as the Senior Non-Executive Independent Member of the Board.

Date of Appointment:	23/10/2015
Participation in the Board's Committees:	Audit Committee and Risk Committee

Lenia Georgiadou (Independent Non-Executive Member)

She studied Economics at the London School of Economics and gained practical experience both on Financial Analysis and Policy and on Management and Investment Appraisal, having attended relevant courses at the International Monetary Fund (IMF) and the Pittsburgh University, respectively. Mrs. Georgiadou started her career in the Central Bank of Cyprus in 1970, where she held various positions until her retirement in 2010 from the position of the Director of Domestic Banking Services. She served as Chairwoman on the Board of Directors of SPE Tamassos-Orinis & Pitsilias, a Cooperative Credit Institution, between 2014 and 2016 and as Chairwoman on the Board of Directors of the General Insurance Co Ltd from April 2013 to September 2013. She also served as Member of Bank of Cyprus' Board of Directors and Eurolife Ltd's Board of Directors from April 2013 to September 2013. She has been a Member of the Bank's Board of Directors since, January 2017.

Date of Appointment:	31/12/2017
Participation in the Board's Committees:	Audit Committee and Corporate Governance and Nominations Committee

Ekaterini Marmara (Non-Executive Member)

She graduated from the Athens University of Economics and Business with a BSc in International and European Studies and holds an MBA in International Banking and Financial Studies from the University of Southampton. She works at Alpha Bank S.A. since 1997, where she gained wide range of banking experience and knowledge, especially in the Treasury processes. She currently holds the position of the Senior Manager of the Trading Division in Alpha Bank S.A.

Date of Appointment:	29/01/2020
Participation in the Board's Committees:	Risk Committee and Remuneration Committee

Militsa Christodoulou Drakou (Independent Non-Executive Member)

She graduated with a BSc (Honours) in Economics from the London School of Economics and Political Sciences. She also holds an MBA from the Anderson Graduate School of the University of California at Los Angeles (UCLA), with full scholarship from the Cyprus-American Scholarship Programme (CASP). In 1987, she was employed, abroad, by Procter & Gamble Co. (P&G) as a Brand Manager. From 1989 until 2013, she worked for The Cyprus Development Bank Public Company Ltd (CDB Bank), initially as a Financial Analyst and, after, as a Portfolio Manager in the Banking Division. From 2008 to 2013, she held the position of Senior Executive Manager of the Corporate Banking Division for large corporations. She is a business consultant in banking and financial matters. She was member of the Committee of Institute of Financial Services (IFS) Cyprus, LCP Holdings and Investments Public Ltd, Cyprus Investment and Securities Corporation Ltd (CISCO) and MFO Asset Management Ltd. She was appointed on the Bank's Board of Directors, in January 2020.

Date of Appointment:	29/01/2020
Participation in the Board's Committees:	Risk Committee and Remuneration Committee

2.3 Meetings of the Board of Directors

The Board of Directors holds regular meetings to carry out their responsibilities adequately and effectively. During 2021, fifteen Board meetings were held.

Due to the continuation of the Covid-19 pandemic and as a result of the need to abide by the emergency measures imposed to prevent the spread of Covid-19, the Members took part in Board of Directors and Committee meetings through tele-conference/video-conference.

Full compliance with the requirements of article 11 of the CBC Directive when it comes to the organisation of Board of Directors and Committee meetings, whereby:

- An in-person Board meeting was held on 3 November 2021 (with the exception of Mrs. Agrotou Iacovidou who participated in the meeting via tele-conference.
- In January 2021, the Non-Executive Members participated in a meeting under the responsibility of the Senior Independent Member in the context of evaluating the Chairman of the Board.
- In March, May, and September of 2021, the Non-Executive Members of the Board participated in meetings without the Executive Members being present.
- Mr. Koutentakis was absent from the meeting held in April 2021 and Mrs. Georgiadou was absent from the meeting held in August 2021, due to personal matters.
- The arrangements for holding the meetings of the Board and its Committees in 2021 by means of tele-conferencing was carried out based on the facts relating to the evolution of the Covid pandemic and as such, there is no considered misuse.

The following is a summary table of the meetings of the Board and its Committees and attendance of members (physical and video conference/tele-conference) in 2021.

Name	BOARD OF DIRECTORS		RISK COMMITTEE		AUDIT COMMITTEE		CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE	
	Presences		Presences		Presences		Presences	
	Physical	Video-conference	Physical	Video-conference	Physical	Video-conference	Physical	Video-conference
Andreas Michaelides *	1/14	13/14	-	12/12	-	-	-	7/7
Michael Colakides **	1/2	1/2	-	-	-	-	-	1/1
Konstantinos Koutentakis	1/14	12/14	-	-	-	-	-	-
Nicholas. Mavrogenis	1/15	14/15	-	-	-	-	-	-
Constantinos Papadopoulos	5/21	16/21	-	13/13	-	11/11	-	-
Lenia Georgiadou	1/14	13/14	-	-	-	11/11	-	8/8
Mari Agrotou Iacovidou	-	15/15	-	-	-	11/11	-	1/1

Militsa Drakou**	1/15	14/15	-	13/13	-	-	-	-
Ekaterini Marmara	1/15	14/15	1/1	-	-	-	-	7/7
Total number of meetings	***15***		***13***		***11***		***8***	

* Resigned on 3 November 2021
** Appointed on 3 November 2021

Taking into account, the emergency measures announced by the Government in March 2020 in order to prevent the spread of Covid-19, the CBC, with a letter dated 27th of April 2020 to the Banking Institutions, informed them that the provisions of paragraph 7(2) (e) of the CBC Governance Directive are temporarily suspended and therefore during the Board of Directors and its Committees' meetings, all members can participate via videoconference.

2.4 Approval and review of the Bank's Policies, Plans and Strategies

The drafting of the document on the Policy on the Suitability of the Members of the Board and the individuals who possess Key Positions and the suitability and introductory training and education of the Members of the Board is considered to have significantly strengthened the Bank's internal procedures in relation to corporate governance. The aforementioned Policy was adapted to meet the requirements of the new Directive of the CBC for the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions, based on the relevant Directives and procedures of the Bank and the Group, and the relevant guidance of the European Banking Authority.

During 2021 and until the date of issue of this Report, taking into account the provisions of the Directive on Internal Governance of Credit Institutions and in order in order to comply with the relevant Regulatory Framework, the Board of Directors has reviewed and/or examined and/or amended and/or issued and/or approved, among other documents, the following:

- Business Plan 2021-2023.
- IT Strategy 2021-2023.
- NPE Strategy Explanatory Note which reflects the individual components of the Arrears Strategy for the three years starting 2021 and ending 2023
- Corporate Governance Code
- Assessment of the collective suitability of the Members of the Board
- Policy on the succession of the Members of the Board, the Senior Management Positions and the individuals holding Key Positions – Succession Plan (Revised)
- Policy of the Board relating to the content, format and frequency of reports received from Audit Departments and the Senior Managing Personnel (Revised)
- Annual report on the three-year assessment of the composition, effectiveness and efficiency of the Board and its Committees.
- ICAAP & ILAAP Stress-Testing Assumptions.
- Annual report of Internal Capital Adequacy and Assessment Process.
- Annual report of Internal Liquidity Adequacy and Assessment Process.
- Revision of the Risk Appetite Framework
- Budget 2021.
- Revision of Bank's policies - compliance with MiFiD II
- Policy on the Suitability of the Members of the Board and the individuals holding key positions and introductory training and education and diversity of the Members of the Board.
- Contingency Funding Plan (revised)
- Methodology on the Evaluation of the Board (revised)
- Commissioning Officer Report
- Report of the Data Protection Officer for the year 2020
- Recovery plan (revised)
- Annual Audit Plan 2022
- Pillar 3 disclosures

- The Bank's deliverables in relation to the realization of the requirements MREL (Minimum Requirements of Own Funds and Eligible Liabilities).
- NPE Plan 2020-2022.
- Bank's Terms of Reference/Operations Rules and Organogram.
- Policy on Conflicts of Interest (revised)
- Policy on the management of Interest Rate Risk in the Banking Book (IRRBB).
- Market Risk Management Policy.
- Annual Reports of the Heads of Audit departments.
- Bank Policy – Staff briefing on the Bank's strategies (revised)
- Bank Policy – Business Objectives and Strategies (revised)
- Audit report: ICAAP - ILAAP
- DAC 6 Implementation Policy
- Country Risk Policy, Collateral Risk Policy, Loan Default Classification Policy, Loan Impairment Policy, International Network Wholesale Banking Policy, AML Policy and Procedures manual
- Recognition and Derecognition of Financial Assets Policy (revised)
- Interest Income Recognition on Financial instruments Policy (revised)

2.5 Board Performance Evaluation

The Board of Directors approved the appropriate methodology and procedure on the evaluation of the performance of the Board as a body, its Committees and individual Members of the Board at least on an annual basis. The Board of Directors maintains a process through which the Non-Executive Board Members assess themselves, their individual skills, knowledge and experience and whether further professional development will help to advance their expertise and fulfill their obligations.

During the first quarter of 2021, the third consecutive three-year assessment by an independent external advisor, was assigned to be carried out by PricewaterhouseCoopers («PWC»), regarding the composition, efficiency and productivity of the Board of Directors and its Committees, complying with the relative requirements of the CBC's Corporate Governance Directive.

In particular, the Board of Directors was made aware of the Report on the results of the aforementioned assessment containing the findings of PwC during a meeting held on 31 March 2021. Subsequently, the specific Report was submitted to CBC on the same date.

The key points for further improvement as per the Report related to:

- The development of a properly structured and targeted education program that meets the needs of the Board members' training, the Bank's strategic priorities and a wider range of local banking issues.
- The appointment of a Vice-Chairman to the Board of Directors.
- The timely submission of the Board of Directors and its Committees meetings minutes. The relevant improvement on the issue observed during 2020 was noted, but there is need for further improvement.
- The collective knowledge of the Members of the Board on matters relating to Technology and data security.
- The term of office of the Chairman of the Board of Directors expired in July 2020, however, he continues to serve in this position due to the fact that the Bank has not received the approval of the CBC on his replacement yet. It was noted that the relevant actions pertaining to his replacement should have been performed earlier and in a timely manner before the expiration of his term of office.

An Action Plan was formulated to tackle all the findings of the Report and its implementation is being monitored.

More specifically, up to the date of the current Report the following corrective actions relating to the findings of the Report of PwC were carried out:

- Appointment of Mr. C. Papadopoulos as Vice-Chairman of the Board of Directors.
- Appointment of Mr. Michael Colakides as Chairman of the Board of Directors on 3 November 2021 and the resignation of Mr. Michaelides from the aforementioned position on the same date.
- The appointment of a ninth Member of the Board, Mr. Neophytos Karamanos who is an IT expert. The completion of the appointment is pending the approval of the GCB.

3. External Auditors

During 2021, Deloitte was appointed as the Bank's independent external auditor, for the fifth consecutive year. At the Audit Committee's meeting with the external auditors on the 28th of September 2021, Deloitte reaffirmed its objectivity and independence, as required by the regulatory framework, when it comes to expressing their opinion regarding the financial statements of 2021. The external auditors noted that the members of the audit team are fully independent from the Bank.

4. Internal Audit System

The Board of Directors confirms that during 2021 the Bank was maintaining an adequate and effective internal control system, according to the Bank's Corporate Governance Code and the relative Regulatory Framework.

In 2020, the three-year assessment, assessing the adequacy of the internal control system and its compliance with the regulatory requirements of the CBC's Corporate Governance Directive, was assigned and carried out by an external auditor other than the Bank's statutory external auditor, PWC, who has the necessary know-how to carry out the required evaluation.

The assessment of 2020 identified 37 findings which related to eight areas of internal control of the Bank. The most significant finding related to the strengthening of the monitoring and management of information technology projects in order to secure their timely implementation. The Bank is collaborating with an external partner in order to take the necessary actions to resolve this issue.

The Audit Committee of the Board of Directors was informed at regular time intervals (i.e., during the February, August and November 2021 meetings) of progress in implementing the recommendations of the above evaluation. In particular, during the latest update on 2 November 2021, the Board of Directors was informed that the relevant actions had been completed for 29 of the 37 overall recommendations. The outstanding recommendations concerned three unmature recommendations and five delayed, of which one high importance. The finding of high importance related to the strengthening of the framework for monitoring and managing IT projects to ensure their timely implementation. Actions are being taken to procure and install an appropriate tool.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

As at 31 December 2021 and 31 December 2020, the percentage of shareholders with direct or indirect stake of more than 5% of the issued share capital of the Bank were as follows:

	31 December 2021	31 December 2020
	%	%
Alpha Services and Holdings S.A.	100	100

BOARD OF DIRECTORS' INTERESTS IN THE BANK'S SHARE CAPITAL

The direct or indirect shareholding in the Bank held by members of the Board of Directors is described in note 42 of the financial statements.

RELATED PARTY TRANSACTIONS

Transactions with related parties are described in note 43 of the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the reporting period are described in note 45 of the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Bank, Deloitte Ltd, have expressed their willingness to continue in office. A resolution authorising the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,

N. Alkiviades
Secretary

Nicosia, 31 March 2022

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This is a translated version of the Independent Auditors' report of the Greek consolidated financial statements of Alpha Bank Cyprus Limited for the year ended 31 December 2021, as issued on 31 March 2022.

Independent Auditor's Report

To the Members of Alpha Bank Cyprus Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alpha Bank Cyprus Limited (the "Bank") and its subsidiaries (together with the Bank, the "Group"), which are presented in pages 37 to 274 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (cont.)

Key audit matters	How our audit addressed the key audit matters
Allowance for loans and advances to customers	
Loans and advances to customers at amortized cost of the Group amounted to €1.059 million at 31 December 2021, (€1.499 million at 31 December 2020), while accumulated impairment losses amounted to €12 million for the year ended 31 December 2021, (€154 million at 31 December 2020). The movement of accumulated impairment losses is presented in Note 18 of the consolidated financial statements. The Group establishes an allowance for expected credit losses on loans and advances to customers (accumulated impairment losses) on both an individual and on a collective basis. The estimation of expected credit losses on loans and advances to customers is considered a key audit matter given the magnitude of the specific account balance, as well as the high degree of judgement exercised by Management and the existence of estimates with a significant level of subjectivity and complexity. The degree of subjectivity and complexity was considerably high in the current year due to the economic implications associated with Covid-19 pandemic. The most significant Management judgements and estimates, include: • The criteria used for the staging assessment of loans. • Accounting standards interpretations, assumptions and input data used in the expected credit loss models, including the assumptions relating to the estimation of probability of default, loss given default and exposure at default.	Based on our risk assessment and following a risk-based approach, we performed, inter alia, the following audit procedures: • We assessed the appropriateness of the methodologies, interpretations and policies adopted by Management in relation to the determination of the expected credit losses on loans and advances to customers in accordance with IFRS 9 "Financial Instruments". • We assessed the design and implementation of internal controls relevant to expected credit losses, including internal controls over methodologies, significant judgements and estimates applied by Management. We also assessed the internal controls relating to the data accuracy and completeness, model calculations and the staging classification of loans. In addition, we assessed internal controls over the valuation of collaterals. Where deemed appropriate, we involved our credit risk and information technology specialists in performing our procedures. • We assessed the design, implementation and operating effectiveness of internal controls relevant to the measurement of the expected credit losses of credit impaired loans that have been individually assessed for impairment, including internal controls relevant to the appropriateness of the assessment approach and the assumptions for the estimation of the future cash inflows.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (cont.)

Key audit matters	How our audit addressed the Key audit matters
Allowance for loans and advances to customers (continued)	
• The assumptions for the determination of expected future cash flows of individually assessed credit impaired exposures, including the selection of the assessment method, valuation and timing of realisation of collaterals, particularly in the context of the uncertainty caused by the Covid-19 pandemic. • The parameters and the assumptions used in the determination of the macroeconomic scenarios and the probability weights applied in each of them. Management provides further information relating to the above in Notes 1.6.3, 10, 18 and 38 of the consolidated financial statements.	• With the support of our internal credit risk specialists, we developed an independent estimate of the allowance for impairment on loans and advances to customers, who, based on the Group's methodology, are collectively assessed for impairment, and compared our estimate with the results of the collective impairment assessment of the Group. Our independent estimate included the estimation of probability of default, loss given default and exposure at default. For the specialised lending portfolios (syndicated and shipping loans), with the support of our internal specialists, we assessed the modelling methodology and the appropriateness of the assumptions relating to probability of default, loss given default and exposure at default. • We assessed the reasonableness and appropriateness of the macroeconomic variables used in the models, the scenarios and the related probability weights applied. • On a sample basis, we assessed the reasonableness of significant assumptions used in the measurement of impairment of individually assessed exposures, including valuation of collaterals as well as assumptions used for estimating future discounted cash flows, taking into consideration the impact of Covid-19 pandemic on cash flows.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (cont.)

Key audit matters	How our audit addressed the Key audit matters
Allowance for loans and advances to customers (continued)	
	• With the support of our internal real estate valuation specialists, we assessed on a sample basis the appropriateness of the assumptions and data used in the valuation of collateralised properties. • We assessed the appropriateness of the criteria and significant assumptions used by the Management for the staging classification of loans and advances to customers in accordance with IFRS 9. Our audit work included the assessment of the criteria set by Management for the timely recognition of significant increase in credit risk and unlikeness-to pay. We obtained the appropriate evidence and assessed, on a sample basis, the timely identification of exposures with significant increase in credit risk and the timely identification of credit impaired exposures. • We assessed the completeness and accuracy of the disclosures in accordance with the relevant accounting standards and the regulatory expectations. The above procedures were completed in a satisfactory manner.

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (cont.)

Key audit matters	How our audit addressed the Key audit matters
Assets held for sale	
On 31 December 2021, the Bank classified a portfolio of non-performing loans as assets held for sale. The aforementioned assets, which fall under the parent company's, Alpha International Holdings Single Member S.A. sale of assets program, identified as Sky Project, were recognised at a total accounting value of €134 million on 31 December 2021. The aforementioned portfolio was sold to a Company of the Alpha Bank S.A. Group during 2022 as an intermediate stage prior to its final sale to an investor at its fair value of €134 million. The fair value was determined by discounting estimated future cash flows using a market discount rate as determined by the management taking into account expected returns from investors. The Management confirmed the determined fair value by taking into account the final binding offer from the preferred investor to whom the Alpha Bank S.A. Group will sell this portfolio under the Sky Project. The above is considered a key audit matter because of the size of the transaction and the complexity, both in the accounting treatment and in the determination of the recognition value in the balance sheet. The determination of fair value requires significant Management judgment in defining the discount rate and the assumptions on which the estimates of future cash flows were based. These assumptions which are based on historical trends and future expectations, are by their very nature highly subjective.	Based on the assessment of audit risks and following a risk-based approach, we carried out, among others, the following audit procedures, using, where necessary, internal experts: • We assessed, on the basis of the relevant decisions and actions of Management, the appropriateness of recognising the aforementioned assets as assets held for sale and the accounting treatment applied as at 31 December 2021. • We assessed, with the support of our internal IFRS experts, the accounting treatment of the transaction. • We assessed the methodology for computing the fair value of these assets as determined by the management. We also assessed the business assumptions and parameters used. • We evaluated on a sample basis the cash flows used to calculate the fair value of the loans. • We compared the total value at which these assets were recognised with the final binding offer made by the preferred investor, in the context of the Sky project. • We assessed the completeness and accuracy of the relevant disclosures in accordance with international financial reporting standards.
Management provides further information relating to the above in Notes 10, 25 and 45 of the consolidated financial statements.	The above procedures were completed in a satisfactory manner.

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (cont.)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the Key audit matters</th></tr>
<tr><td colspan="2">General Information Technology System Controls relating to financial reporting</td></tr>
<tr><td>The Group's financial reporting processed are highly dependent on information Technology ("IT") systems supporting automated accounting and reconciliation procedures, thus leading to a complex IT environment, pervasive in nature in which a significant number of transactions are processed daily, across numerous locations.

This is a key audit matter since it is important that controls over access security, system change control and data centre and network operations, are designed and operate effectively to ensure complete and accurate financial records/information.</td><td>Based on our risk assessment, we have tested the design and operating effectiveness of General Information Technology Controls (GITCs) relevant to the financial reporting. Our assessment included the evaluation of access rights over applications, operating systems and databases, the process followed over changes made to information systems, as well as data center and network operations. Where deemed appropriate, we involved our information technology specialists in performing our procedures.

In summary, our key audit procedures included, among others, testing of:
• User access provisioning and de-provisioning process
• Privileged access to application, operating systems and databases
• Periodic review of user access rights process
• Change management process over applications, operating systems and databases (i.e. user request, user acceptance testing and final approval for promotion to production)
• Data centre and network operations, including the creation and monitoring of security back-ups.

The above procedures were completed in a satisfactory manner.</td></tr>
</table>

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Reporting on other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont.)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be though to bear on our independence, and where applicable, actions taken to eliminate threads or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters.

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of Independent Auditor and Duration of appointment

We were first appointed as auditors of the Group for the year 2017 on 26 May 2017 by the Annual General Meeting after the submission of related suggestion by the Board of Directors of the Group. We were reappointed as auditors for the year 2021 in the General Meeting of the shareholders of the Group on 30 June 2021. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of five years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 30 March 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-Audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the Management Report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

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

Deloitte.

Independent Auditor's Report (cont.)

To the Members of Alpha Bank Cyprus Limited (cont.)

Other Matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Agathocleous.

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Alexis Agathocleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Limassol, 31 March 2022

Consolidated Statement of Comprehensive Income

	Note	From 1 January to 31.12.2021 €'000	31.12.2020 €'000
Interest and similar income		48.179	55.592
Interest expense and similar charges		(2.545)	(3.728)
Net interest income	**2**	**45.634**	**51.864**
Fees and commission income		14.424	12.708
Commission expense		(1.684)	(1.416)
Net fee and commission income	**3**	**12.740**	**11.292**
Dividend income	4	701	448
Gains less losses on derecognition of financial assets measured at amortised cost	5	(1.873)	(370)
Gains less losses on financial transactions	6	1.060	2.240
Other income	7	7.783	7.946
Total other income		**7.671**	**10.264**
Total income		**66.045**	**73.420**
Staff costs	8	(27.063)	(35.551)
Compensation for the voluntary redundancy scheme	8	-	(26.214)
General administrative expenses	9a	(19.835)	(19.682)
Other expenses	9b	(1.956)	(2.727)
Depreciation and amortization	19-21	(4.297)	(3.855)
Total expenses before impairment losses and provisions to cover credit risk		**(53.151)**	**(88.029)**
Impairment losses and provisions to cover credit risk	10	(57.508)	(53.907)
Profit/ (Loss) before tax		(44.614)	(68.516)
Tax	12	(43)	(2.619)
Profit/ Loss after tax		**(44.657)**	**(71.135)**
Other comprehensive income recognised directly to equity:			
Items that will not be reclassified subsequently to the Income Statement			
Gains/(losses) from shares measured at fair value through other comprehensive income		369	10
Items that may be reclassified subsequently to the Income Statement			
Net change in securities reserves measured at fair value through other comprehensive income	33	(3.790)	896
Total of other comprehensive income recognized directly in equity		(3.421)	906
Total comprehensive income for the year attributable to equity owners of the bank		(48.078)	(70.229)
Basic and diluted earnings/(losses) per share (€ cents)	13	(21,0)	(33,5)

The notes on pages 41 to 274 form an integral part of these Financial Statements.
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Consolidated Balance Sheet

	Note	31.12.2021 €΄000	31.12.2020 €΄000
ASSETS			
Cash and balances with central banks	14	1.064.833	271.846
Due from banks	15	228.631	159.254
Derivative financial assets	17	74	467
Loans and advances to customers	18	1.063.374	1.361.345
Investment securities	16		
- measured at fair value through other comprehensive income	16a	353.777	432.823
- measured at amortised cost	16b	178.028	3.949
- measured at fair value through profit or loss	16c	4.389	175.612
Investment property	19	11.210	17.178
Property, plant and equipment	20	24.626	27.600
Intangible assets	21	2.576	2.170
Deferred tax assets	22	6.849	6.237
Repossessed assets	23	5.251	24.500
Other assets	24	11.896	12.208
		2.955.514	2.495.189
Non-current assets held for sale	25	153.163	2.881
Total assets		3.108.677	2.498.070
LIABILITIES			
Due to banks	26	464.212	61.918
Derivative financial liabilities	17	557	195
Due to customers	27	2.284.902	2.102.301
Subordinated bonds	28	90.074	5.276
Other liabilities	29a	40.093	49.733
Provisions	29b	3.861	5.572
		2.883.699	2.224.995
Liabilities related to non-current assets held for sale	25	11	30
Total liabilities		2.883.710	2.225.025
EQUITY			
Funds and reserves attributable to the shareholders of the Bank			
Share capital	30	180.694	180.694
Share premium	32	102.661	102.661
Reserves	33	4.970	8.760
Retained earnings	34	(127.358)	(83.070)
Convertible capital securities	31	64.000	64.000
Total equity		224.967	273.045
Total liabilities and equity		3.108.677	2.498.070

The financial statements were approved and authorized for issue by the Board of Directors on 31 March 2022.

M.H.Colakides	K. D. Koutentakis	Y.Tofarides
Chairman	Managing Director	Head of Financial Services Division

* The notes on pages 41 to 274 form an integral part of these Financial Statements.
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Consolidated Statement of Changes in Equity

	Share capital (note 30) €΄000	Share premium (note 32)[1] €΄000	Reserves (note 33) €΄000	Retained earnings (note 34)[2] €΄000	Convertible capital securities (note 31) €΄000	Total equity €΄000
Balance 1.1.2021	**180.694**	**102.661**	**8.760**	**(83.070)**	**64.000**	**273.045**
Changes for the period 1.1 – 31.12.2021						
Profit for the year, after tax	-	-	-	(44.657)	-	(44.657)
Other comprehensive income recognized directly in equity	-	-	(3.790)	369	-	(3.421)
Total comprehensive income for the period, after tax	**-**	**-**	**(3.790)**	**(44.288)**	**-**	**(48.078)**
Contribution from the parent company[2]	-	-	-	-	-	-
31 December 2021	**180.694**	**102.661**	**4.970**	**(127.358)**	**64.000**	**224.967**
Balance 1.1.2020	**180.694**	**102.661**	**7.864**	**(38.684)**	**64.000**	**316.535**
Changes for the period 1.1 – 31.12.2020						
Profit for the year, after tax	-	-	-	(71.135)	-	(71.135)
Other comprehensive income recognized directly in equity	-	-	896	10	-	906
Total comprehensive income for the period, after tax	**-**	**-**	**896**	**(71.125)**	**-**	**(70.229)**
Contribution from the parent company[2]	-	-	-	26.739	-	26.739
31 December 2020	**180.694**	**102.661**	**8.760**	**(83.070)**	**64.000**	**273.045**

1. The share premium is not available for distribution as a dividend.
2. Relevant description is stated in Note 18 and Note 34.

Consolidated Statement of Cash Flows

	Note	From 1 January to 31.12.2021 €´000	31.12.2020 €´000
Cash flow from operating activities			
Profit/(Loss) before tax		(44.614)	(68.516)
Adjustment for gain/(losses) before tax:			
(Gains) / losses from reclassification of securities with variable yield		-	(486)
Depreciation of property, plant and equipment	20	2.696	2.834
Losses from write-off of real estate property	9	-	72
Amortization of intangible assets	21	1.424	936
(Gains) / losses from disposal of property, plant and equipment	7	(69)	(221)
(Gains) / losses from disposal of financial assets	6	226	(82)
Impairment losses on stock of property	9	1.205	1.555
Impairment losses on investment property	9	751	550
(Gains) / losses from derecognition of financial assets	5	1.873	370
(Gains) / losses from modification of the contractual terms of loans and advances to customers	10	1.006	4.582
Dividends received	4	(701)	(448)
Interest payable of subordinated loans	28	154	576
Impairment losses and provisions to cover credit risk	10	62.617	52.867
Provision for off balance sheet assets	10	(1.711)	1.139
		24.857	**(4.272)**
Net (increase) / decrease in assets:			
Cash and balances with central banks		(830)	701
Loans and advances to customers		235.354	77.332
Derivative financial assets		393	23
Other assets		(122.725)	(9.075)
Net increase / (decrease) in liabilities:			
Due to banks		280.033	33.615
Derivative financial liabilities		362	(904)
Due to customers		182.601	(67.185)
Other liabilities		(25.770)	11.611
Net cash flows from continuing operations before taxes		**574.275**	**41.846**
Tax paid		(43)	-
Net cash flows from continuing operations		**574.232**	**41.846**
Net cash flows from investing activities:			
Investments in property		6.719	1.327
Purchase of investment securities available for sale		(261.386)	(375.961)
Disposal of investment securities available for sale		337.576	215.120
Acquisition of property, plant and equipment	20	(233)	(1.615)
Disposal of property, plant and equipment		-	244
Acquisition of intangible assets	21	(1.830)	(1.491)
Dividends received	4	701	448
Net cash flows from investing activities		**81.547**	**(161.928)**
Net cash flows from financing activities:			
Contribution to capital from the parent company		-	26.739
Issuance of bonds		90.000	
Lease payments	29	(1.150)	(1.563)
Repayments on subordinated loans	28	(5.356)	(5.451)
Net cash flows from financing activities		**83.494**	**19.725**
Net increase/(decrease) in cash and cash equivalents		739.273	(100.357)
Cash and cash equivalents at the beginning of the year	36	381.609	481.966
Cash and cash equivalents at the end of the year	36	1.120.882	381.609

The notes on pages 41 to 274 form an integral part of these financial statements.
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GENERAL INFORMATION

Incorporation and principal activity

Alpha Bank Cyprus Limited (the “Bank”) was registered in Cyprus in 1960 as a limited liability company in accordance with the requirements of the Cyprus Companies Law, Cap.113. On 13 September 2000, the Bank converted its status to a Public Liability Company according to the Companies Law, Cap. 113. On 21 January 2003, the Bank was converted from public to a private company according to the Companies Law, Cap. 113.

On 27 December 2006, the Bank was renamed from Alpha Bank Limited to Alpha Bank Cyprus Limited in accordance with the requirements of the Cyprus Company Law, Cap. 113. The trade name continues to be “Alpha Bank”.

Alpha Bank Cyprus Group (the “Group”) consists of the Bank and its subsidiaries.

Alpha Bank Cyprus Limited is 100% subsidiary of Alpha International Holdings Single Member S.A. with Alpha Bank S.A. being the ultimate beneficial owner.

On 16 April 2021, the ultimate parent company Alpha Bank (“split”) split its core banking activities into a new company — a credit institution called “ALPHA BANK SA” (“the beneficiary” or ALPHA BANK). The ultimate parent company, which now holds the shares of “ALPHA BANK SA” (“the beneficiary”), has retained activities, assets and liabilities not related to the core banking activities and has been renamed to “ALPHA SERVICES AND HOLDINGS SA”.

The principal activity of the Bank is to provide full banking services through a wide range of banking and financial services.

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ACCOUNTING POLICIES APPLIED

1.1 Basis of presentation

These financial statements for the year 1.1 - 31.12.2021 have been prepared:

a) in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, in accordance with Regulation 1606/2002 of the European Parliament and the Council of the European Union on 19 July 2002 and

b) on the historical cost basis except for the following assets and liabilities which were measured at fair value:

- Derivative financial instruments
- Investment securities measured at fair value through other comprehensive income
- Investment securities measured at fair value through profit or loss
- Loans and advances to customers measured at fair value through profit or loss

The financial statements are presented in Euro, rounded to the nearest thousand, unless otherwise indicated.

The estimates and judgments applied by the Group in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

The estimates and assumptions are reviewed on an ongoing basis to take into account current conditions, and the effect of any revisions is recognized in the period in which the estimate is revised.

Furthermore, the financial statements have been prepared in accordance with the requirements of the Companies Law, Chapter 113.

The accounting policies applied by the Group for the preparation of the annual financial statements are in line with those described in the published financial statements for the year ended 31.12.2020, after taking into account the amendments to standards which were issued by the International Accounting Standards Board (IASB), adopted by the European Union and applied on 1.1.2021:

Adoption of new standards and amendments to existing standards

The amendments to standards implemented from 1.1.2021 are listed below:

- **Amendment to International Financial Reporting Standard 4 “Insurance Contracts”: Extension to the temporary exemption from the application of IFRS 9 (Regulation 2020/2097/15.12.2020)**

On 25.6.2020 the International Accounting Standards Board issued an amendment to IFRS 4 extending the temporary exemption from the application of IFRS 9 by two years. In this context, the companies that have made use of the temporary exemption from the application of the IFRS 9 should apply this standard no later than 1.1.2023.

The above amendment does not apply to the Group's financial statements.

- **Amendment of International Financial Reporting Standard 9 "Financial Instruments" of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement", of International Financial Reporting Standard 7 "Financial Instruments: Disclosures", of International Financial Reporting Standard 4: "Financial Insurance Contracts" and of the International Financial Reporting Standard 16 "Leases": Reform of reference interest rates – 2nd phase (Regulation 2021/25/13.1.2021)**

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

On 27.8.2020 the International Accounting Standards Board amended the IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of the 2nd phase of the project to address issues arising from the reform of interest rates, including the replacement of a reference rate by an alternative rate. The basic freedoms (or exemptions from the application of the accounting provisions of the individual standards) provided by these amendments concern the following:
- Changes in contractual cash flows: When changing the basis for calculating the cash flows of financial assets and liabilities (including liabilities from leases), the changes required by the interest rate reform will not result in the recognition of a gain or loss in the statement results but the recalculation of the interest rate. The above also applies to insurance companies that make use of the temporary exemption from the application of the Tax Code 9.
- Hedge Accounting: Under the amending provisions changes to the hedge documentation resulting from the interest rate reform will not result in the termination of the hedging relationship or the initiation of a new relationship provided they relate to changes permitted by the 2nd phase of the amendments. These amendments include the redefinition of hedged risk to refer to a zero-risk rate and the redefinition of the hedged item(s) to reflect the zero-risk rate. However, any additional inefficiency should be recognized in the results.

The above amendment is not expected to have an impact on the Group's financial statements.

‣ **Amendment of International Financial Reporting Standard 16 "Leases": Reductions of rents due to Covid-19 beyond 30 June 2021 (Regulation 2021/1421/30.8.2021)**

On 31.3.2021, the International Accounting Standards Board issued an amendment to the IFRS 16 according to which the possibility of choosing an exception (practical expedient) from the evaluation of whether changes in rent payments constitute a modification of the lease was extended by one year. This possibility was given by the modification of the standard on 28.5.2020.

The adoption of the above amendment had no impact on the Group's financial statements.

In addition to the standards mentioned above, the European Union has adopted IFRS 17 and the amendments below, the application of which is mandatory for fiscal years starting after 1.1.2021 and have not been early adopted by the Group.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment of International Financial Reporting Standard 3 "Business Combinations": References to the Conceptual Framework of International Financial Reporting Standards (Regulation 2021/1080/28.6.2021)**
Valid for financial reporting periods starting from 1.1.2022

On 14.5.2020 the International Accounting Standards Board amended IFRS 3 regarding the references to the Conceptual Framework of the International Financial Reporting Standards. Particularly:
- modified the template to refer to the latest version of the Conceptual Framework,
- added that for transactions that fall within the scope of IAS 37 or Interpretation 21, the acquirer should recognize the obligations it undertakes based on IAS 37 or Interpretation 21 and not on the basis of the Conceptual Framework,
- clarified that the acquirer must not recognize the contingent claims it acquires in the context of the merger.

The above amendment is not expected to have an impact on the Group's financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ International Financial Reporting Standard 17 "Insurance Contracts" and Amendment of International Financial Reporting Standard 17 "Insurance Contracts" (Regulation 2021/2036/19.11.2021)
Valid for financial reporting periods starting from 1.1.2023

On 18.5.2017 the International Accounting Standards Board issued the IFRS 17 which replaces the IFRS 4 "Insurance Contracts". Contrary to the IFRS 4, the new standard introduces a consistent valuation methodology for insurance contracts. The main principles of the IFRS 17 are the following:

A company:

• defines as insurance contracts those contracts by which the economic entity accepts a significant insurance risk from another party (the counterparty) by agreeing to indemnify the counterparty if a certain uncertain future event adversely affects the counterparty,
• separates specific embedded derivatives, distinct investment elements and different performance obligations from insurance contracts,
• separates the contracts into groups that it will recognize and value,
• recognizes and values the groups of insurance policies based on:
i. a risk-adjusted present value of future cash flows (fulfillment cash flows) that incorporates all available information about the fulfillment cash flows in a manner consistent with observable market information, now (if that value is a liability) or minus (if that value is an asset)
ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
• recognizes profit from a group of insurance policies during the period in which the entity provides insurance coverage and as the entity is released from the risk. If a group of contracts is or becomes loss-making, the entity recognizes the loss immediately,
• presents separately the income from insurance operations, the expenses of insurance services and the income or expenses of financing the insurance and
• discloses information that allows users of the financial statements to assess the effect of contracts that fall within the scope of IFRS 17 in its financial position, financial performance and cash flows.

On 25.6.2020 the International Accounting Standards Board issued an amendment to the IFRS 17 in order to help companies apply the new standard and explain their financial performance. In addition, with the amendment, the date of its mandatory application was moved to 1.1.2023.

Finally, it is noted that based on the Regulation of the European Union which adopted the above standard, it is possible not to apply paragraph 22 of the standard, according to which an economic entity must not classify in the same group contracts whose issuance time exceeds one year, in the following cases:

a) groups of insurance contracts with direct participation characteristics and groups of investment policies with optional participation characteristics and with cash flows that affect or are affected by cash flows to counterparties of other policies,
b) groups of insurance contracts that are managed between generations of policies and that meet the conditions set out in Article 77b of Directive 2009/138/EC and for which the application of the matching adjustment has been approved by the supervisory authorities.

The IFRS 17 does not apply to the Group's financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment of International Accounting Standard 1 "Presentation of Financial Statements": Disclosure of accounting policies (Regulation 2022/357/2.3.2022)**
Valid for uses starting from 1.1.2023

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 1 with which it clarified that:

- The definition of accounting policies is provided by paragraph 5 of IAS 8.
- An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of financial statements make.
- Accounting policy information that relates to immaterial transactions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions even if the amounts are immaterial. However, not all accounting policy information relating to material transactions and other events is itself material.
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.
- Accounting policy information that focuses on how an entity has applied an accounting policy is more useful to users of financial statements than standardized information or information that only summarizes the requirements of IFRSs.
- If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Group is examining the impact form the adoption of the above amendment on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment to the International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of accounting estimates (Regulation 2022/357/2.3.2022)**
Effective for annual periods beginning on or after 1.1.2023

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 8 with which:

- Defined accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.
- Clarified that an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate. Developing accounting estimates involves the use of judgements and assumptions.
- An entity uses measurement techniques and inputs to develop an accounting estimate.
- An entity may need to change an accounting estimate. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error. A change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

The Group is examining the impact from the adoption of the above amendment on its financial statements.

‣ **Amendment to International Accounting Standard 16 "Property, plant and equipment": Proceeds before intended use (Regulation 2021/1080/28.6.2021)**
Effective for annual periods beginning on or after 1.1.2022

On 14.5.2020 the International Accounting Standards Board issued an amendment to IAS 16 which prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items and the cost of producing them must be recognized in profit or loss.

The Group is examining the impact form the adoption of the above amendment on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment to International Accounting Standard 37 “Liabilities, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Cost of fulfillling a contract (Regulation 2021/1080/28.6.2021)**

Effective for annual periods beginning on or after 1.1.2022

On 14.5.2020 the International Accounting Standards Board issued an amendment to IAS 37 in order to clarify that the cost of fulfillling a contract comprises the costs that relate directly to the contract. These costs are both the incremental costs of fulfillling a contract – for example direct labour and materials- and an allocation of other costs that relate directly to fulfillling a contract – for example the depreciation charge of an item of property plant and equipment used in fulfillling that contract.

The Group is examining the impact from the adoption of the above amendment on its financial statements.

‣ **Annual Improvements – cycle 2018-2020 (Regulation 2021/1080/28.6.2021)**
Effective for annual periods beginning on or after 1.1.2022

As part of the annual improvements project, the International Accounting Standards Board issued on 14.5.2020 non-urgent but necessary amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

The above amendments are not expected to have any impact on the financial statements of the Group.

In addition, the International Accounting Standards Board has issued the following standards and amendments to standards, which have not yet been adopted by the European Union and which have not been early adopted by the Group.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment to International Financial Reporting Standard 10 “Consolidated Financial Statements” and to International Accounting Standard 28 “Investments in Associates and Joint Ventures”: Sale or contribution of assets between an investor and its associate or joint venture. Effective date: To be determined.**

On 11.9.2014 the International Accounting Standards Board issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent (investor) loses control of a subsidiary, which does not constitute a business, as defined in IFRS 3, it shall recognise to profit or loss only the part of the gain or loss which is related to the unrelated investor’s interests in that associate or joint venture. The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognises the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor’s interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

In IAS 28, respectively, it was clarified that the partial recognition of the gains or losses shall be applied only when the involved assets do not constitute a business. Otherwise, the total of the gain or loss shall be recognised.

On 17.12.2015, the International Accounting Standards Board deferred the effective date for the application of the amendment that had been initially determined. The new effective date will be determined by the International Accounting Standards Board at a future date after taking into account the results of its project relating to the equity method.

‣ **International Financial Reporting Standard 14 “Regulatory deferral accounts”**
Effective for annual periods beginning on or after 1.1.2016

On 30.1.2014 the International Accounting Standards Board issued IFRS 14. The new standard, which is limited-scope, addresses the accounting treatment and the disclosures required for regulatory deferral accounts that are maintained in accordance with local legislation when an entity provides rate-regulated goods or services. The scope of this standard is limited to first-time adopters that recognized regulatory deferral accounts in their financial statements in accordance with their previous GAAP. IFRS 14 permits these entities to capitalize expenditure that non-rate-regulated entities would recognize as expense.

It is noted that European Union has decided not to launch the endorsement of this standard and to wait for the final standard.

The above standard does not apply to the financial statements of the Group.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣Amendment to International Financial reporting Standard 17: "Insurance Contracts": Initial Application of IFRS 17 and IFRS 9 – Comparative information
Effective for annual periods beginning on or after 1.1.2023

On 9.12.2021 the International Accounting Standards Board issued an amendment to IFRS 17 according to which entities are permitted on initial application of IFRS 17 to classify financial assets in the comparative period in a way that aligns with how the entity would classify them on IFRS 9 transition. The amendment specifies how this option is applied depending on whether the entity applies IFRS 9 for the first time at the same time as IFRS 17 or whether it has already applied it in a previous period.

The above amendment does not apply to the financial statements of the Group.

‣ Amendment to the International Accounting Standard 1 "Presentation of Financial Statements": Classification of liabilities as current or non-current
Effective for annual periods beginning on or after 1.1.2023

On 23.1.2020, the International Accounting Standards Board issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to
determine if the liability must be classified as current or non-current.
- Management expectations about events after the balance sheet date must not be taken into account.
- The amendments clarify the situations that are considered settlement of a liability.

On 15.7.2020 the International Accounting Standards Board extended effective date by one year taking into account the impact of Covid-19.

The Group is examining the impact from the adoption of the above amendment on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ Amendment to International Accounting Standard 12 “Income Taxes”: Deferred tax related to assets and liabilities arising from a single transaction
Effective for annual periods beginning on or after 1.1.2023

On 7.5.2021 the International Accounting Standards Board issued an amendment to IAS 12 with which it narrowed the scope of the recognition exception according to which, in specific circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendment clarifies that the exception no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group is examining the impact from the adoption of the above amendment on its financial statements.

1.2 Basis of consolidation

The consolidated financial statements include the parent company Alpha Bank Cyprus Ltd and its subsidiaries. The financial statements used to prepare the consolidated financial statements have been prepared as at 31.12.2021 and the accounting policies applied in their preparation, when necessary, were adjusted to ensure consistency with the Group accounting policies. Subsidiaries are the companies on which the Bank exercises control.

The Group takes into account the following factors, in assessing control:
i. power over the investee,
ii. exposure, or rights, to variable returns from its involvement with the investee, and
iii. the ability to use its power over the investee to affect the amount of the investor’s return.

1.3 Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses including income and expenses related to transactions involved with other segments of the Bank. The segments’ results for which discrete financial information is available are reviewed regularly by the Board of Directors of the Bank to take decisions about resources to be allocated to the segment and assess performance viability.

Detailed sectoral analysis is provided in note 37.

ACCOUNTING POLICIES APPLIED (cont.)

1.4 Transactions in foreign currency

The items included in the consolidated financial statements are presented in Euro, which is the functional currency and the currency of the parent company's country of incorporation.
Items included in the standalone financial statements of the subsidiary companies of the Group are measured at the functional currency which is the currency of the country of incorporation in which each company operates, or the currency used in the majority of the transactions held.
Transactions in foreign currencies are translated into the functional currency at the closing exchange rate at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Euro using the exchange rate on that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income.
Non-monetary assets and liabilities denominated in foreign currencies are translated into Euros using the currency rate at the date of their initial recognition.

1.5 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and of loans and advances to financial institutions and other securities, the maturity of which does not exceed three months from their acquisition date. For the cash flow statement this category excludes the mandatory placements with the Central Bank of Cyprus for liquidity purposes.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments

1.6.1 Classification and measurement of financial instrument

Initial recognition

The Group recognises financial assets or financial liabilities in its statement of financial position when it becomes a party to the terms of the contract.
At initial recognition the Group measures financial assets and liabilities at fair values. Financial instruments not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs and minus income or fees that are directly attributable to the acquisition or issue of the financial instrument.
Loans and advances and bonds are recognized in the Balance Sheet on settlement date.
For bonds that are measured at fair value, the change in fair value during the period between the trade date and the settlement date is recognized in profit or loss or in other comprehensive income based on the bond's classification category.

Subsequent measurement of financial assets

The Group classifies its financial assets as:
− Financial assets measured at amortised cost
− Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
− Equity instruments measured at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
− Financial assets measured at fair value through profit or loss.

For each of the above categories the following apply:

a) Financial assets measured at amortised cost

In this category are classified the financial assets that satisfy both of the following criteria:

- are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

The above category is measured at amortised cost using the effective interest method and is periodically assessed for expected credit losses, as it is further described in notes 1.6.3 and 1.6.4.

b) Financial assets measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

In this category are classified the financial assets that satisfy both of the following criteria:

- are held within a business model whose objective is a both to collect contractual cash flows and selling financial assets,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The above category is periodically assessed for expected credit losses, as it is further described in notes 1.6.3 and 1.6.4.

c) Equity instruments measured at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition.

In this category are classified equity instruments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination and that Group decides, at initial recognition, to measure at fair value through other comprehensive income. This decision is irrevocable. With the exception of dividends, which are directly recognized in profit or loss, all other gains and losses arising from those instruments are directly recognized in other comprehensive income and are not reclassified to profit or loss. For those equity instruments there is no impairment assessment.

d) Financial assets measured at fair value through profit or loss

Financial assets included in this category are:

i. those acquired principally for the purpose of selling in the near term to obtain short term profit (held for trading).

ii. those that do not meet the criteria to be classified into one of the above categories

iii. those the Group designated, at initial recognition, as at fair value through profit or loss. This classification option, which is irrevocable, is used when the designation eliminates an accounting mismatch which would otherwise arise from measuring financial assets and liabilities on a different basis (i.e., amortised cost) in relation to another financial asset or liability (i.e., derivatives which are measured at fair value through profit or loss).

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

As at the reporting date, the Group had not designated, at initial recognition, any financial assets as at fair value through profit or loss.

Business Model assessment

The business model reflects how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, business model does not depend on management's intentions for an individual instrument, but it is determined on a higher level of aggregation.

The business models of the Group are determined by the Asset Liability Committee (ALCO) or the Executive Committee (ExCo) which decide on the determination of the business model both for the loans and advances to customers and the securities portfolio. In this context:

- Loans and advances to customers and due from banks are included in the business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect)
- For bonds and in general for fixed income investments, the Group has identified the following business models:
  - Business model whose objective is to hold financial instruments in order to collect their contractual cash flows (hold to collect)
  - Business model that aims both at collecting contractual cash flows and selling (hold to collect and sell)
  - Trading portfolio.

The determination of the above business models has been based on:

a) The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group key management personnel.
b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, specifically, the way those risks are managed.
c) The way the managers are evaluated (e.g., whether the evaluation is based on the fair value of the assets managed or the contractual cash flows collected).
d) Past and expected frequency and value of sales from the portfolio.

The Group, at each reporting date, reassesses its business models in order to confirm that there has been no change compared to the prior period or application of a new business model.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

In the context of the reassessment of the hold to collect business model past sales as well as expected future sales are taken into account. In this assessment, the following cases of sales are considered consistent with a hold to collect business model:

a) Sales of non-performing loans due to the credit deterioration of the debtor, excluding those sales of loans considered as credit impaired at origination.

b) Sales made close to the maturity of the financial assets so that the proceeds from the sales approximate the collection of the remaining contractual cash flows. In these cases, the Group defines as ‘close’, what is less than 5% of the total life of the instrument remaining at the time of sale.

c) Sales (excluding a and b) which are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). The Group has defined the following thresholds:

- Significance: Sales exceeding 5% the previous reporting period gross balance of the respective portfolio
- Frequency: Significant sale transactions occurring more than twice a year.

Solely Payments of Principal and Interest (SPPI) assessment of the contractual cash flows

For the purposes of applying the SPPI assessment:

- Principal is the fair value of the asset at initial recognition, which may change over the life of the financial asset (for example if there are repayments of principal).
- Interest is the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (i.e., liquidity risk) and costs, as well as a profit margin.

Contractual terms that introduce exposure to risks and volatility in the contractual cash flows that are not related to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

In this context, in assessing whether contractual cash flows are SPPI, the Group assesses whether the instrument contain contractual terms that change the timing or amount of contractual cash flows. More specifically, the following are taken into account:

- Leveraged payments
- Payments linked with the variability in exchange rates
- Conversion to equity terms
- Interest rates indexed to non-interest variables
- Prepayment or extension options
- Terms that limit the Group's claim to the cash flows from specified assets or based on which the Group has no contractual right to unpaid amounts
- Interest-free deferred payments
- Terms based on which the performance of the instruments is affected by equity or commodity prices

Especially in the case of financing of a special purpose vehicle, in order for the loan to meet the criterion that its cash flows are solely payments of principal and interest on the principal amount outstanding, among other, at least one of the following conditions should apply:

- At initial recognition, LTV (Loan to Value) shall not exceed the threshold of 80% or LLCR (Loan Life Coverage Ratio) shall be at least equal to the threshold of 1.25.
- The equity of the special purpose vehicle shall amount to at least 20% of its total assets
- There are sufficient collaterals that are not related to the asset being funded.

In addition, in determining whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, it is assessed whether time value of money element has been modified. Time value of money is the element of interest that provides consideration for only the passage of time. That is, the time value of money element does not provide consideration for other risks or costs associated with holding the financial asset. However, in some cases, the time value of money element may be modified. That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate or if a financial asset's interest rate is periodically reset to an average of particular short- and long-term interest rates. In such cases, the Group assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The objective of the assessment is to determine how different the contractual (undiscounted) cash flows could be from the (undiscounted) cash flows that would arise if the time value of money element was not modified (benchmark test). The effect of the modified time value of money element must be considered in each reporting period and cumulatively over the life of the instrument. If the Group concludes that the contractual (undiscounted) cash flows could be significantly different from the (undiscounted) benchmark cash flows, the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. According to the policy set by the Group, the above assessment test does not result in significant different contractual cash flows when the cumulative difference over the life of the instrument does not exceed 10% and at the same time the number of individual cash flows with a difference of more than 10% do not exceed 5% of total reporting periods of the asset until maturity.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

Reclassification of financial assets

Reclassifications of financial assets between measurement categories occur when, and only when, the Group changes its business model for managing the assets. In this case the reclassification is applied prospectively. Changes in the business model of the Group are expected to be rare. They arise from decisions of the Asset Liability Committee (ALCO) or the Executive Committee (ExCo) as a result of external or internal changes which must be significant to the entity's operations and demonstrable to external parties.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in profit or loss. The same happens if the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, however in this case the difference between the previous amortised cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. However, the loss allowance would be derecognized (and thus would no longer be recognized as an adjustment to the gross carrying amount) but instead would be recognized as an accumulated impairment amount in other comprehensive income.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount. At this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value. As in the above case, at this date, the effective interest rate of the asset is calculated while the date of the reclassification is treated as the date of initial recognition for impairment calculation purposes.

If a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the asset is reclassified at its fair value at the measurement date. However, the cumulative gain or loss previously recognized in other comprehensive income is reversed and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This reversal affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment under IAS 1.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

The effective interest rate and the calculation of expected credit losses are not affected. However, the loss allowance is recognized as an adjustment to the gross carrying amount of the financial asset from the reclassification date.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS 1) at the reclassification date.

Derecognition of financial assets

The Group derecognizes financial assets when:

- the contractual rights to the assets cash flows expire,
- the contractual right to receive the cash flows of the financial assets are transferred and at the same time all the risks and rewards of ownership are substantially transferred,
- loans or investments in securities are no longer recoverable and consequently are written off,
- the contractual cash flows of the assets are significantly modified.

In the case of transactions where despite the transfer of the contractual right to receive the cash flows from financial assets both the risk and rewards remain with the Group, no derecognition of these financial assets occurs. The amount received by the transfer is recognized as a financial liability.

In the case of transactions, whereby the Group neither retains nor transfers risks and rewards of the financial assets, but retains control over them, the financial assets are recognized to the extent of the Group's continuing involvement. If the Group does not retain control of the assets, then they are derecognised, and in their position the Group recognizes, distinctively, the assets and liabilities which are created or retained during the transfer. No such transactions occurred upon balance sheet date. In case of a change in the contractual terms of a financial asset, the change is considered significant and therefore it results in the derecognition of the original financial asset and the recognition of a new one when one of the following criteria is met:

- Change of issuer/debtor
- Change in denomination currency
- Consolidation of different types of contracts
- Consolidation of contracts that do not entirely satisfy the criterion that cash flows are solely payments of principal and interest on the principal amount outstanding
- Addition or deletion of equity conversion terms
- Separation of a non-SPPI debt instrument into two or more new instruments so that the reason that leads to SPPI failure of the original instrument is not included in all of the new instruments.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

In case of derecognition due to significant modification, the difference between the carrying amount of the original asset and the fair value of the new asset is directly recognized in the Income Statement. Additionally, in case the original asset was measured at fair value through other comprehensive income, the cumulative gains or losses recognized in other comprehensive income are recycled to profit or loss. In contrast, if the change in contractual cash flows is not significant, the gross carrying amount of the asset is recalculated by discounting new contractual cash flows with the original effective interest rate and the difference compared to the current gross carrying amount is directly recognized in profit or loss. Fees related to the modification adjust the carrying amount of the asset and are amortised over the remaining term of the modified financial asset through the effective interest method

Subsequent measurement of financial liabilities

The Group classifies financial liabilities in the following categories for measurement purposes:

a) Financial liabilities measured at fair value through profit or loss

i. This category includes financial liabilities held for trading, that is:
- financial liabilities acquired or incurred principally with the intention of selling or repurchasing in the near term for short term profit, or
- derivatives not used for hedging purposes. Liabilities arising from either derivatives held for trading or derivatives used for hedging purposes are presented as “derivative financial liabilities” and are measured according to the principles set out in note 1.6.2.

ii. this category also includes financial liabilities which are designated by the Group as at fair value through profit or loss upon initial recognition, when:
- doing so results in more relevant information, because either:
  - it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
  - a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel; or
- the contract contains one or more embedded derivatives and the Group measures the compound financial instrument as a financial liability measured at fair value through profit or loss unless:

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

- the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that the separation of the embedded derivative(s) is prohibited

It is noted that in the above case, the amount of the change in fair value attributable to the Group's credit risk is recognized in other comprehensive income, unless this treatment would create or enlarge an accounting mismatch in profit or loss. Amounts recognized in other comprehensive income are never recycled to profit or loss.

At the reporting date of these financial statements, the Group had not chosen to include any financial liabilities in this category.

b) Financial liabilities carried at amortised cost

The liabilities classified in this category are measured at amortised cost using the effective interest method.

Liabilities to credit institutions and customers, debt securities issued by the Group and other loan liabilities are classified in this category.

c) Liabilities arising from financial guarantees and commitments to provide loans at a below market interest rate

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the agreed terms.

The financial guarantee contracts and the commitments to provide loans at a below market interest rate are initially recognized at fair value, and measured subsequently at the higher of:

• the amount of the provision determined during expected credit loss calculation,

• the amount initially recognised less cumulative amortization which is calculated based on the term of the instrument.

d) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

In the first case the liability should be equal to the amount received during the transfer while in the second case it should be measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

• The amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost or

• Equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

e) Contingent consideration recognized by an acquirer in a business combination.

Such contingent consideration is subsequently measured at fair value with changes recognized in profit or loss.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

Derecognition of financial liabilities

Financial liabilities (or part thereof) are derecognized when the contractual obligation is been discharged, cancelled or expires.

When a financial liability is exchanged for another liability with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new one. The same applies in cases of a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor). The terms are considered substantially different if the discounted present value of the cash flows under the new terms (including any fees paid net of any fees received), discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability.

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

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the amount are reported net on the balance sheet, only in cases when the Group has the legally enforceable right to offset recognized amounts and there is the intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

1.6.2 Derivative financial instruments

Derivatives are financial instruments that upon inception have a minimal or zero fair value that subsequently changes in accordance with a particular underlying instrument or indices defined in the contract (foreign exchange, interest rate, index or other variable).

All derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives are entered into for either hedging or trading purposes and they are measured at fair value irrespective of the purpose for which they have been transacted.

The Group uses derivatives such as currency and interest rate swaps and forward rate agreements to hedge market price risk arising from its operating and investing activities.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.2 Derivative financial instruments (cont.)

The fair value of foreign exchange and interest rate swaps is the estimated value that the Group would receive or pay for the termination of its foreign exchange rate swaps at the end of a reporting period taking into account the current creditworthiness of the contracting parties. The fair value of the forward rate agreements is the market price at the reporting period. Any adjustments at fair value are recognized in the comprehensive income. For derivatives, the Group does not apply hedge accounting.

1.6.3 Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee

The Group, at each reporting date, recognizes a loss allowance for expected credit losses on loans and advances to customers not measured at fair value through profit or loss as well as for off-balance sheet exposures (letters of guarantee, letters of credit, undrawn loan commitments).

The loss allowance for loans and off-balance sheet exposures is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

a) Default definition

The Group has adopted as default definition non-performing exposures (NPE), as defined in the EBA Guidelines (GL/2016/07), thus harmonizing the definition of default used for accounting purposes with the one used for regulatory purposes.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.3 Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee (cont.)

b) Classification of exposures into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:

- Stage 1: Stage 1 includes performing exposures that do not have significant increase in credit risk since initial recognition. Stage 1 also includes exposures for which credit risk has been improved and the exposure has been reclassified from Stages 2 or 3. In this stage, expected credit losses are recognized based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes performing exposures for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes exposures for which credit risk has been improved and the exposure has been reclassified from Stage 3. In this stage, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes non-performing/impaired exposures. In this stage, lifetime expected credit losses are recognized.

As an exception to the above, for purchased or originated credit impaired (POCI) exposures, lifetime expected credit losses are always recognized. Purchased or originated credit impaired exposures include:

- Exposures that at the time of acquisition meet the criteria to be classified as non-performing exposures.
- Exposures for which there has been a change in repayment terms, either due to financial difficulty or not, which resulted in derecognition and recognition of a new impaired asset (POCI). As long as the exposure before the derecognition has been impaired, it continues to maintain that designation on the new exposure, which is classified as POCI. However, especially for wholesale banking exposures, in case the newly recognized exposure is the result of a change of borrower whose creditworthiness is generally better than the previous one, based on a relevant evaluation by the competent Credit Committee, has no financial difficulty and at the same time has presented a viable business plan and no debt reduction has taken place, the exposure is not classified as POCI.

c) Significant increase in credit risk

In determining significant increase in credit risk of an exposure since initial recognition and the recognition of lifetime expected credit losses instead of 12 months expected credit losses, the Group assesses, at each reporting date, the risk of default compared to the risk of default at initial recognition for all its performing exposures including those with no delinquencies.

More details are provided in note 38.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.3 Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee (cont.)

The assessment of the significant increase in credit risk is based on the following:

- Quantitative Indicators: refers to the quantitative information used and more specifically to the comparison of the probability of default (PD) between the reporting date and the date of initial recognition.

- Qualitative Indicators: refers to the qualitative information used which is not necessarily reflected in the probability of default, such as the classification of an exposure as forborne performing (FPL, according to EBA ITS). Additional qualitative indicators, both for corporate and retail portfolios are also reflected through the Early Warning indicators where, depending on the underlying assessment, an exposure can be considered to have a significant increase in credit risk or not. Especially for special lending portfolio, additional qualitative indicators are captured through slotting category.

- Backstop Indicators: in addition to the above, and in order to capture cases for which there are no triggers reflecting the increase in credit risk, based on qualitative and quantitative indicators, the 30 days past due indicator is used as a backstop.

d) Calculation of expected credit loss

The measurement of expected credit losses is made as follows:

− For financial assets, a credit loss is the present value of the difference between:
  (a) the contractual cash flows and
  (b) the cash flows that the Group expects to receive
− For undrawn loan commitments, a credit loss is the present value of the difference between:
  (a) the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  (b) the cash flows that the Group expects to receive if the loan is drawn down.
− For letters of guarantee and letters of credit, the loss is equal to the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.3 Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee (cont.)

The Group calculates impairment losses either on a collective (collective assessment) or on an individual basis (individual assessment), taking into account the significance of an exposure or the borrower's limit. In addition, exposures that do not have common credit risk characteristics or for which there are no sufficient historical behavioral data are assessed on an individual basis.

The Group calculates expected credit losses based on the weighted probability of three scenarios. More specifically, the Economic Research Division produces forecasts for the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios under a baseline and under alternative macroeconomic scenarios and also generates the cumulative probabilities associated with these scenarios.

The mechanism for calculating expected credit loss is based on the following credit risk parameters:

- Probability of Default (PD): It is an estimate of the probability of a debtor to default over a specific time horizon. The probability of default is determined with the use of statistical credit risk rating models through which the creditworthiness of the borrowers is assessed for the Group's core portfolio. These models use a range of qualitative and quantitative parameters including data on the current and historical behavior of borrowers.
- Exposure at default (EAD): Exposure at Default is an estimate of the amount of the exposure at the time of the default taking into account: (a) expected changes in the exposure after the reporting date, including principal and interest payments; (b) the expected use of credit limits and (c) accrued interest. The approved credit limits that have not been fully disbursed represent a potential credit exposure and are converted into a credit exposure equal to the approved undrawn credit limit multiplied by a Credit Conversion Factor (CCF). The Credit Conversion factor of credit exposure is calculated based on statistical models.
- Loss given default (LGD): Loss given default is an estimate of the loss that will occur if the default occurs at a given time. It is based on the difference between the contractual cash flows due and those expected to be received, including the liquidation of collaterals and cure rate.

e) Measurement of expected credit losses on receivables from customers

Receivables from customers are derived from the Group's commercial, other than loan, activity. The loss allowance for receivables from customers is measured at an amount equal to the lifetime expected credit losses (there is no stage allocation) based on the simplified approach provided by IFRS 9.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 <u>Classification and measurement of financial instruments (cont.)</u>

1.6.3 Credit impairment losses on loans and advances to customers, undrawn loan commitments, letters of credit and letters of guarantee (cont.)

f) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:

- Financial assets measured at amortised cost and finance lease receivables: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for those assets no loss allowance is recognized in the Balance Sheet, however, its amount is disclosed in the notes to the financial statements.
- Undrawn loan commitments, letters of credit/letters of guarantee: loss allowance is recognized in line "Provisions" of liabilities in Balance Sheet.

If a financial asset includes both a loan and an undrawn loan commitment, the accumulated expected credit losses of the loan commitment are presented together with the accumulated expected credit losses of the loan, as a deduction from its gross carrying amount. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized in line "Provisions" of liabilities in Balance Sheet.

The amount of expected credit losses for the period is presented in the caption "Impairment losses and provisions to cover credit risk". In the same caption the following are also recognized: recoveries from written-off loans measured at amortised cost or at fair value through other comprehensive income, modification gains or losses of loans measured at amortised cost or at fair value through other comprehensive income and the favourable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

g) Write-offs

The Group proceeds with the write-off of loans and advances to customers when it has no reasonable expectations for their recovery. In this case, the loss allowance is used against the carrying amount of the financial asset.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 <u>Classification and measurement of financial instruments (cont.)</u>

1.6.4 Credit impairment losses on due from banks and bonds

The Group, at each reporting date, recognizes a loss allowance for expected credit losses on due from banks and bonds not measured at fair value through profit or loss.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument. In addition, if the financial asset falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

a) Default definition

Due from banks and bonds are considered impaired when the external rating of the issuer/counterparty is equivalent to default (D). In case there is no external rating, then the instrument is characterized as impaired based on internal rating. If there is also an exposure to the corporate issuer/counterparty to the loan portfolio which has been classified as impaired, the instrument is also characterized as impaired.

b) Classification of due from banks and bonds into stages based on credit risk (Staging)

For the purposes of calculating expected credit losses, the exposures are classified into stages as follows:

- Stage 1: Stage 1 includes non-impaired instruments that do not have significant increase in credit risk since initial recognition. Stage 1 also includes instruments for which credit risk has been improved and the instrument has been reclassified from Stages 2 or 3. In this stage, expected credit losses are recognized based on the probability of default within the next twelve months.
- Stage 2: Stage 2 includes non-impaired instruments for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes instruments for which credit risk has been improved and the instrument has been reclassified from Stage 3. In this stage, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes impaired instruments. In this stage, lifetime expected credit losses are recognized.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.4 Credit impairment losses on due from banks and bonds (cont.)

As an exception to the above, for purchased or originated credit impaired (POCI) instruments, lifetime expected credit losses are always recognized. An instrument is characterized as purchased or originated credit impaired when:

- The instrument (or the issuer) has an external rating that corresponds to default at the time of acquisition
- Corporate bonds resulting from debt restructuring are classified as purchased or originated credit impaired, based on the guidelines applicable to the loan portfolio.

When a debt security has been purchased at a large discount and does not fall into any of the categories mentioned above, the Group examines the transaction in detail (transaction price, recovery rate, issuer's financial condition at the time of purchase, etc.) in order to determine whether it should be recognised as purchased or originated credit-impaired (POCI). Classification in this category requires documentation and approval by the relevant committees of the Group.

c) Significant increase in credit risk

The classification into stages for the purpose of expected credit loss measurement is based on the credit rating of rating agencies or, for corporate securities issued by Greek issuers for which there is also an exposure in loan portfolio, on the issuer's internal rating.

The Group defines as low credit risk all investment grade securities, which are classified in Stage 1.

The determination of significant increase in credit risk for non-investment grade securities is based on the following two conditions:

- Downgrade in the issuer / counterparty's credit rating on the reporting dates compared to the credit rating on the date of the initial recognition.
- Increase in the probability of default of the issuer / counterparty for the 12-month period compared to the corresponding probability of default at initial recognition.

Additionally, the Group monitors the change in the credit spread since initial recognition. A change in credit spread at the reporting date that exceeds a specific threshold compared to the credit margin prevailing at the date of initial recognition is a trigger for reviewing the securities classification stage.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 <u>Classification and measurement of financial instruments (cont.)</u>

1.6.4 Credit impairment losses on due from banks and bonds (cont.)

d) Calculation of expected credit loss

The expected credit loss is the present value of the difference between:

(a) the contractual cash flows and

(b) the cash flows that the Group expects to receive

For present value calculation, original effective interest rate is used as a discount rate. Especially for POCI assets credit— adjusted effective interest rate is used. For the calculation of the expected credit loss, the following parameters are used:

- Probability of default (PD): the probability of default over the next 12 months is used to calculate the expected credit loss for 12 months, and the probability of default over the life of the instrument is used to calculate the lifetime expected credit losses.
- Exposure at default (EAD): In the case of securities, the Group estimates the future unamortised cost in order to calculate the EAD. In particular, for each period, EAD is the maximum loss that would result from issuer / counterparty potential default.
- Loss given default (LGD) is the percentage of the total exposure that the Group estimates as unlikely to recover at the time of the default. The Group distinguishes sovereigns from non-sovereign issuers / counterparties as regards to the LGD estimation. In case the Group has also granted a loan to the issuer / counterparty of the security, the estimated LGD is aligned to corresponding estimate for the loan portfolio (taking into account any potential collaterals the loan portfolio is likely to have against the unsecured debt securities).

e) Presentation of expected credit losses in financial statements

Loss allowances for expected credit losses are presented in the Balance Sheet as follows:

- Financial assets measured at amortised cost: loss allowance is presented as a deduction from the gross carrying amount of the assets.
- Financial assets measured at fair value through other comprehensive income: for those assets no loss allowance is recognized in the Balance Sheet, however, its amount is disclosed in the notes to the financial statements.

The amount of expected credit losses for the period is presented in the caption “Impairment losses and provisions to cover credit risk”. The caption also includes the favourable changes in expected credit losses of POCI assets in case expected credit losses are less than the amount of expected credit losses included in the estimated cash flows on initial recognition.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures the fair value of assets and liabilities traded in active markets based on available quoted market prices. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Especially, for the measurement of securities, the Group uses a particular range of prices, within the bid-ask spread, in order to characterize the prices as prices of an active market.

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If observable inputs are not available, other model inputs are used which are based on estimations and assumptions such as the determination of expected future cash flows, discount rates, probability of counterparty default and prepayments. In all cases, the Group uses the assumptions that 'market participants' would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Assets and liabilities which are measured at fair value or for which - fair value is disclosed-, are classified according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets,
- Level 2 inputs: directly or indirectly observable inputs,
- Level 3 inputs: unobservable inputs used by the Bank, to the extent that relevant observable inputs are not available.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 <u>Fair value measurement</u> (cont.)

In particular, the following applies:

Financial instruments

For financial instruments the best evidence of fair value at initial recognition is the transaction price, unless the fair value can be derived by other observable market transactions relating to the same instrument, or by a valuation technique using mainly observable inputs. In these cases, if the fair value differs from the transaction price, the difference is recognized in the statement of comprehensive income. In all other cases, fair value is adjusted to defer the difference with the transaction price. After initial recognition, the deferred difference is recognized as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the instrument.

When measuring fair value, the Group takes into consideration the effect of credit risk. Specifically, for derivative contracts, the Group estimates the credit risk of both counterparties (bilateral credit valuation adjustments). The Group measures fair value for all assets and liabilities separately. Regarding derivative exposures, however, that the Group manages as a group on a counterparty basis and for which it provides information to the key management personnel, the fair value measurement for credit risk is performed based on the net risk exposure per counterparty. Credit valuation adjustments arising from the aforementioned process are allocated to either assets or liabilities, depending on whether the net exposure to the counterparty is long or short respectively.

Furthermore, the fair value of deposit accounts with a demand feature (such as saving deposits) is no less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The principal inputs to the valuation techniques used by the Group are:

- Bond prices - quoted prices available for government bonds and certain corporate securities.
- Credit spreads - these are derived from active market prices, prices of credit default swaps or other credit based instruments, such as debt. Values between and beyond available data points are obtained by interpolation and extrapolation.
- Interest rates - these are principally benchmark interest rates such as the LIBOR, OIS and other quoted interest rates in the swap, bond and futures markets. Values between and beyond available data points are obtained by interpolation and extrapolation.
- Foreign currency exchange rates - observable markets both for spot and forward contracts and futures.
- Equity and equity index prices - quoted prices are generally readily available for equity shares listed on stock exchanges and for major indices on such shares.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 <u>Fair value measurement</u> (cont.)

- Price volatilities and correlations - Volatility and correlation values are obtained from pricing services or derived from option prices.
- Unlisted equities - financial information specific to the company or industry sector comparables.
- Mutual Funds- for open-ended investments funds listed on a stock exchange the published daily quotations of their net asset values (NAVs).
- Loans and Deposits – market data and Bank/customer specific parameters.

Non-financial assets and liabilities

The most important category of non-financial assets for which fair value is estimated is real estate property. The process, mainly followed, for the determination of the fair value is the assignment to an engineer/valuer. To derive the fair value of the real estate property, the valuer chooses among the three following valuation techniques:

• Market approach (or sales comparison approach), which measures the fair value by comparing the property to other identical ones for which information on transactions is available.

• Income approach, which capitalizes future cash flows arising from the property using an appropriate discount rate.

• cost approach which reflects the amount that would be required currently to replace the asset with another asset with similar specifications, after taking into account the required adjustment for impairment.

It is noted that the fair value measurement of a property takes into account a market’s participant ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ACCOUNTING POLICIES APPLIED (cont.)

1.8 Property, plant and equipment

This category includes land, buildings and tangible equipment, which are used by the Group either for business operations or for administrative purposes, as well as right-of-use assets where these items are used by the Group, as described in the note of the accounting principles 1.11 "Leases".

Land and buildings are stated at historic cost less depreciation on buildings and any losses from impairment. Plant and equipment are stated at historic cost less accumulated depreciation. The historic cost includes expenses directly associated with the acquisition of property and equipment. The cost of material renovations and other expenses are included in the carrying value of the asset or it is recognised as separate asset when it is probable that the Group will incur future economic benefits in relation to the asset and the costs can be measured reliably.

Depreciation is calculated on a straight line basis in such a way that the cost less the estimated residual value is being depreciated over the expected useful economic life of the assets. Annual depreciation rates are as follows:

Premises and improvements on leasehold premises	10 - 50 years
Plant and equipment	4 - 10 years

No depreciation is calculated on land. They are however reviewed for possible impairment. The residual values and the useful lives are reviewed and adjusted at each reporting period, if considered necessary.

On disposal of property, plant and equipment the difference between the net receipts and the net carrying value is debited or credited to the statement of comprehensive income.

1.9 Investment property

Investment property includes land and buildings held by the Group for the purpose of earning rental income and/or for gaining from capital appreciation.
Investment property is initially recognised at cost which includes any expenditure directly attributable to the acquisition of the asset. Subsequently, investment property is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is recognized on the carrying amount of the item when it increases future economic benefit. All costs for repairs and maintenance are recognized in profit or loss as incurred. The estimated useful lives over which depreciation is calculated using the straight line method.

In case of sale of investment property as well as when no economic benefits are expected for the Group, the fixed asset is derecognised. When selling the asset, the difference between the sale price and its carrying amount is recognized in profit or loss.

ACCOUNTING POLICIES APPLIED (cont.)

1.10 Intangible assets

Computer application software
Computer application software programs are stated at cost less accumulated depreciation. Amortisation is calculated on a straight-line basis in such a way that the cost less the estimated residual value of the intangible assets is being amortised over the expected useful economic life of the assets. Amortization is calculated as follows:

Computer application software	3 years
Computer software	5 years

Expenses incurred for the maintenance of computer application software programs are charged in the statement of comprehensive income for the year in which they incur.

In case of sale of an intangible asset as well as when no economic benefits are expected for the Group, the intangible asset is derecognised. When selling the asset, the difference between the sale price and its carrying amount is recognized in profit or loss.

1.11 Leases

The Group enters into leases as a lessee and as a lessor.
At inception, the Group assesses whether a contract is or contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time for consideration, then the contract is accounted as a lease.

The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. After lease commencement, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee, the Group, as a lessee, reassesses the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

A) When the Group acts as a lessee

The Group, as a lessee, for all leases recognizes a right of use asset and a lease liability at the commencement of the lease. The right of use asset is initially measured at cost, comprising the initial lease liability amount, any initial direct costs and an estimate of the obligation for costs to refurbish the asset, less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment losses and adjusted for any remeasurement of the lease liability.
Depreciation is charged on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are reviewed at each reporting date to determine whether there is an indication of impairment and if they are impaired the carrying amount is adjusted to its recoverable amount with the difference recorded in profit or loss

ACCOUNTING POLICIES APPLIED (cont.)

1.11 Leases (cont.)

For short-term leases (lease term of 12 months or less at the commencement date) and leases for which the underlying asset is of low value (less than 5.000 EUR when new) the Group does not recognize a right-of-use asset and a lease liability but instead recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.
The lease liability is initially measured at the present value of lease payments that are not paid at that date, net of cash lease incentives. Lease payments include fixed payments and variable payments that depend on an index (such as an inflation index) or a rate and are discounted using the lessee's incremental borrowing rate. Incremental borrowing rate is determined by using as reference rate Alpha Bank's secured funding rate, adjusted for different currencies and taking into consideration government yield curves, where applicable.

After the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Right of use assets are included within Property, plant and equipment and the lease liability is included in Other Liabilities.

B) When the Group acts as a lessor

Where the risks and benefits associated with ownership of the leased assets are transferred to the lessee, the corresponding contracts shall be classified as financial leases. All other leases are classified as operating leases. The Group has assessed all contracts in which it acts as a lessor.
In the case of operating leases, the Group's company operating as a lessor monitors the leased asset as an asset, carrying out depreciation based on its useful life. The amounts of lease payments corresponding to the use of the leased asset shall be recognised as income, in the category of Other Income, using the accrual method.

1.12 Tax

Income tax consists of current and deferred tax.

Income tax includes the expected payable tax on taxable income for the completed fiscal year, based on the tax rates in force at the date of preparation of the financial statements.

ACCOUNTING POLICIES APPLIED (cont.)
1.13 Deferred tax assets

Deferred tax is the tax that will be paid or for which relief will be obtained in future periods due to the different period that certain items are recognized for financial reporting purposes and for taxation purposes. It is calculated based on the temporary differences between the tax base of assets and liabilities and their respective carrying amounts in the financial statements.

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply when the temporary difference reverses, based on the tax rates (and laws) enacted at the balance sheet date.

Deferred tax assets are recognized for unutilized tax losses, and deductible temporary differences, to the extent that future taxable profits are likely to be available against which they can be used. Future taxable profits are calculated on the basis of business plans and the reversal of temporary differences. Deferred tax assets are reassessed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Income tax, both current and deferred, is recognized in profit or loss except when it relates to items recognized directly in equity. In such cases, the respective income tax is also recognized in equity.

1.14 Repossessed assets

Non-current assets acquired through auctions or by exchanging real estate collaterals with loans which are not immediately available for sale or not expected to be sold within one year are presented on Repossessed Assets and are valued at the lower of cost and net realisable value, determined as fair value less estimated cost to sell.

1.15 Securities sale and repurchase agreements and securities lending

The Group enters into purchases of securities under agreements to resell at a certain date in the future at a fixed price (reverse repos). Securities purchased subject to commitments to resell them at future dates are not recognized in the balance sheet. The amounts paid, including interest accruals, are recognized in loans and advances to either banks or customers. The difference between the purchase price and the resale price is recognized as interest income using effective interest method.
Similarly, securities that are sold under agreements to repurchase (repos) are not derecognized from the consolidated statement of financial position, but they continue to be measured in accordance with the accounting policy of the category that they have been classified. The proceeds from the sale of the securities are reported as liabilities to either banks or customers. The difference between the sales price and the repurchase price is recognized as interest expense using effective interest method.
Securities borrowed by the Group under securities lending agreements are not recognized in the consolidated statement of financial position except when they have been sold to third parties whereby the liability to deliver the security is recognized and measured at fair value.

ACCOUNTING POLICIES APPLIED (cont.)

1.16 Non-current assets held for sale

Non-current assets or disposal groups that are expected to be recovered principally through a sale transaction, along with the related liabilities, are classified as held-for-sale.
The above classification is used if the asset is available for immediate sale in its present condition and its sale is highly probable. The sale is considered highly probable when it has been decided by the competent bodies of the Management, an active program to locate a buyer has been initiated, the asset is actively marketed for sale at a price which is reasonable in relation to its current fair value and the sale is expected to be completed within one year. Non-current assets that are acquired exclusively with a view to their subsequent disposal are classified as held for sale at the acquisition date when the one-year requirement is met and it is highly probable that the remaining criteria will be met within a short period following the acquisition (usually within three months).
Before their classification as held for sale, the assets are remeasured in accordance with the respective accounting standard.
Non-current assets held for sale are initially recognised and subsequently remeasured at each balance sheet date at the lower of their carrying amount and fair value less cost to sell.

1.17 Employee benefits

The Group operates a defined contribution plan. As part of the plan the Group deposits a defined, on a case-by-case basis, contribution to an independent fund. The Group has no further obligation, legal or constructive, to deposit any further contributions, in the circumstance that the fund does not have the sufficient assets to cover the claims of personnel which are derived from their current and previous service. The contributions are recognized as part of staff costs on an accruals basis.

The Group does not operate a defined benefit plan.

1.18 Provisions for litigation and arbitration of disputes

Provisions for litigation and arbitration of disputes are recognized when:

(a) the Group has a present obligation (legal or constructive) as a result of a past event,
(b) it is probable that an outflow of resources embodying economic benefits to settle the obligation, and
(c) may be a reliable estimate of the amount of the obligation.

The Group will secure legal advice on the amount of the provision of specific cases and arbitration of disputes.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any litigation or arbitration proceedings.

ACCOUNTING POLICIES APPLIED (cont.)

1.18 <u>Provisions for litigation and arbitration of disputes (cont.)</u>

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

The Group does not recognize in the statement of financial position contingent liabilities which relate to:

- possible obligations resulting from past events whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group, or

- present obligations resulting from past events for which:
    - it is not probable that an outflow of resources will be required, or
    - the amount of liability cannot be measured reliably.

The Group provides disclosures for contingent liabilities taking into consideration their materiality.

1.19 <u>Instruments issued by the Bank</u>

A. Subordinated bonds

Subordinated bonds consist of bonds that are initially recognized based on financial instruments classification and measurement principles and are reported at amortized cost. The amortised cost is the fair value of securities issued after deducting interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount at maturity date. The bonds are classified as Tier II Capital for the purposes of calculating the capital adequacy ratio.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) allocating income or interest expenses during the period concerned. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts which correspond to the expected life of the instrument or, when appropriate for a shorter period, to the net carrying amount of the financial asset or financial liability.

B. Financial liabilities measured at amortized cost

These liabilities are amortized using the effective interest method.

ACCOUNTING POLICIES APPLIED (cont.)

1.20 Equity

Financial instruments issued by Group companies to raise funding are classified as equity when, based on the substance of the transaction, the Group does not undertake a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under conditions that are potentially unfavourable to the Group.

In cases when Group companies are required to issue equity instruments in exchange for the funding obtained, the number of equity instruments must be fixed and determined on the initial contract, in order for the obligation to be classified as equity.

In the context of the abovementioned assessment, convertible capital securities were classified within the equity of the Group.

Share premium includes the difference between the nominal value of the shares and the consideration received in the case of a share capital increase.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from retained earnings.

1.21 Convertible Capital Securities

The convertible capital securities are of perpetual maturity financial instruments issued by the Bank and are initially recognized based on financial instruments classification and measurement principles. The Group may at its sole discretion at all times, taking into account its financial position and solvency, elect to cancel an interest payment on a non-cumulative basis.

Any interest payment not paid is no longer due and payable by the Bank. The convertible capital securities may be redeemed back at the discretion of the Bank and after the approval of the Central Bank of Cyprus at their nominal value and any accrued interest but excluding any interest payments previously cancelled, on 30 September 2020 or on any interest payment date. The convertible capital bonds are obligatory converted into ordinary shares of the Bank on the occurrence of a Contingency event or a viability event. The conversion price is constant and cannot be lower than the nominal value of the Bank’s ordinary shares.

These financial instruments are classified as equity, as they do not include a contractual obligation for the Bank to repay the holder in cash or other financial asset. The convertible capital bonds are classified as additional Tier 1 capital for the purpose of calculating the capital adequacy ratio.

ACCOUNTING POLICIES APPLIED (cont.)

1.22 Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial assets and liabilities.

Interest income and expense is recognised on an accrual basis and measured using the effective interest method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

For financial assets, in particular, the following apply:

- For those financial assets classified within Stage 1 or Stage 2 for the purpose of expected credit losses measurement, interest income is calculated by applying effective interest rate to the gross carrying amount of the asset.
- For those financial assets classified within Stage 3 for the purpose of expected credit losses measurement, interest income is calculated by applying the effective interest rate to the amortised cost of the asset.
- For purchased or originated credit impaired financial assets interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

Borrowing costs that are directly attributable to assets that require a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of the asset. Capitalisation ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

1.23 Income and expenses from fees and commissions

Income from fees and commissions is recognised in the Income statement on an accrual basis when the relevant service has been provided.

Fees and commission income from customer contracts are recognized based on the amounts described in the contract when the Group fulfills its performance obligation by providing the service to the customer.

For fees and commissions, revenue is recognized as the service is provided to the client.
In most cases of providing services to the client for the execution of transactions, the execution and completeness of the transaction marks the point at which the service is transferred to the customer and as a result the revenue is recognized.

ACCOUNTING POLICIES APPLIED (cont.)

1.24 Dividend Income

Income from dividends is recognized in the financial statements when it is received.

1.25 Gains less losses on financial transactions

Gains less losses on financial transactions include:

- fair value changes of financial assets and liabilities,
- gains and losses arising from the modification of the contractual terms of financial assets measured at fair value through profit or loss,
- gains and losses arising from the derecognition of financial assets and liabilities due to early repayment, disposal or significant modification of the contractual terms, except for gains and losses arising from the derecognition of financial assets measured at amortised cost which are recognized in a separate line item of the Income Statement,
- gains and losses arising from the impairment or disposal of Group entities that have not been classified as discontinued operations,
- exchange differences arising from the translation of financial instruments denominated in foreign currencies.

ACCOUNTING POLICIES APPLIED (cont.)

1.26 Impairment losses on non-financial assets

The Group assess as at each balance sheet date non-financial assets for impairment, particularly, right of use assets, goodwill and other intangible assets and at least annually property, plant and equipment and investment property.

In assessing whether there is an indication that an asset may be impaired both external and internal sources of information are considered, of which the following are indicatively mentioned:
- The asset’s market value has declined significantly, more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect have taken place during the period or will take place in the near future, in the technological, economic or legal environment in which the entity operates or in the market to which the asset is dedicated.
- Significant unfavorable changes in foreign exchange rates.
- Market interest rates or other rates of return of investments have increased during the period, and those increases are
likely to affect the discount rate used in calculating an asset’s value in use.
- The carrying amount of the net assets of the entity is greater than its market capitalization.
- Evidence is available of obsolescence or physical damage of an asset.

Specifically for right of use assets, triggers for impairment include:
- The existence of leased properties that are neither used nor leased by the Group.
- The fact that the present value of the leases received in the event of a sublease is lower than the value of the rents aid under the lease.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount received from the sale of an asset (less the cost of disposal) in an orderly transaction between market participants.
Value in use is the present value of the future cash flows expected to be derived from an asset or cash –generating unit through their use and not from their disposal. For the valuation of property, plant and equipment, value in use incorporates the value of the asset as well as all the improvements which render the asset perfectly suitable for its use by the Group.

ACCOUNTING POLICIES APPLIED (cont.)

1.27 Gains less losses on derecognition of financial assets measured at amortised cost

Gains less losses on derecognition of financial assets measured at amortised cost include:

- Gains and losses from the derecognition of financial assets measured at amortised cost
- The difference, at initial recognition, between the nominal and the fair value of a financial asset measured at amortised cost that is the result of the derecognition of another financial asset due to significant modification of its contractual terms.

1.28 Related parties' definition

In accordance with IAS24, related parties for the Group are:

a) the parent company Alpha International Holdings Single Member S.A., the ultimate parent company, Alpha Bank S.A., and legal entities which constitute for the Bank or its parent:

i. Subsidiaries,
ii. Joint ventures,
iii. Associates.

b) Related parties for the Bank also include the Hellenic Financial Stability Fund and its subsidiaries given that within the framework of Law 3864/2010 the Hellenic Financial Stability Fund acquired participation in the Board of Directors but also in important committees of Alpha Bank S.A. and as a consequence it is assumed that it exercises significant influence over them.

c) Individuals who are key management personnel and their close relatives. Key management personnel are comprised of members of the Board of Directors of the Bank, members of the executive committee of the Bank whereas close relatives are considered to be spouse as well as their first-class relatives and those dependent on them and their spouse.

Related parties are also considered the entities controlled or jointly controlled by the above mentioned persons and more specifically the entities in which the above persons participate with more than 20%.

1.29 Estimates, decision making criteria and significant sources of uncertainty

The estimates and judgments applied by the Group in making decisions and in preparing the financial statements are based on historical information and assumptions which at present are considered appropriate. The estimates and judgments are reviewed on an ongoing basis in order to take into account current conditions, and the effect of any changes is recognized in the period in which the estimates are revised.

The Group, in the context of applying accounting policies and preparing financial statements in accordance with the International Financial Reporting Standards, makes estimates and assumptions that affect the amounts that are recognized as income, expenses, assets or liabilities. The use of estimates and assumptions and the exercise of judgement is an integral part of recognizing amounts in the financial statements that mostly relate to the following:

ACCOUNTING POLICIES APPLIED (cont.)

1.29 <u>Estimates, decision making criteria and significant sources of uncertainty</u> (cont.)

Fair value of assets and liabilities

For assets and liabilities traded in active markets, the determination of their fair value is based on quoted, market prices. In all other cases the determination of fair value is based on valuation techniques that use observable market data to the greatest extent possible. In cases where there is no observable market data, the fair value is determined using data that are based on internal estimates and assumptions e.g., determination of expected cash flows, discount rates, prepayment probabilities or potential counterparty default.

Business Model Assessment

Classification of financial assets is based on the assessment of business model and contractual cash flows. Business model, in particular, is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment requires judgement in which the following are taken into account: the way the performance of the business model is evaluated, the risks that affect the performance of the asset portfolios held within the business model, the way managers of the Group are evaluated and the expected frequency and value of sales. For financial assets included in hold to collect business model, the Group assesses past sales as well as expected future sales in order to confirm consistency with a hold to collect business model.

Expected credit losses of financial assets

The measurement of expected credit losses requires the use of complex models, as well as the use of significant estimates of future economic conditions and credit behavior, taking into account the events that have occurred until reporting date. Significant estimates are:

- the determination of the alternative macroeconomic scenarios and the cumulative probabilities associated with these scenarios,
- the probability of default during a given period of time based on historical data, assumptions and estimates for the future,
- the possibility of modifying the terms of the loan for retail portfolios.

ACCOUNTING POLICIES APPLIED (cont.)

1.29 Estimates, decision making criteria and significant sources of uncertainty (cont.)

Expected credit losses of non-financial assets

The Group, at each reporting date, assesses for impairment non – financial assets, and in particular, goodwill, other intangible assets, property, plant and equipment and investment property. Internal estimates are used to a significant degree to determine the recoverable amount of the assets, i.e., the higher between the fair value less costs to sell and value in use.

Income Tax

The Group recognizes assets and liabilities for current and deferred tax, as well as the related expenses, based on estimates concerning the amounts expected to be paid to or recovered from tax authorities in the current and future periods. Estimates are affected by factors such as the practical implementation of the relevant legislation, the expectations regarding the existence of future taxable profit as described in note 22. Future tax audits, changes in tax legislation and the amount of taxable profit actually realised may result in the adjustment of the amount of assets and liabilities for current and deferred tax and in tax payments other than those recognized in the financial statements of the Group. Any adjustments are recognized within the year that they become final.

Provisions and contingent liabilities

The Group recognises provisions when it estimates that it has a present legal or constructive obligation that can be estimated reliably, and it is almost certain that an outflow of economic benefits will be required to settle the obligation. In contrast, when it is not probable that an outflow of resources will be required, or when the amount of liability cannot be measured reliably, the Group does not recognise a provision, but it provides disclosures for contingent liabilities, taking into consideration their materiality. The estimation for the probability of the outflow as well as for the amount of the liability are affected by factors which are not controlled by the Group, such as court decisions and the practical implementation of the relevant legislation.

Classification of non-current assets in assets held for sale

The Group classifies non-current assets, or a group of non-current assets whose value is expected to be recovered through sale; together with any associated liabilities as assets held for sale if the asset is readily available for sale in its present condition and its sale is considered highly probable within one year. The assessment of whether these criteria are met requires judgment in particular as to whether the sale is likely to be completed within one year of the date of publication of the financial statements.

In the context of this evaluation, the Group takes into account the receipt of the required approvals (both regulatory and those given by the Group Committees), the receipt of offers (binding or non-binding) and the signing of contractual documents with the prospective buyers as well as of any sects included therein.

ACCOUNTING POLICIES APPLIED (cont.)

1.29 Estimates, decision making criteria and significant sources of uncertainty (cont.)

1.29.1 Going concern

The Group Financial Statements for the year 31.12.2021 have been prepared on the going concern basis.

For the application of this principle, the Group takes into account current economic developments and evaluates the economic environment in which it operates.

In this context, the following areas were assessed which are considered important when assessing going concern:

The Group, in preparing the Financial Statements of 31.12.2021, took into account the following factors:

- **Capital Adequacy**

The total capital ratio of the Bank stood, with transitional provisions, at 17,8% as at 31.12.2021. According to the requirements of ECB, the minimum Overall Capital Requirement is 13,75% for 2021 and remains the same for 2022 due to the change implemented by the Central Bank of Cyprus whereby the O-SII buffer for the Group remains at 0,25% until 1.1.2023. The Group's capital adequacy on 31 December 2021 exceeds the minimum capital requirements of Pillar I and Pillar II, providing the Group with significant capital buffer. It is noted that the Pillar II capital requirement assessment is performed annually by the supervisory authority, with a specific supervisory process that is dynamic as it is subject to change over time.

In relation to the impact from the application of IFRS 9, the Group has used the transitional provisions, according to which the impact from the implementation of the new standard will be absorbed within five years. The Group is sufficiently capitalized to meet the needs arising from the application of the new standard as the Common Equity Tier 1 ratio (CET1) stood at 13,1% as at 31.12.2021, under the transitional provisions, while the impact from full implementation is estimated at around 1,7 % thus forming a ratio of 11,4 % on 31.12.2021.

- **Liquidity**

During 2021, despite the fact that the Group has been operating in a negative interest rate environment, it has increased the level of deposits and has increased liquidity ratios which allows the Group to manage liquidity with more flexibility. The Bank also has the access to support mechanism funds through the Central Bank of Cyprus.

ACCOUNTING POLICIES APPLIED (cont.)

1.29 Estimates, decision making criteria and significant sources of uncertainty (cont.)

1.29.1 Going concern

- **Cyprus economy**

Achievements

The Cypriot economy, before the spread of the corona virus disease (Covid-19), was expected in the coming years, according to the forecasts of the European Commission and international rating agencies, to continue developing. In 2020 the GDP in the first year of the pandemic recorded a negative growth rate of 5.2% while in 2021 it recorded a positive growth of 5.5%. This is due to the fact that the measures to limit the spread of the pandemic began to be withdrawn gradually in 2021 due to the high rate of vaccination coverage of the population. The withdrawal of the measures allowed the resumption of business activity and tourism in particular, to contribute substantially to the increase in GDP.

The public debt in 2021 rose to 104.2% of GDP, mainly due to the government borrowing in order to support the population, due to the effects of the pandemic.

The unemployment rate for 2021 reached 7.5% and remained at the same level compared to 2020 (7.6%).

Inflation increased in the fourth quarter of 2021 by 4,6%, resulting in an annual increase of 2,3% compared to -1,1% in 2020 mainly due to rising energy costs. Inflationary pressures may continue to rise in 2022.

The Cypriot economy still remains in the investment grade of the international rating agencies, except for Moodys.

Forecasts

According to the European Commission's new Winter Economic Forecast, economic growth in the first quarter will be moderate due to rising inflation. Economic growth will be higher in the following quarters due to the high vaccination rates of the population and the relaxation of the restrictive measures imposed to combat COVID 19. The number of airline bookings indicate an increase in the inflows of tourists to Cyprus which substantially contributes to GDP. In 2022, GDP is expected to grow by 4,1%. This is mainly attributed to domestic demand underpinned by the Cypriot Recovery and Resilience plan of 2021-2026. GDP growth for 2023 is expected to reach 3,5%.

Inflation is expected to rise to 2,6% in 2022 and be limited to 1,2% in 2023. due to the increase in disposable income from the expected increase in business activity. According to the forecasts of the Ministry of Finance, the public debt will be limited to 97,5% in 2022 and will further decrease to 87,3% by 2024.

Participation in the Recovery and Resilience Program 2021-2026 will contribute positively to the development of the economy, which amounts to Euro 1.2 billion. Estimates indicate that the program will generate an increase in GDP by 3% in the period 2022-2023 and by 7% in the period 2024-2026. Employment is also expected to increase by 2,5%.

ACCOUNTING POLICIES APPLIED (cont.)

1.29 Estimates, decision making criteria and significant sources of uncertainty (cont.)

1.29.1 Going concern

The war in Ukraine and sanctions imposed on Russia are expected to have a knock-on effect that is estimated to affect all sectors of business due to increased energy costs as well as a lack of basic goods. Tourism is also expected to be affected because the two countries are two of the most important markets when it comes to tourism in Cyprus.

The uncertainty caused to construction by the termination of the Cyprus Investment Program (CIP) poses a serious risk to this sector and the economy in general.

The G20 decisions to raise the tax rate to 15% are expected to create imbalances that Cyprus will have to face, in order to continue to remain competitive as it is a country primarily offering services.
Any developments on a political level will affect the economic environment accordingly.

- **Greek Economy – Operating Environment of Parent Company**

The swift and strong recovery of economic activity in 2021, recouped a significant part of the losses registered in 2020, as GDP at constant prices increased by 8,3% on an annual basis, compared to a decrease of 9% in 2020.

The European Commission (European Economic Forecast, Winter 2022) expects a further increase of 4,9% in 2022 and 3,5% in 2023. Furthermore, according to the latest projections by the Bank of Greece (Interim Monetary Policy Report, December 2021), the GDP growth rate is estimated to reach 5% in 2022 and 3,9% in 2023.

The steep rebound of GDP in 2021 can be attributed, firstly, to the strong increase of private consumption, driven by the sharp increase in savings accumulated during the pandemic and the significant gains in employment secondly, to the rise in investment, especially in machinery and technological equipment and, thirdly, to the higher-than-expected performance of exports of services, due to the remarkable recovery of tourism in the summer of 2021.
The rebound of economic activity in Greece in 2021 was in line with the evolution of the Economic Sentiment Indicator (ESI), which is a leading indicator of economic activity and stood at 110,3 points in December 2021, compared to 91.8 points in the same month of 2020.

In April 2021, Standard & Poor's upgraded Greece's sovereign credit rating by one notch from BB- to BB while maintaining a positive outlook. In parallel, the Athens Stock Exchange (ASE) General Index recorded an increase in 2021, by 10,4% on an annual basis.

In March 2022, the credit rating agency DBRS upgraded Greece's sovereign credit rating to BB whereas Moody's did not carry out an assessment.

ACCOUNTING POLICIES APPLIED (cont.)

1.29 Estimates, decision making criteria and significant sources of uncertainty (cont.)

1.29.1 Going concern

On examining the capability of the Bank to operate as a going concern, the Board of Directors took into consideration the following:

- the profitability of 2021
- the monitoring of cash inflows and outflows on a daily basis,
- the capital adequacy ratios of the Bank on 31.12.2021,
- the deleveraging of the Balance Sheet through actions such as:
    - the sale of a non-performing portfolio
    - the assignment to third parties of the management of non-performing loans and repossessed properties,
- the ability of the Bank to access funding via the Central Bank of Cyprus,
- the strong capital adequacy of the Alpha Services and Holdings S.A. Group,
- the measures taken by the European Central Bank to ensure that banks will be able to continue to finance the economy,
- the measures taken by the Republic of Cyprus to support the economy from the consequences of the Covid-19 virus,
- the decisions of the Eurozone countries to take a series of fiscal and other measures to stimulate the economy as well as the decisions of the banks' supervisory authorities to provide liquidity and support their capital adequacy to the extent that it is affected by the spread of the coronavirus,
- the measures taken by the Group to protect its employees from coronavirus, the implementation of actions under the Business Continuity Plan and the activation of the ability for teleworking at a large scale whilst ensuring that execution of critical operations.
- that despite the fact that the prolonged duration and the form that the war between Russia and Ukraine may take may adversely affect the macroeconomic environment, the Group has limited exposure to the Russian and Ukrainian economy as well as significant capital adequacy reserves and liquidity.

Based on the above, it is estimated that for at least 12 months of the date of approval of the Financial Statements, the conditions for the application of the going concern principle are met, for the preparation of the Financial Statements.

2. NET INTEREST INCOME

		From 1 January to	
		31.12.2021	31.12.2020
	Note	€´000	€´000
Interest and similar income			
Due from banks measured at amortised cost		242	238
Loans and advances to customers where:			
-measured at amortised cost		41.395	51.241
-measured at fair value through profit or loss		480	134
Investment securities:			
-measured at amortised cost		733	391
-measured at fair value through other comprehensive income		2.707	2.958
Other interest		2.622	630
Total		**48.179**	**55.592**
Interest expense and similar charges			
Deposits to Central Bank with negative interest rate		(1.364)	(72)
Due to banks		(255)	(66)
Due to customers		(449)	(2.290)
Subordinated bonds	28	(80)	(576)
Derivative financial instruments		(285)	(575)
Lease liabilities		(112)	(149)
Total		**(2.545)**	**(3.728)**
Net interest income		**45.634**	**51.864**

The following table shows the items of interest income and interest expense calculated using the effective interest rate per category of financial asset valuation

	From 1 January to	
	31.12.2021	31.12.2020
Financial assets measured at amortised cost	42.370	51.870
Financial assets measured at fair value through other comprehensive income	2.707	2.958
Financial assets measured at fair value through profit or loss	480	134
Financial liabilities measured at amortised cost	474	(2.374)

The decrease in interest is attributed to the sale of a non-performing portfolio in June 2020, the decrease of which was offset by the purchase of loans from the Alpha Bank AE Group. The reduction from the reduced lending base was offset by the reduction in the cost of deposits as well as the negative interest on deposits which are included in the "other interest" line.

3. NET FEE AND COMMISSION INCOME

	From 1 January to	
	31.12.2021	31.12.2020
	€΄000	€΄000
Loans	136	153
Letters of guarantee	737	817
Imports – Exports	76	71
Credit cards	484	589
Transfers of funds	4.449	3.280
Foreign exchange	697	469
Insurance	1.197	1.992
Deposits	4.964	3.921
	12.740	**11.292**

The table below presents income from contracts per operating segment, that fall within the scope of IFRS 15:

2021	Retail Banking €'000	Corporate Banking €'000	Treasury €'000	Other €'000	Total €'000
Loans	26	110			136
Letters of guarantee	14	723			737
Imports – Exports	3	73			76
Credit cards	1.444	154			1.598
Transfers of funds	1.195	3.254			4.449
Foreign exchange	359	338			697
Other	4.734	1.648	150	199	6.731
Total	7.775	6.300	150	199	14.424

2020	Retail Banking €'000	Corporate Banking €'000	Treasury €'000	Other €'000	Total €'000
Loans	13	140			153
Letters of guarantee	23	794			817
Imports – Exports	2	69			71
Credit cards	1.381	164			1.545
Transfers of funds	869	2.410			3.279
Foreign exchange	243	226			469
Other	4.638	1.511	154	71	6.374
Total	**7.169**	**5.314**	**154**	**71**	**12.708**

It is noted that, of the loan commissions for the financial year 2021, an amount of €136 thousand (2020: €153 thousand) relates to loans measured at amortised cost.

4 . DIVIDEND INCOME

	From 1 January to	
	31.12.2021	31.12.2020
	€΄000	€΄000
Other variable-performance securities measured at fair value through profit or loss	37	20
Shares of investing portfolio measured at fair value through other comprehensive income	664	428
	701	**448**

The amount represents dividends received by the Bank from its investment in JCC Payments Systems Limited and Visa Inc.

5. GAINS LESS LOSSES ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

1.1.2021 – 31.12.2021	Carrying amount	(Losses) from derecognition	Gain from derecognition	Gains less losses on derecognition
	€΄000	€΄000	€΄000	€΄000
Early repayments				
Loans	132.300	(1.631)	164	(1.467)
Sale of bonds		(2)	-	(2)
Significant modifications				
Loans	19.592	(541)	137	(404)
Total		**(2.174)**	**301**	**(1.873)**

1.1.2020 – 31.12.2020	Carrying amount	(Losses) from derecognition	Gain from derecognition	Gains less losses on derecognition
	€΄000	€΄000	€΄000	€΄000
Early repayments				
Loans	65.071	(945)	397	(548)
Significant modifications				
Loans	6.973	(398)	576	178
Total		**(1.343)**	**973**	**(370)**

5. GAINS LESS LOSSES ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST (cont.)

The “Early repayments” item includes the gain or loss recognized in Income Statement as a result of derecognizing the unamortized balance of capitalised commissions and expenses of early repayment loans.

The “Significant modifications” item includes the carrying amount of loans derecognized due to a material change in contractual terms, as well as the difference in the fair value.

6. GAINS LESS LOSSES ON FINANCIAL TRANSACTIONS

	From 1 January to	
	31.12.2021	**31.12.2020**
	€´000	€´000
Foreign exchange differences	1.225	1.711
Financial assets measured at fair value through profit or loss:		
-Other variable yield securities	440	486
-Loans and advances to customers	(346)	(39)
Financial assets measured at fair value through other comprehensive income:		
-Bonds	(53)	16
-Derivative financial instruments	20	(16)
-Sale of investments	(226)	82
Total	**1.060**	**2.240**

7. OTHER INCOME

	From 1 January to	
	31.12.2021	31.12.2020
	€´000	€´000
Profit from sale of fixed assets	69	221
Income from services offered to group companies	7.428	7.272
Income from leases	286	442
Other income	-	11
	7.783	**7.946**

Income from entities in the Alpha Bank S.A. Group concerns services offered by staff of the Alpha Bank Cyprus Ltd to other Group companies for the management of the loan portfolio held by these companies.

8. STAFF COSTS

	From 1 January to	
	31.12.2021	31.12.2020
	€´000	€´000
Wages and salaries	23.476	31.111
Social security contributions	1.603	2.089
Other staff costs	240	(7)
Contributions to employee's provident fund	1.744	2.358
Cost of voluntary exit program of staff	-	26.214
	27.063	**61.765**

The total number of employees as at 31 December 2021 was 487 (2020: 509).

In October 2020 Alpha Bank Cyprus Ltd initiated a voluntary exit programme, which provided for a one-off compensation and its level was determined on the basis of the age of the years of service and the annual net income with a maximum amount of compensation euro two hundred thousand (Euro 200 thousand). At the same time, additional incentives had been granted by increasing the amount of compensation to specific services. The total cost of the voluntary exit programme, recognised in the results of the 2020, amounted to €26,214thous., of which €20,848thous. was paid to the participants left in 2020, while for the participants in the programme who will leave in 2021 an obligation of €5,366thous. was recognised (Note 29). A total of 188 people joined the voluntary exit programme. The Group will continue to pay contributions to the Health Fund and insurance coverage for a period of 2 years for persons who have joined the voluntary exit programme.

9. a) GENERAL ADMINISTRATIVE EXPENSES

	From 1 January to	
	31.12.2021	31.12.2020
	€΄000	€΄000
Advertisement and promotion expenses	1.741	1.449
Special tax levy on customer deposits	3.237	3.295
Contributions to the resolution fund	93	150
Repairs and maintenance	232	337
Professional expenses	631	1.130
Legal fees	270	277
Legal fees associated with NPLs management	312	736
Collection companies fees	225	369
Subscriptions for card use (VISA)	384	1.073
Computer maintenance and supplies	2.076	1.883
Insurance	274	286
Electricity	641	557
Telecommunication expenses	596	705
Stationery and printing	105	153
Value added tax	1.725	1.714
Consultancy services	1.098	641
Consultancy services relating to non-performing loans management	684	660
Contribution to the deposit guarantee fund	1.077	1.036
Foreign loan management expenses	438	137
Cleaning expenses	205	252
Building and deposit insurance	336	304
Other	3.455	2.538
	19.835	19.682

On 11 February 2016, Cyprus adopted the provisions of the new European Directive 2014/59 “Bank Recovery and Resolution Directive”. The new framework provides for the establishment of pre-funded resolution fund of 1% of deposits to be built up by 31 December 2024. Credit institutions' contributions will be based on their risk profile and the amount of their covered deposits. For the year 2021, the Group contributed €93 thous., (2020: €150 thous.) which was covered by the contributions made to the “Special tax levy on customer deposits”. The relevant amount has reduced the amount calculated as a 'special tax levy on customer deposits'.

9. a) GENERAL ADMINISTRATIVE EXPENSES (cont.)

The special tax paid by banking institutions on customer deposits, excluding deposits from other credit institutions, entered into effect on 14 April 2011. With effect from 1 January 2013, it increased from 0,11% to 0,15%. According to an amendment to the legislation in 2015, the tax is paid quarterly and is calculated on the balance of deposits in the quarter preceding its payment, instead of on the December deposits of the previous year. Since 2016, part of the tax on customer deposits of credit institutions is paid to the Single Resolution Fund through the Central Bank of Cyprus. The above tax is included in the "General Administrative Expenses" in the consolidated statement of comprehensive income.

9. b) OTHER EXPENSES

	From 1 January to	
	31.12.2021 €´000	31.12.2020 €´000
Impairment of repossessed real estate collateral properties	238	2.240
Impairment / (Reversal of Impairment) of repossessed real estate collateral properties classified as held-for-sale	967	(135)
Loss on write-off of property, plant and equipment	-	72
Impairment of investment property	751	550
	1.956	2.727

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

The amount of impairment loss to cover credit risk of €57.508 thous., includes the impairment loss, provisions for credit risk of loans and advances to customers, provisions to cover the credit risk of off-balance sheet items and receipts from previously written-off receivables which are presented in table (i) below, as well as the impairment losses on other financial instruments presented in table (ii).

(i) Impairment losses and provisions to cover credit risk

	From 1 January to	
	31.12.2021	31.12.2020
	€΄000	€΄000
Impairment losses on loans	11.803	52.867
Impairment losses on the SKY portfolio (Note 25)	50.814	-
Provisions to cover credit risk on off balance sheet items	(1.711)	1.139
Gains/(Losses) on modifications of contractual terms of loans and advances to customers	(1.006)	4.582
Recoveries	(2.134)	(5.181)
Total	**57.766**	**53.406**

For the year 2021, Impairment losses and provisions to cover credit risk amounted to €57.766 thous. and consist of the following:

- Impairment losses on loans and provision to cover credit risk relating to off balance sheet items, which resulted from the impairment assessment exercises that the Group performs on a quarterly basis. The methodology for the calculation of the expected credit losses as well as explanation regarding of how significant changes in the gross carrying amount contribute to the change in the expected credit losses and impairment losses of the year, are described in note 38, as well as explanations of how significant changes in the impairment balance contribute to the change in expected credit losses and losses for the year.
- Gain on modification of contractual terms of loans and advances to customers, which relate to cases for which the expected change in contractual cash flows is not substantial and does not result in a derecognition, the carrying amount of the loan will be adjusted to reflect the present value of the modified cash flows discounted with the original effective interest rate.
- Impairment losses on the loan portfolio amounting to €50.814 thous. which was classified to non-current assets held for sale.
- The amount of €2.134 thous. "recoveries" is the result of the settlement / collection of non-performing loans that have been written off.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK (cont.)

(GAINS)/LOSSES ON MODIFICATIONS OF CONTRACTUAL TERMS OF LOANS AND ADVANCES TO CUSTOMERS THAT DO NOT LEAD TO DERECOGNITION

The Group, in the context of renegotiation with borrowers or restructurings, proceeds with the modifications of the contractual cash flows of the loans in order to ensure their regular repayment.

The following table presents Loans and Advances to customers modified (which were not derecognised) during the year when they had a lifetime expected credit loss.

	From 1 January to 31.12.2021 €´000	From 1 January to 31.12.2020 €´000
Net carrying amount before the modification	150.477	352.672
Net profit or (loss) due to the modification	**(1.111)**	**(4.227)**

The following table presents the carrying amount of Loans and Advances to customers modified since initial recognition at a time they had a life time expected credit loss and for which the allowance is measured based on 12-month expected credit risk losses at the end of the year.

	From 1 January to 31.12.2021 €´000	From 1 January to 31.12.2020 €´000
Book value before provisions for impairment at reporting date	**213.422**	**361.805**

The above amounts include loans modified on the basis of the moratorium, which provided for on the basis of legislative provision, the modification of up-to-date loans with suspension of instalments for the period March – December 2020, worth of Euro 138 million, for which a profit was recognised, due to modification, amounted to Euro 234 thous.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK (cont.)

(ii) Impairment losses on other financial instruments

	From 1 January to	
	31.12.2021 €´000	31.12.2020 €´000
Impairment (gain) / loss on debt securities and other securities measured at fair value through other comprehensive income	(240)	342
Impairment (gain) / loss on debt securities and other securities measured at amortised cost	125	159
Impairment (gain) / loss on due from banks	(143)	-
Total	**(258)**	**501**

	From 1 January to	
	31.12.2021	31.12.2020
(Gain) / Loss (i) and (ii)	**57.508**	**53.907**

11. PROFIT / (LOSS) BEFORE TAX

The profit for the year before tax is stated after charging the following items:

		From 1 January to	
	Note	31.12.2021 €´000	31.12.2020 €´000
Directors’ remuneration:			
Executive Directors	43(a)	502	504
Non-Executive Directors	43(a)	187	184
Independent auditors' remuneration for statutory audit of annual accounts		309	253
Independent auditors' remuneration for other non-audit services		35	27
Depreciation on investment property	19	176	85
Depreciation of property, plant and equipment	20	2.696	2.834
Amortization of intangible assets	21	1.424	936

12. TAX

		From 1 January to	
	Note	31.12.2021 €΄000	31.12.2020 €΄000
Deferred tax - debit/(credit)	22	(612)	2.013
Tax for the year		655	606
Debit/(Credit) for the year		43	2.619

The Group is taxed for corporation tax purposes at the rate of 12,5% on taxable profits of the year. Taxable profits are not subject to special defence contribution.

The tax for this year relates to tax withheld abroad which cannot be recovered.

Additionally, tax losses incurred from 2017 onwards, can be carried forward and be offset against taxable profits for a period limited to five years. Group companies can offset losses against profits arising during the same tax year.

The Bank has been audited for tax purposes until the year 2017 without any liabilities arising. The Bank has instructed an audit firm to assure that the procedures applied for calculating and submitting its tax liabilities, are in compliance with the tax framework. The assurance covered, inter alia, income tax, defense tax, value added tax, tax related to the employee's income and other taxes.

Reconciliation of tax based on the taxable income and tax-based accounting (loss)/profit of the Bank

	From 1 January to			
	%	31.12.2021 €΄000	%	31.12.2020 €΄000
Accounting profit / (loss) before tax		(44.614)		(68.516)
Tax calculated at applicable tax rates (nominal tax rate)	12,5	(5.577)	12,5	(8.565)
Tax effect of expenses not deductible for tax purposes	(5,3)	2.364	(8,2)	5.599
Tax effect of allowances and income not subject to tax	6,4	(2.868)	1,5	(1.011)
Not recognized tax due to tax losses	(13,6)	6.081	(5,8)	3.977
Tax impact from deferred tax	1,4	(612)	(2,9)	2.013
Tax withheld abroad	(1,5)	655	(0,9)	606
Tax as per statement of comprehensive income (effective tax rate)	0,1	43	3,8	2.619

12. TAX (cont.)

The Group has not recognized deferred tax assets amounting to €20.635 thous. as it is not likely that a future economic profit will be available against which the Bank may use the benefit in conjunction with the fact that they can only be transferred and offset against income in the next five years.

The amount of tax withheld of Euro 655 thous. relates to the withholding tax on income earned abroad that cannot be offset against losses, as well as, to Euro 4 thous. relating to subsidiaries which are consolidated.

13. EARNINGS/ (LOSSES) PER SHARE

Earnings and losses per share are calculated by dividing the earning / (losses) for the year attributable to the owners of the Group by the weighted average number of issued ordinary shares during the year. Diluted earnings / (losses) per share result from the adjustment of the weighted average of existing common shares during the period for potentially issued common shares. The Bank does not have shares in this category and therefore there is no need to modify the basic and diluted earnings / (losses).

	From 1 January to	
	31.12.2021 €´000	31.12.2020 €´000
Profit / (Losses) attributable to the owners	(44.657)	(71.135)
Weighted average number of shares for the year	212.581.357	212.581.357
Basic and diluted earnings /(losses) per share (€ cent)	(21,0)	(33,5)

14. CASH AND BALANCES WITH CENTRAL BANKS

	31.12.2021 €΄000	31.12.2020 €΄000
Cash and Cash equivalents	54.848	55.736
Balances with Central Bank of Cyprus	987.967	194.922
	1.042.815	250.658
Mandatory reserve deposits with Central Bank of Cyprus	22.018	21.188
	1.064.833	271.846

Deposits with the Central Bank of Cyprus bear interest based on the interbank interest rate of the relevant period and currency. In case of negative interest rates, this is applied on the amounts exceeded the amount of mandatory deposits with the Central Bank of Cyprus multiplied 6 times.

Deposits with Central Bank include mandatory deposits for liquidity purposes.

Negative interest rates on deposits with the Central Bank is presented in interest and similar expenses in the statement of comprehensive income. (Note 2)

The increase in balances with the Central Bank of Cyprus mainly relates to the increase in liquidity arising due to the increase in customers deposits, the issuance of bonds and the increase in Repo transactions.

The exposure of the Bank to market risk, interest rate risk and analysis of the above assets at maturity and currency are disclosed in note 38 of the financial statements.

15. DUE FROM BANKS

	31.12.2021 €΄000	31.12.2020 €΄000
Placements with Alpha Bank Group	132.599	141.398
Placements with other financial institutions	96.120	18.087
Accumulated provisions	(88)	(231)
	228.631	159.254

The exposure of the Bank to market risk, interest rate risk and analysis of the above loans and advances to financial institutions at maturity are disclosed in note 38 of the financial statements.

16. a). INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.12.2021 €´000	31.12.2020 €´000
Government bonds and treasury bills	210.104	186.976
Corporate bonds	138.502	241.045
Shares	5.171	4.802
	353.777	432.823
Listed	348.606	428.021
Non-Listed	5.171	4.802
	353.777	432.823
Geographical analysis based on issuer's region:		
- Cyprus	163.009	139.382
- Greece	67.487	89.027
- United Kingdom	45.828	22.180
- European Union	50.446	58.812
- United States of America	27.007	103.232
- Switzerland	-	20.190
	353.777	432.823

The non-listed securities include the Bank's interest in the company JCC Payments Systems Limited. The Group has elected to classify as shares measured at fair value through other comprehensive income, the shares it holds with the characteristics of investments in companies in the financial sector (shares of credit institutions and interbank companies).

The Group exercised the option allowed by IFRS 9 for equity securities to classify them at fair value through other comprehensive income recognized directly in Equity.

The following table shows, at 31.12.2021 and 31.12.2020, the shares of the investment portfolio measured at fair value through other comprehensive income.

	Fair value 31.12.2021 €´000	Dividend income from 1.1.2021 – 31.12.2021 €´000	Fair value 31.12.2020 €´000	Dividend income from 1.1.2020 – 31.12.2020 €´000
JCC Limited	5.171	664	4.802	428
Total	5.171	664	4.802	428

16. b). INVESTMENT PORTFOLIO SECURITIES MEASURED AT AMORTISED COST

	31.12.2021 €´000	31.12.2020 €´000
Government bonds and treasury bills	74.641	144.855
Corporate bonds	103.387	30.757
	178.028	175.612
Listed	178.028	175.612
	178.028	175.612
Geographical analysis based on issuer's region:		
- Cyprus	35.947	117.137
- Greece	14.562	8.146
- European Union	67.770	50.329
- United Kingdom	20.560	-
- United States of America	39.189	-
	178.028	175.612

The Group classified into the portfolio of securities measured at amortised cost, bond purchases in 2021 as the business model foresees their holding until maturity given the satisfactory level of yields.

16. c). INVESTMENT PORTFOLIO SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2021 €´000	31.12.2020 €´000
Variable yield securities	4.389	3.949
	4.389	3.949
Listed	4.389	3.949
	4.389	3.949
Geographical analysis based on issuer's region:		
- United States of America	4.389	3.949
	4.389	3.949

17. DERIVATIVE FINANCIAL INSTRUMENTS (Assets - Liabilities)

	31.12.2021 €´000		
		Fair value	
	Contractual Nominal amount	Assets	Liabilities
Derivatives for trading purposes			
Foreign exchange derivatives			
FX swaps	124.054	74	557
Total	124.054	74	557

	31.12. 2020 €´000		
	Contractual Nominal amount	Fair value	
		Assets	Liabilities
Derivatives for trading purposes			
Foreign exchange derivatives			
FX swaps	80.209	467	195
Total	80.209	467	195

Derivatives are not held for hedge accounting purposes

18. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2021 €´000	31.12. 2020 €´000
Loans and advances to customers measured at amortised cost	1.059.306	1.498.722
Less:		
Allowance for impairment losses	(12.347)	(153.897)
Total	**1.046.959**	**1.344.825**
Loans measured at fair value through profit or loss	16.415	16.520
Loans and advances to customers	**1.063.374**	**1.361.345**

Loans measured at amortised cost

	31.12.2021 €´000	31.12. 2020 €´000
Individuals:		
- Mortgages	484.977	641.707
- Consumer	67.810	145.806
- Credit cards	7.038	10.861
Total	**559.825**	**798.374**
Companies:		
Corporate loans	499.481	700.348
Total	**499.481**	**700.348**
	1.059.306	**1.498.722**
Less: Allowances for impairment losses	(12.347)	(153.897)
Total	1.046.959	1.344.825

18. LOANS AND ADVANCES TO CUSTOMERS (cont.)

Loans measured at fair value through profit or loss

	31.12.2021 €΄000	31.12.2020 €΄000
Companies:		
Corporate loans	16.415	16.520
Total	**16.415**	**16.520**

The loans are assessed at the initial recognition of whether their cash flows constitute solely cash flows for repayment of principal and interest on outstanding capital (SPPI). In the event of failure of the SPPI, then the respective loans are classified as assets valued at fair value through profit or loss (FVTPL).

Accumulated allowance for impairment losses

Balance 1.1.2020	**517.444**
Changes in the period 1.1 – 31.12.2020	
Impairment losses for the year	53.479
Derecognizing due to significant modifications in loans' contractual terms	(612)
Change in the present value of the impairment losses	17.348
Foreign exchange differences	(2.866)
Amounts used to write-off loans during the year	(61.953)
Sales of loans	(368.943)
Balance 31.12.2020	**153.897**
Changes in the period 1.1 – 31.12.2021	
Impairment losses for the year	63.465
Derecognizing due to significant modifications in loans' contractual terms	(412)
Change in the present value of the impairment losses	3.624
Foreign exchange differences	810
Amounts used to write-off loans during the year	(20.722)
Transfer to non-current assets held for sale	(188.315)
Sales of loans	-
Balance 31.12.2020	**12.347**

In 2021, non-performing "Loans and advances to customers", with accounting balance before provisions for impairments of €344 million and a fair value of €134 million were classified to “Non-current assets held for sale”.

18. LOANS AND ADVANCES TO CUSTOMERS (cont.)

In 2020, non-performing "Loans and advances to customers", with accounting balance before provisions for impairments of €649 million and a fair value of €280 million were sold to a company of the Alpha Bank S.A. Group for the amount of €307 million. The difference of €27 million between the fair value and the amount received, was recognised in retained earnings as a capital contribution by the parent company. For these loans, all the risks and rewards of their ownership have been transferred and they have therefore been derecognised from the Balance Sheet of the Group. For the calculation of the fair value of the loans sold, the Group took into account the expected cash flows from the loans, which have been discounted at market rates taking into account capital costs, financing costs and management costs. In compensation for the sale of non-performing loans, the Group purchased loans worth Euro 251 million from Alpha Bank S.A.'s Group companies, with the aim of investing the excess liquidity and improving the interest margin.

The exchange difference arises from the valuation of the balance of provisions held in foreign currency that are held to cover credit risk.

The exposure of the Group to credit risk and analysis of loans and advances to customers by industry sector, and by maturity is disclosed in note 38 of the financial statements.

19. INVESTMENT PROPERTY

	Land - Buildings €´000
Balance 1.1.2020	
Cost	**18.790**
Accumulated depreciation and impairment losses	(285)
1.1.2020 - 31.12.2020	**18.505**
Additions from companies consolidated in the year	876
Impairment	(550)
Depreciation	(85)
Disposals	(1.968)
Depreciation on disposals	66
Transfer to non-current assets held for sale	265
Transfer of impairments to assets held for sale	69
Net Book value 31.12.2020	**17.178**
Balance 31.12.2020	
Cost	**17.619**
Accumulated depreciation and impairment losses	**(441)**
Balance 1.1.2021	
Cost	**17.619**
Accumulated depreciation and impairment losses	(441)
1.1.2021 - 31.12.2021	**17.178**
Additions from companies consolidated in the year	454
Impairment	(751)
Depreciation	(177)
Disposals	(2.120)
Depreciation on disposals	265
Transfer to non-current assets held for sale	(4.389)
Transfer of impairments to assets held for sale	750
Net Book value 31.12.2021	**11.210**
Balance 31.12.2021	
Cost	**11.564**
Accumulated depreciation and impairment losses	**(354)**

19. INVESTMENT PROPERTY (cont.)

The fair value of investment property on 31.12.2021 amounted to €14,5 mil. (2020: €22,2 mil.). The fair value of immovable property is calculated in accordance with the methods described in note 1.7 and is ranked according to the hierarchy of fair value at Level 3 having made use of information provided from case investigations and data relating to properties of similar characteristics and consequently included a wide range of non-observable data on the market.

During 2021, an impairment loss of €751 thous. was recognized (31.12.2020: €550 thous.), so that the net book value is reflecting the recoverable value on 31.12.2021, as assessed by certified valuers, as fair value less selling costs.

The additions of the current and previous year as well as the additions from companies that were consolidated for the first time in the years 2021 and 2020, mainly concern investments in real estate that had been taken as collateral against loans and acquired by the Group in the context of credit risk management.

Information on transfers of assets to and from 'Non-current assets held for sale' is presented in Note 25.

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land (Note 1) €΄000	Buildings and improvements on leasehold premises (Note 1) €΄000	Plant and equipment €΄000	Right of use - Buildings €΄000	Right of use - Cars €΄000	Total €΄000
1 January 2021	3.089	34.939	21.354	7.017	115	66.514
Additions	-	119	114	2	269	504
Disposals / Write-offs	-	(978)	(6.655)			(7.633)
Transfers from non-current assets held for sale	-	-	204	-	-	204
Disposals / Terminations	-	-	-	(1.390)	(76)	(1.466)
31 December 2021	3.089	34.080	15.017	5.629	308	58.123
1 January 2020	3.089	34.901	20.053	7.953	115	66.111
Additions	-	250	1.266	99	-	1.615
Disposals / Write-offs	-	(212)	(32)	(1.035)		(1.279)
Transfers from non-current assets held for sale	-	-	67			67
Disposals / Terminations	-	-	-	-	-	-
31 December 2020	3.089	34.939	21.354	7.017	115	66.514

Note 1: The recoverable value of land and buildings is not less than its book value.

20. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land (Note 1)	Buildings and improvements on leasehold premises	Plant and equipment	Right of use - Buildings	Right of use - Cars	Total
	€´000	€´000	€´000	€´000	€´000	€´000
Depreciation						
1 January 2021	-	18.301	18.486	2.043	84	38.914
Charge for the year	-	717	883	1.040	56	2.696
Disposals / Write-offs	-	(978)	(6.655)	-	-	(7.633)
Transfers to non-current assets held for sale			134			134
Disposals / Terminations	-	-	-	(538)	(76)	(614)
31 December 2021	-	18.040	12.848	2.545	64	33.497
1 January 2020	-	17.685	17.682	1.182	38	36.587
Charge for the year	-	757	785	1.246	46	2.834
Disposals / Write-offs	-	(141)	(31)			(172)
Transfers to non-current assets held for sale			50			50
Disposals / Terminations	-	-	-	(385)	-	(385)
31 December 2020	-	18.301	18.486	2.043	84	38.914
Net book value						
1 January 2020	3.089	17.216	2.371	6.771	77	29.524
31 December 2020	3.089	16.638	2.868	4.974	31	27.600
31 December 2021	3.089	16.040	2.169	3.084	244	24.626

Note 1: The recoverable value of land and buildings is not less than its book value.

21. INTANGIBLE ASSETS

	Computer Software
	€´000
Cost	
1 January 2021	12.481
Additions	1.830
Disposals / Write-offs	(1.906)
31 December 2021	12.405
1 January 2020	10.990
Additions	1.491
Disposals / Write-offs	-
31 December 2020	12.481
Amortization	
1 January 2021	10.311
Additions	1.424
Disposals / Write-offs	(1.906)
31 December 2021	9.829
1 January 2020	9.375
Additions	936
Disposals / Write-offs	-
31 December 2020	10.311
Net book value	
1 January 2021	2.170
31 December 2020	2.170
31 December 2021	2.576

22. DEFERRED TAX ASSETS

	Tax Losses €´000	Difference between depreciation and capital allowances €´000	Total €´000
31.12.2021			
1 January	7.546	(1.309)	6.237
Credit / (Debit) in the statement of comprehensive income	-	612	612
31 December	7.546	(697)	6.849
31.12. 2020			
1 January	9.627	(1.377)	8.250
Credit / (Debit) in the statement of comprehensive income	(2.081)	68	(2.013)
31 December	7.546	(1.309)	6.237

Deferred tax assets are recognized for unutilized tax losses, and deductible temporary differences, to the extent that future taxable profits are likely to be available against which they can be used. The most important categories of deferred tax asset recognized by the Group related to carried forward tax losses. Deferred tax asset for the tax losses carried forward relate to the years 2017- 2021. Tax losses can be set off against taxable profits within five years of their recognition. The Group recognizes deferred tax because it estimates that its future taxable profits, for the subsequent years until the expiry of the right to set off the tax losses, are recoverable. The estimation of future taxable profits is based on the Group’s Business Plan.

23. REPOSSESSED ASSETS

	€΄000
Balance 1.1.2020	
Cost	25.507
Accumulated impairments	(541)
1.1.2020 – 31.12.2020	
Net book value 1.1.2020	24.966
Additions	1.816
Disposals	(440)
Impairment for the period	47
Transfer to non-current assets held for sale	(2.240)
Impairment on assets transferred to non-current assets held for sale	351
Net book value	24.500
Balance 31.12.2020	
Cost	27.392
Accumulated impairments	(2.892)
1.1.2021 -31.12.2021	
Net book value	24.500
Additions	166
Disposals	(4.089)
Impairment on sale of assets	364
Impairment for the period	(1.277)
Reclassification from non-current assets held for sale	(17.577)
Impairment on assets transferred to non-current assets held for sale	3.164
Net book value	5.251
Balance 31.12.2021	
Cost	5.892
Accumulated impairments	(641)

Assets acquired through auctions or from the exchange of loans with real estate but are not immediately available for sale or are not expected to be sold within a year are presented in "Repossessed assets" and are measured at the lower of cost (or carrying amount) and net realizable value. Net realizable value is considered equal to fair value less costs to sell.

The fair value of the assets is calculated in accordance with the methods mentioned in accounting policies and are classified, in terms of fair value hierarchy, in Level 3 since data based on market research, assumptions and inputs relating to properties of relevant characteristics are used for the determination of fair value and therefore encompass a wide range of unobservable market inputs. The fair value of the repossessed assets at 31.12.21 amounted to Euro 5,4 mill. (2020: Euro 25,4 thous.).

Repossessed assets must be sold in accordance with the supervisory authorities within 3 years of the date of recovery. In the event of failure to transfer them within the specified margins, the supervisory authorities shall be informed.

Information on transfer of assets to and from “Non-current assets held for sale” is presented in Note 25.

24. OTHER ASSETS

	31.12.2021 €´000	31.12.2020 €´000
Receivables from Alpha Bank Group companies (Note 43)	2.328	2.709
Other receivables and prepayments	9.568	9.499
	11.896	12.208

25. NON-CURRENT ASSETS HELD FOR SALE

	31.12.2021 €´000	31.12.2020 €´000
Non-current assets held for sale		
Investments in subsidiaries	4.520	2. 810
Loans and advances to customers	134.144	-
Other non-current assets held for sale	14.499	71
Total	153.163	2.881

The Group, with the aim of consolidating its balance sheet, has classified assets for sale. The assets consist of a non-performing portfolio of client loans, real estate acquired through the debt to asset swap process, and its investments in subsidiaries whose principal asset is the real estate of recoveries, against client debts.

In September 2021, in the context of the SKY transaction, the Group started the process of selling a portfolio of non-performing loans, subsidiaries and repossessed properties. In December 2021, binding offers were submitted, and bilateral discussions were initiated with the preferred investor in order to reach an agreement. The transaction is expected to be completed within the third quarter of 2022. As a result, in 31.12.2021, this portfolio of loans and real estate from auctions, as well as the transaction-related subsidiaries were classified as assets for sale.

The fair value of the portfolio classified in "Non-current assets held for sale" in the context of the SKY transaction amounts to Euro 153 mill. and comprises of loans and advances to customers of Euro 134 mill., properties of Euro 14 mill. and net assets of subsidiaries of Euro 5 mill. During 2021, an impairment amounting to Euro 50,814 thous. was recognised in relation to the SKY portfolio of loans, as well as impairment of Euro 967 thous. in relation to repossessed properties that were classified as non-current assets held for sale.

It is noted that the fair value of the aforementioned loan portfolio at 31.12.2021 is not different from the corresponding accounting value, as the expected credit risk losses have been calculated on the basis of 100% probability of completing this transaction.

25. NON-CURRENT ASSETS HELD FOR SALE (cont.)

The following table shows an analysis of the most significant assets held for sale and the related liabilities for subsidiaries held for sale.

	31.12.2021	31.12.2020
Assets	€΄000	€΄000
Cash and cash equivalents	215	-
Investment property	4.348	2.709
Other	18	131
Total	4.581	2.840
Liabilities		
Other liabilities	61	30
Total	61	30
Total classified as held for sale	4.520	2.810

According to IFRS 5, non-current assets held for sale or disposal groups are measured at the lower value between their book value and fair value less costs to sell and are presented in the balance sheet separately from other assets and liabilities.

Fair values are estimated in accordance with the methods described in Note 1.7 and classified in terms of fair value hierarchy at Level 3, as research data and data relating to immovable property of similar characteristics are used, and thus including a wide range of non-observable market data.

26. DUE TO BANKS

	31.12.2021 €΄000	31.12. 2020 €΄000
Amounts due to companies of the Alpha Bank Group (Note 43)	27.120	27.199
Repo transactions	281.683	-
Amounts due to other financial institutions	155.409	34.719
	464.212	61.918

Amounts due to other financial institutions include the amount of Euro 282 mill. relating to a repurchase agreement between Alpha Bank Cyprus Ltd and Alpha Bank S.A., which is secured by bonds held by Alpha Bank Cyprus Ltd.

Amounts due to Alpha Bank S.A. are secured with «Loans and advances to customers» (Note 38.6).

The exposure of the Group to liquidity risk and analysis of deposits from financial institutions by maturity is disclosed in note 38 of the financial statements.

27. DUE TO CUSTOMERS

	31.12.2021 €΄000	31.12.2020 €΄000
Deposits:		
Current	1.463.159	1.153.235
Savings	90.558	91.032
Fixed term or notice	731.185	858.034
	2.284.902	2.102.301

In 2021, amounts due to customers increased by €183 mill. compared to the comparative period firstly due to the increase in deposits of individuals which is a consequence of the uncertainty caused by the pandemic and the reduced consumer spending, as well as the fact that the consumers cannot spend – to a degree – due to the measures restricting economic activity.

The exposure of the Group to liquidity risk and analysis of deposits from customers by maturity are disclosed in note 38 of the financial statements.

28. DEBT SECURITIES IN ISSUE

(i) Subordinated bonds at amortised cost

	Non - Listed €΄000	Total €΄000
1 January 2021	5.276	5.276
Interest payable	80	80
Payments	(5.356)	(5.356)
31 December 2021	-	-

	Non - Listed €΄000	Total €΄000
1 January 2020	10.151	10.151
Interest payable	576	576
Payments	(5.451)	(5.451)
31 December 2020	5.276	5.276

Non-listed securities which comprised of secondary capital (Tier II) matured in March 2021 and were repaid fully.

28. DEBT SECURITIES IN ISSUE (cont.)

(ii) Bond securities

In December 2021, the Group issued bonds with a total value of Euro90 mill., which were purchased by the ultimate parent company. The bonds were issued with features that make them eligible in the event of resolution and count towards the Minimum Requirements for Equity and Eligible Liabilities – MREL

2021			€ '000	
Bond	Date of issue	Interest rate	Maturity	Amount
A	23.12.2021	3,18%	23.12.2024	45.000
B	23.12.2021	3,51%	23.12.2026	45.000
Total				90.000
Accrued interest				74
Total				90.074

29. OTHER LIABILITIES AND PROVISIONS

A) Other liabilities

	31.12.2021 €´000	31.12. 2020 €´000
Accrued expenses	4.998	4.778
Other payables	24.077	24.937
Amounts due to Alpha Bank Group companies (Note 43)	7.460	9.398
Taxes payables on behalf of clients	18	34
Liabilities on voluntary exit program of staff	-	5.366
Liabilities on leases (Note i)	3.540	5.220
	40.093	49.733

(i) Lease liabilities

The following table presents the cash and non-cash flows for lease liabilities

Balance 1.1. 2020	Cash flows	Non-cash flows			Balance 31.12.2020
	Payments	Debit interest	New leases	Termination	
€´000	€´000	€´000	€´000	€´000	€´000
7.211	(1.563)	149	99	(676)	5.220

Balance 1.1.2021	Cash flow	Non-cash flows			Balance 31.12.2021
	Payments	Debit interest	New leases	Termination	
€´000	€´000	€´000	€´000	€´000	€´000
5.220	(1.150)	112	269	(911)	3.540

During the implementation of IFRS 16 estimates have been made for contract renewals based on extension rights and there are no lease contracts which include a variable element of lease payments based on the level of total earned revenue. The Group maintains lease contracts mainly for commercial properties, such as offices and shops.

In addition, there are no short-term lease agreements that were signed at the end of the financial year 2021 and implemented from 1.1.2022.

29. OTHER LIABILITIES AND PROVISIONS (cont.)

The Group in order to discount the remaining lease payments, used the incremental borrowing rate of 2,26% for real estate and 1,04% for cars, which was determined using as the reference rate the secured funding of the parent company Alpha Bank S.A., adjusted for different currencies and taking into consideration government yield curves, where applicable.

B) Provisions

	31.12.2021 €΄000	31.12.2020 €΄000
Tax	409	410
Undrawn loans (**i**)	905	780
Letters of credit and letters of guarantees (**i**)	2.547	4.382
	3.861	5.572

(i) Provisions to cover credit risk relating to off-balance sheet items

Balance 1.1.2020	4.022
Changes in the period 1.1.2020 – 31.12.2020	
Provisions to cover credit risk relating to off-balance sheet items	1.140
Balance 31.12.2020	**5.162**

Balance 1.1.2021	5.162
Changes in the period 1.1.2021 – 31.12.2021	
Provisions to cover credit risk relating to off-balance sheet items	(1.710)
Balance 31.12.2021	**3.452**

30. SHARE CAPITAL

	2021 Number of shares	2021 €´000	2020 Number of shares	2020 €´000
Authorised				
31 December				
(Ordinary shares of €0,85 each)	600.000.000	510.000	600.000.000	510.000
Issued and fully paid				
1 January	212.581.357	180.694	212.581.357	180.694
Shares issue	-	-	-	-
31 December				
(Ordinary shares of €0,85 each)	212.581.357	180.694	212.581.357	180.694

Shareholders Structure

		31.12.2021		31.12. 2020	
	Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
1	Alpha International Single Member S.A.	212.581.357	100%	212.581.357	100%
	Total	**212.581.357**	**100%**	**212.581.357**	**100%**

31. CONVERTIBLE CAPITAL SECURITIES

	31.12.2021 €´000	31.12.2020 €´000
Issue of convertible capital securities	64.000	64.000

On the 1st of November 2013, the Bank issued 75.294.118 perpetual convertible capital securities with no maturity with nominal value €0,85 each which were purchased by the parent company Alpha Bank S.A. The securities were purchased on 30.12.2020 by Alpha International Single Member S.A.

Convertible capital securities bear a fixed annual interest of 7% which is payable on the 30 September each year.

The Bank may at its sole discretion at all times, elect to cancel an interest payment on a non-cumulative basis. Cancellation of a coupon payment does not constitute an event of default of interest payment and does not entitle the holders to petition for the insolvency of the Bank.

The Bank has cancelled the payment of interest for 2020 and 2021.

The convertible capital securities may be redeemed, at the discretion of the Bank subject to the prior approval of the Central Bank of Cyprus, at their nominal value including any accrued interest but excluding any interest payment previously cancelled, on 30 September 2021 or at any subsequent interest payment date.

Mandatory cancellation of interest payment shall apply when:

- The Bank fails to comply with the minimum capital requirements set by the Central Bank of Cyprus for credit institutions operating in Cyprus in the Directive on the calculation of the capital requirements and large exposures, as amended or replaced, or

- The Bank has insufficient distributable items to make an interest payment, or

- The Central Bank of Cyprus may require, in its sole discretion, at any time the Bank to cancel interest payments.

The convertible capital securities are obligatory converted into ordinary shares of the Bank on the occurrence of a contingency event or a viability event. The conversion price is constant and cannot be lower than the nominal value of the Bank’s ordinary shares.

These financial instruments are classified as equity, as the Bank does not have a contractual obligation to repay the holder in cash or other financial asset. The convertible capital securities are classified as Tier 1 capital for the purpose of calculating the capital adequacy ratio.

32. SHARE PREMIUM

	2021 €΄000	2020 €΄000
Opening balance 1 January	**102.661**	**102.661**
Balance 31 December	**102.661**	**102.661**

33. RESERVES

a) Investments reserves measured at fair value through other comprehensive income

The investments revaluation reserve measured at fair value through other comprehensive income is not distributable, however, in the event of a sale of an investment, any revaluation surplus is transferred from the revaluation reserve to profit or loss.

	2021 €΄000	2020 €΄000
Balance 1 January	**8.160**	**7.264**
Changes in the period 1.1 – 31.12		
Revaluation of investment securities measured at fair value through other comprehensive income	(3.790)	896
Balance 31 December	**4.370**	**8.160**

b) Reserve from the conversion of share capital

	2021 €΄000	2020 €΄000
Balance 31 December	**600**	**600**

	2020 €΄000	**2019** €΄000
Reserves total (a + b)	4.970	**8.760**

34. RETAINED EARNINGS

The revenue reserve (retained earnings) is distributable according to the requirements of the Company Law, Cap. 113.

Companies which do not distribute 70% of their profits after tax, as determined by the Special Defence contribution Law, during the two years after the end of taxable year that the profits are reported, it will be considered that they have distributed this amount as dividend. Special defence contribution of 17% from 2014 and afterwards will be payable on the deemed dividend distribution at the extent which owners (individuals and companies) at the end of the two-year period after the end of taxable year that the profits are reported, are taxable Cyprus residents. The amount of deemed distribution of dividends is reduced by any realised dividend that has already been distributed for the year during which the profits are reported. The special defence contribution is paid by the Bank for the account of the owners.

The above requirements of the Law are not applied in the case of the Group, due to the fact that its owners are not residents in Cyprus for tax purposes.

During 2020, "Loans and advances to customers" with an accounting balance before provisions for impairments of €649 million and a fair value of €280 million were sold to a company of the Alpha Bank S.A. Group for the amount of €307 million. The difference between their fair value and the selling price was recognised in retained earnings in equity as a capital contribution.

35. CONTINGENT LIABILITIES AND COMMITMENTS

35.1 OFF BALANCE SHEET LIABILITIES

	31.12.2021 €΄000	31.12.2020 €΄000
Contingent liabilities		
Bank guarantees	57.715	66.155
Commitments		
Letters of credit and letters of guarantees	2.530	3.777
Undrawn credit facilities	159.674	132.530
	162.204	136.307
Total off balance sheet liabilities	219.919	202.462

Documentary credits and letters of guarantee are usually compensated through respective third party liabilities.

Documentary credits which are in the form of letters of credit relating to imports/exports commit the Group to make payments to third parties, who have entered in contractual business with customers of the Group, on production of documents and provided that the terms of the documentary credit are satisfied. The repayment by the customer is due immediately or within up to six months.

Loan and facility limits that have been approved but not utilized by clients represent a contractual obligation. Loan and facility limits include overdraft limits that are granted for a specific time period and may be cancelled by the Group at any time.

For off-balance-sheet liabilities, an impairment provision of Euro 3,4 million has been made for 2021 (2020: Euro 5,2 million).

The exposure of the Group to credit risk is disclosed in note 38 of the financial statements.

35. CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

35.2 LEGAL

The Group, in the ordinary course of business, is a defendant in claims from customers and other legal proceedings. In the context of managing the operational risk events and on the basis of the accounting principles followed, the Group records all the filed lawsuits or similar actions performed by third parties against the Group and considers any possibility of their success, as well as the possible outcome.

For cases where there is a significant probability of a negative outcome, and the result may be sufficiently estimated, the Group creates a provision that is included in the Balance Sheet under the caption “Other liabilities and provisions”. On 31.12.2021 the amount of the provision stood at zero (31.12.2020: € nil).

For cases where according to their progress and the evaluation of the Legal department on December 31, 2021, a negative outcome is not probable or the potential outflow cannot be estimated reliably due to the complexity of the cases, duration and the uncertainty of their outcome, the Group has not recognized a provision. As of 31.12.2021 the legal claims against the Group for the above cases amount to € 20.092 thous. (31.12.2020: €15.655 thous.).
According to the legal department’s estimation, the ultimate settlement of the claims and lawsuits is not expected to have a material effect on the financial position or the operations of the Group.

35.3 TAX

The Bank has been audited for tax purposes until the year 2017 without any tax liabilities arising. The companies that are being consolidated have not been audited for tax purposes.

36. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents include the following:

	Note	31.12.2021 €´000	31.12.2020 €´000
Cash and balances with Central Banks	14	1.042.815	250.658
Due from banks	15	228.631	159.254
Due to banks		(150.564)	(28.303)
		1.120.882	381.609

37. OPERATING SEGMENTS

The Group, in assessing the presentation of information by operating segment and taking into consideration the information that the management receive, who are responsible for the allocation of resources and assessing the performance of its banking sectors, identified the following operating segments:

- Retail Banking
- Corporate Banking
- Treasury
- Other

The activities of subsidiary companies are included in "Other" category.

A) The below table presents the income, expenses, impairment losses, profit/(loss) before tax and certain information on assets and liabilities with regard to the above segments.

	1.1-31.12.2021				
	Retail Banking	Corporate banking	Treasury	Other	Total
	€000	€000	€000	€000	€000
Net interest income	27.255	16.829	1.567	(17)	**45.634**
Net fee and commission income	6.767	6.193	(335)	115	**12.740**
Other income	81	(1.952)	1.930	7.612	**7.671**
Total income	**34.103**	**21.070**	**3.162**	**7.710**	**66.045**
Total expenses	**(22.493)**	**(7.981)**	**0**	**(22.677)**	**(53.151)**
Impairment losses and provisions to cover credit risk	**(56.316)**	**(1.450)**	**258**	**-**	**(57.508)**
Net profit / (loss) before tax	**(44.706)**	**11.639**	**3.420**	**(14.967)**	**(44.614)**
Tax	-	-	-	(43)	(43)
Profit / (loss) after tax	(44.706)	11.639	3.420	(15.010)	(44.657)
Total assets 31.12.2021	695.686	501.832	1.647.314	263.845	3.108.677
Total liabilities 31.12.2021	1.731.756	556.458	464.769	130.727	2.883.710
Capital expenditure	-	-	-	2.338	2.338
Depreciation and amortization	(3.143)	(923)	-	(231)	(4.297)

37. OPERATING SEGMENTS (cont.)

	1.1-31.12.2020				
	Retail Banking	Corporate banking	Treasury	Other	Total
	€000	€000	€000	€000	€000
Net interest income	31.500	18.083	2.303	(22)	51.864
Net fee and commission income	6.315	5.212	(246)	11	11.292
Other income	(87)	(283)	2.221	8.413	10.264
Total income	37.728	23.012	4.278	8.402	73.420
Total expenses	(25.929)	(10.443)	-	(51.657)	(88.029)
Impairment losses and provisions to cover credit risk	(41.461)	(11.945)	(501)	-	(53.907)
Net profit / (loss) before tax	(29.662)	624	3.777	(43.255)	(68.516)
Tax	-	-	-	(2.619)	(2.619)
Profit / (loss) after tax	(29.662)	624	3.777	(45.874)	(71.135)
Total assets 31.12.2020	698.303	645.523	864.390	288.854	2.498.070
Total liabilities 31.12.2020	1.754.822	348.114	62.113	59.974	2.225.023
Capital expenditure	-	-	-	2.757	2.757
Depreciation and amortization	(3.036)	(602)	-	(217)	(3.855)

B) The below table presents the income, expenses, impairment losses, profit/(loss) before tax and certain information on assets and liabilities per geographical segment:

	31.12.2021		
	Cyprus	Other countries	Total
	€000	€000	€000
Net interest income	33.581	12.053	45.634
Net fee and commission income	9.855	2.885	12.740
Other income	8.962	(1.291)	7.671
Total income	52.398	13.647	66.045
Total expenses	(42.692)	(10.459)	(53.151)
Impairment losses and provisions to cover credit risk	(50.406)	(7.102)	(57.508)
Net profit / (loss) before tax	(40.700)	(3.914)	(44.614)
Tax	(43)	-	(43)
Profit / (loss) after tax	(40.743)	(3.914)	(44.657)
Total assets 31.12.2021	2.352.728	755.949	3.108.677

37. OPERATING SEGMENTS (cont.)

	31.12.2020		
	Cyprus	Other countries	Total
	€000	€000	€000
Net interest income	38.653	13.211	51.864
Net fee and commission income	8.423	2.869	11.292
Other income	9.200	1.064	10.264
Total income	56.276	17.144	73.420
Total expenses	(67.906)	(20.123)	(88.029)
Impairment losses and provisions to cover credit risk	(25.734)	(28.173)	(53.907)
Net profit / (loss) before tax	(37.364)	(31.152)	(68.516)
Tax	(2.619)	-	(2.619)
Profit / (loss) after tax	(39.983)	(31.152)	71.135
Total assets 31.12.2020	1.567.036	931.034	2.498.070

Retail Banking
Includes all individuals (Retail banking customers), professionals and small businesses, who are operating in Cyprus and abroad. Through its branch network it manages all deposit products, consumer mortgage products and corporate loans, liquidity products, letters of guarantee, letters of credit, and debit and credit cards of the above customers.

Corporate Banking
Includes all Medium and Large Businesses who are operating in Cyprus. It manages all liquidity products, corporate loans, and letters of guarantee, and letters of credit of the above businesses.

Treasury
Includes the activity of the Dealing Room on the interbank markets (FX Swaps, Bonds, Inter-bank placements – loans etc.)

Other
Includes the operating expenses of the Management that are not classified to other sectors of the Group.

38. RISK MANAGEMENT

The Bank has established a thorough and prudent risk management framework which is built on best supervisory practices and which, based on the common European legislation and banking system rules, principles and standards, is evolved over time in order to be implemented on the Bank's conduct of the day-to-day business and to ensure the effectiveness of its corporate governance.

The Bank's main focus in 2021 was to maintain high standards of internal governance and compliance with regulatory risk guidelines and to retain confidence in the conduct of its business activities through sound and robust provision of financial services.

GOVERNANCE OF RISK MANAGEMENT

The Board of Directors supervises the overall operations of the Risk Management Unit. Regarding Risk Management, the Board of Directors has established a Risk Committee, which convenes on a monthly basis and reports to the Board of Directors. The Risk Committee recommends to the Board of Directors risk undertaking and capital management strategy, checks its implementation and evaluates its effectiveness.

The risk management framework and its effectiveness are re-assessed on a regular basis in order to ensure compliance with international practices as well as with supervisory and regulatory requirements.

For a more comprehensive and effective identification and monitoring of all risk types, Management Committees have been established (Assets and Liabilities Committee, Credit Risk Committee and Operational Risk Committee).

Risk Management Division

The Chief Risk Officer supervises the Bank's Risk Management Division and submits regular and exceptional reports to the Committees at Executive level, the Risk Committee of the Board of Directors and the Board of Directors of the Bank. These reports cover the matters of management of all types of risks under its supervision.

Organizational Structure

The Credit Risk Division and the Market and Operational Risk Division, which operate under the supervision of the Chief Risk Officer are responsible for the implementation of the risk management framework in accordance with the Board Risk Committee's guidelines.

In addition to the above, the Credit Risk Model Validation department also operates under the direct supervision of the General Manager Risk.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk

The Credit Risk Division constitutes of the following departments:

- Policy
- Regulatory Requirements and Corporate Governance
- Credit Control
- Data Analysis
- Methodologies
- Individual Impairment Assessment
- Collective Impairment Assessment

The Market and Operational Risk Division, constitutes of the following departments:

- Market and Liquidity department
- Operational department

In addition to the above, the Credit Risk Models Validation department also operates under the direct supervision of the Chief Risk Officer.

WHOLESALE BANKING CREDIT FACILITIES

Wholesale Banking credit facilities are included in each of the following categories subject to the characteristics of the credit facility of the obligor, as shown in the table below:

	Portfolio	Characteristics
Wholesale Banking Customers	Corporate	Groups with turnover of >€2.5 million or credit facility > €1 million.
	SME	Groups with turnover of between €0.5 million and €2.5 million or a credit facility between €150 thousand and €1 million.

1. Credit Risk Approval

The Group, following the best international practices and taking into consideration the prevailing institutional framework defined by legislation, regulations, ministerial decrees/ decisions, etc , has established a robust credit risk framework, where the key principles and guidelines, the procedures and actions followed and the responsibilities of all related Units and Officers are clearly defined based on the four eyes principle.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

Within this context, all credit proposals are prepared by the Business Units, are reviewed by the Credit Units and are subsequently forwarded for assessment and final decision to the respective Credit Committee based on the total credit exposure, the borrower risk rating, the provided collaterals and the environmental and social risk evaluation.

The limits of the Wholesale Banking Credit Committees are determined in accordance with Total Credit Exposure, defined as the sum of all credit facilities of the obligor (single company or group of associated companies) which can be approved by the Group and include the following:

- Total credit requested exposure
- Working Capital limits
- Letters of Credit/Letters of Guarantee limits
- Corporate Cards limits
- Medium and long-term loans (current outstanding/exposure for facilities that have been fully drawn or limit amount of undrawn facilities).
- Leasing Facilities (current outstanding/exposure for leasing facilities that have been fully drawn or limit amount for undrawn/unused facilities).
- Special credit limits or loans, or any form of personal financing to the company's business owners (mortgage loans, consumer loans, shares' purchase, credit cards etc.).

Wholesale Banking Credit Boards

Credit Committees decisions are multidimensional, with the main assessments performed being as following:

- Approval of the terms of new loans, renegotiations or restructuring of existing credit facilities.
- Approval of the loan pricing, considering the overall profitability of a client's relationship based on the Return on Risk Adjusted Capital – RoRAC (historical RoRAC and post – new money RoRAC).
- Credit Limit Expiry/Renewal date (depending on the customer's credit risk zone) and any deviations from the rule.
- Amendment on the collateral structure.
- Decision on actions in case of activation of early warning triggers.
- Financial Difficulty assessment.
- Unlikeliness to Pay (UTP) assessment.
- Credit Rating decisioning.
- Environmental and Social (E&S) risk assessment.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

Board Structure:

- Wholesale Banking Credit Committee I
- Wholesale Banking Credit Committee II
- Wholesale Banking Credit Committee III

Credit Limit Expiry/Renewal date:

The credit limits' expiry/renewal date is determined by the relevant Wholesale Banking Credit Committees. The basic factor for the determination of the credit limit expiry is the client's credit rating, which is not a standalone approval or rejection criterion, but the basis for determining the minimum security/collateral required and the respective pricing. As a rule, for obligors that have been rated in the Low, Medium and Acceptable credit risk zones, reviews are carried out on an annual basis, for Watch List clients, on a semi-annual basis while obligors that have been rated in the High-Risk zone are reviewed on a quarterly basis. Deviations from the above rule are not allowed, except when the request by the responsible Business Units is approved by the competent Credit Committees.

2. Credit Risk Measurement and Internal Ratings

The assessment of the borrower's creditworthiness and their rating in credit risk scales is established through rating systems

The rating of the Bank's borrowers with the use of credit risk rating systems constitutes a basic tool for:

- The decision-making process of Credit Committees for the approval/ renewal of credit limits and the implementation of the appropriate pricing policy (interest rate spreads etc.).
- The estimation of the future behavior of borrowers which belong to a group with similar characteristics.
- The early recognition of potential troubled facilities (early alert mechanism) and the prompt, effective action for the minimization of the expected loss for the Bank;
- The assessment of the quality of the Bank's loan portfolio and the credit risk undertaken.

The aim of the credit risk rating systems is the estimation of the probability the borrowers will not meet their contractual obligations to the Bank.

The rating systems employed by the Bank are the Alpha Bank Rating System (ABRS) and the Moody's Risk Analyst (MRA) which incorporate different credit rating models.

All current and future clients of the Bank are assessed based on the appropriate credit risk rating model and within specified time frames.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

Measuring credit risk and internal ratings (cont.)

For the estimation of the probability of default of the obligors of the Bank the credit risk rating models evaluate a series of parameters, which can be grouped as follows:

- Financial Analysis: Obligor's Financial Ability (liquidity's ratios, debt to income, etc.)
- Peers' Analysis: Obligor's comparative position in the market in which it operates mostly compared to its peers.
- Behavioral status and transactional history of the obligor with the Bank and with third parties (debt in arrears, adverse transaction records, etc.).
- Obligor's qualitative characteristics (solid and healthy administration, management succession, appropriate infrastructure and equipment etc.).

The credit rating models which are currently employed by the Bank are differentiated according to:

- The credit facility's specific characteristics.
- The available information for the obligor's assessment. Specifically, for the financial analysis, the differentiation relates to the type of the local accounting standards used (financial services, insurance services, etc.) as well as whether the financial statements are prepared based on the International Financial Reporting Standards (IFRS).

For each of the credit rating models, different parameters may be used, each of which contributes in a specific manner to the relevant assessment.

The statistical validation of the credit risk rating models is reviewed regularly in order to ensure the maximum predictive ability according to the best international practices and the credit risk management regulatory guidelines.

Obligors Rating Scale

Borrowers are rated in the following rating scales:

AA, A+, A, A-, BB+, BB, BB-, B+, B, B-, CC+, CC, CC-, C, D, D0, D1, D2, E

For special purpose financing (Structured and Shipping Financing) special models have been designed (slotting) with the following categorization scale:

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

Strong (Class 1), Good (Class 2), Satisfactory (Class 3), Weak (Class 4), Default (Class 5).

For presentation purposes of table “Loans by credit quality and IFRS9 Stage”, the “Strong” rating zone includes rating scales AA, A+, A, A-, BB+, BB and BB- and B+ and Categories 1 and 2, the “Satisfactory” rating zone includes rating scales B, B- and Category 3, and the “under close monitoring” (higher risk) zone includes rating scales CC+, CC, CC-, C and Category 4. Additionally, accounts in Stage 2 which are found in the “Strong” rating zone are reclassified to the “Satisfactory” rating zone, and forborne accounts which are found in the “Satisfactory” rating zone are reclassified to the “under close monitoring (higher risk)” zone. Lastly, “In default” category, includes rating scales D, D0, D1, D2, E.

RETAIL BANKING CREDIT FACILITIES

Retail Banking involves the lending facilities offered by the Group that fall into one of the following categories:

• Housing loans/Mortgages

• Consumer Loans and Credit Cards

• Small Business and Professionals (SB): Individuals and Legal entities with a Turnover of up to Euro 500 thous. and credit limit up to Euro 150 thous.

Credit Risk Approval Process

The Bank monitors customer Total Credit Risk Exposure (For Individuals and Small Businesses), which refers to the sum of all revolving limits of an obligor, all the balances of long-term facilities and for the case of small businesses the total exposure of facilities given to stakeholders of customer companies. Additionally, facilities for which the customer is guarantor or co-debtor are also taken into account.

The Bank has developed and implemented a strict framework for the conduct of credit policy (legislative and supervisory / regulatory), in which the retail lending processes are based. It has also formulated and put into effect an internal system of credit principles, procedures and rules clearly applicable to the Bank’s lending business, in order to promote sound practices for managing credit risk.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

Credit policies establish the framework for lending and guide the credit-granting activities of Retail Banking through:

- Sound lending management.
- Prudent client selection through in-depth assessment of both financial and qualitative data of the borrower.
- Assessing the risk/reward relationship with a respective determination of pricing policy and collateral coverage after taking into account the level of credit risk.
- Monitoring and management of the total credit risk, i.e., the consolidated risk from any type of credit facility granted by the Bank.

The enforcement of the Credit Policy requires certain criteria to be met. These criteria play a significant role in the achievement and maintenance of a healthy portfolio and in the Bank's Capital allocation. In particular:

Individuals

The approval process of credit to individuals (individuals with earnings from salaries, pensions or other sources of income not related with business activities) is performed on the basis of the classification of borrowers into risk groups, which represent a certain level of undertaken risk. The level of risk undertaken by the Group is adjusted, when deemed necessary, according to its credit policy.

The credit assessment for individuals is based upon the following pillars:

- Application Fraud Detection.
- Willingness to pay.
- Ability to pay.
- Collateral risk.

Small Enterprises

Small Enterprises is defined as Legal entities with a credit limit of up to Euro 150 thous. and an annual turnover up to Euro 500 thous.

The creditworthiness of Small Businesses in the Retail Banking sector is related to the creditworthiness of company's stakeholders/ managers of the company and vice versa. Therefore, the evaluation of claims in this category is based on two dimensions:

- The assessment of the creditworthiness of company's stakeholders or business managers.
- The assessment of the creditworthiness of the company.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

The creditworthiness of a company's stakeholders or managers is based on the specific pillars:

• The assessment of the willingness to pay.

• The assessment of the ability to pay.

The assessment of the company's creditworthiness is based on the following pillars:

• Assessment on the detection of application fraud

• Assessment of behavioural data

• Financial Assessment

• Assessment of data as per credit bureau

• Assessment of collateral risk

Internal models

The fundamental parameter in assessing Retail Banking Credit Risk is the Credit Scoring Models that are developed and employed throughout the credit cycle. The above models segment populations into homogenous risk groups (pools) and are categorized as follows:

• Behaviour Models, which assess the customer's performance and predict the probability of defaulting within the following months.

• Application Credit Scoring Models, which assess application data—mainly demographic that predict the probability of defaulting within the following months.

• Models for the assessment of supervisory parameters. It is noted that since 1.1.2018 credit risk assessment models of the Bank are compatible with International Financial Reporting Standard 9 (IFRS 9).

These models and the probabilities of default that derive from them, contribute a significant role in risk management and decision making throughout the Group. Specifically, the models are used in the following segments:

• Decision making on the granting/renewal of a credit limit.

• Impairment assessment.

• Predicting future performance of customers belonging to the same pool of common characteristics.

• Assessing the Bank's portfolio quality and credit risk.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

The parameters taken into account vary, according to the model's type and product category that it assesses. Indicatively, some factors are:

- Personal/demographic data: the customer's age, profession, marital status, or current address.
- Loan characteristics: product applied for, loan term, loan amount, or financing purpose.
- Behavioural data: payments during latest period of time, maximum delinquency, outstanding loan balance versus loan limit, transaction type.
- Qualitative data: Activity Sector, Number of Employees, Company Type.

Models are reviewed, validated and updated on a yearly basis and are subject to quality control so as to ensure at their predictive power at any point in time.

For the purposes of completing the table "Qualitative Grading of Loans by IFRS9 Stage" for Retail banking loans, the classification into Strong Rating, Satisfactory Rating and Under Close Monitoring Rating is based on a twelve-month Probability of Default. With regards to the Retail Banking portfolio, the classification of accounts in the respective rating categories is based on a specific exercise whose ultimate purpose was the optimization of the distinctiveness of the Probability of Default between the "strong", "satisfactory" and "under close monitoring" rating categories. In addition, accounts that are classified as Stage 2 and are assigned a Strong Rating are reclassified to the Satisfactory Rating, and accounts that are forborne and are assigned a Satisfactory Rating are reclassified to the Under Close Monitoring (higher risk) rating. Lastly, "in default" category includes the rating scales with 100% Probability of Default.The range of probabilities that determines the grading of each loan is analysed in the following table:

	Range of Probabilities of Default			
Classification	**Mortgages**	**Consumer**	**Credit cards**	**SME etc.**
Strong	Up to 4%	Up to 2,75%	Up to 3,75%	Up to 2,75%
Satisfactory	From 4% to 20,5%	From 2,75% to 17,5%	From 3,75% to 16%	From 2,75% to 17,5%
Under close monitoring	More than 20,5%	More than 17,5%	More than 16%	More than 17,5%

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Credit Control

According to the risk management framework, there are three “lines of defence” with distinct roles and responsibilities, the first being the Business and Operations Units, the second being the Risk Management Units and the third being the Internal Audit Unit.

In the context of the second line of defence, credit controls are carried out in order to optimise Credit Risk management framework, to assess the quality of the loan portfolio and to ensure that the first “line of defence” operates within the framework set out for effective Credit Risk management.
The operation of the second “line of defence” is independent and aims, among other, to the:

- Design and development of procedures and controls for credit risk management.
- Monitoring of the adequacy and effectiveness of existing credit risk management procedures.
- Highlight of critical issues and deviations from the Bank’s Manuals and Policies.
- Provision of guidelines and instructions concerning the credit risk management and control procedures.
- Provision of information to the responsible Bank Units about the findings of the controls and recommendations made.

Credit Risk Model Validation Department

Credit Risk Model Validation Department was established, with the perspective to reinforce Bank’s second “line of defense”. The Department is under the direct supervision of the General Manager Risk and it is responsible for the statistical validation of the Bank’s credit risk models, ensuring their robustness and reliability while maintaining its independence from the model development activities. In particular, it undertakes the validation of the models used for the measurement and evaluation of the Bank’s credit risk, in accordance with the Models Risk Management Framework of Alpha Bank SA Group, which is based on the supervisory framework and best international practices.

Credit Risk Mitigation

Collaterals are received in order to mitigate credit risk that may arise from the obligor’s inability to fulfilll his contractual obligations both during and throughout the period for which the financing is granted. The means by which the collaterals are received are either consensual agreements or through forced executions, auctions etc.

Collaterals include all kind of assets and rights which are made available to the Bank either by their debtors or by third parties, in order to be used as complementary liquidity sources of relative loans.

In all cases, the necessary legal due diligence on the collaterals is carried out in order to ensure their validity, the possibility of liquidation or acquisition by the Bank.

The mitigation tools applied by the Bank include two broad categories: intangible and tangible collaterals.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Intangible Collaterals - Guarantees

Intangible collaterals form the framework of the obligations and rights that are typically included and described in specific contractual documents that bind the Bank and the borrowers during the lending process with specific commitments. The commitments involve a third party who substitutes for the primary debtor in the event of the latter's default or the primary debtor itself (natural or legal entities) to honor the contractual loan agreements and their prompt repayment to the Bank and on the other hand the Bank has the right to claim them.

The main type of intangible collateral is the Guarantee.

The guarantee constitutes a legal relationship between guarantor and lender (Bank), through which the guarantor assumes responsibility for payment of the debt. It is drawn up in writing and presuppose the existence of a basic legal relationship between the Bank and the borrower (principal debt), with which there is a relationship between the principal and the ancillary.

The guarantor may be an Individual or Legal entity and the guarantee may also be given for future or conditional debt.

Tangible Collaterals

Tangible collaterals provide the Bank with the rights over an asset (movable or immovable), owned by the obligor or the guarantor, providing priority in the satisfaction of the creditor by the liquidation proceeds of the asset.

Tangible collaterals involve mortgages registered over immovable properties and pledges on movable assets (e.g., commodities, checks, bills of exchange) or on claims and rights.

For safeguarding of credit facilities, the Bank requires insurance coverage of the mortgages and, per instance, the pledged collateral, and the insurance compensation is assigned to the Bank.

- **Mortgages**

Mortgages are registered on real estate or immovable assets which can be liquidated as indicatively reported below:

- **Residential Real Estate** including building plots**,**
- **Commercial Real Estate;**
- **Agricultural land** with or without buildings,
- **Mines,**
- **Ships and aircrafts** regardless of being movable**; and**
- **Machinery or other facilities** (engineering, mechanical, electrical, etc.)

- **Pledges**

Pledges provide seniority rights over liquidation proceeds from a movable third party asset.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Pledges can be registered on movable assets, rights, claims or titles which have not been excluded or banned from exchanges and are liquid, including:

- Pledges on movable assets
- Pledges on titles and securities
- Pledges on rights or claims

Periodic revaluation of mortgaged property

According to the Bank’s Collateral Policy, the existence and valuation of mortgages is closely monitored. The property revaluations should be carried out yearly for all property types, except for cases where the contract foresees something different, there are perceptible changes on the property, or the business process or urban planning changes occur or other factors.

Furthermore, the initial valuations of the properties received as collateral are undertaken by the valuer's on-site visit and internal inspection

Revaluations of properties, used as collateral on performing exposures are carried out using:

- CBC Property Price Index for exposures up to EUR 3 million, for residential property.
- Desktop appraisal or on-site visit by approved Valuators for exposures exceeding Euro 3 million (on and off-balance sheet balances, such as Letters of Guarantee and Letters of Credit)
- Desktop appraisal or on-site visit by approved Valuators for residential property that is part of a project of a Land Development Corporation
- Desktop appraisal or on-site visit by approved Valuators for commercial properties or industrial properties or agricultural land that is used as collateral.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Revaluation of properties used as collateral in at least one non-performing exposure are carried out at least once a year, independent of the type of property or the value of the exposure. However, depending on the type of the property and the value of the exposure, different valuation methods are followed. More specifically, the revaluation of properties in this category of exposures is carried out as per below:

- Through the CBC Property Price Index or through a one-off valuation, when deemed necessary for residential properties which are related to at least one non-performing exposure but whereby the total value of all related exposures does not exceed Euro 300 thous.

- Through Desktop appraisal or on-site visit of the residential property by approved Valuators. This is provided that the property is linked as collateral to at least one non-performing exposure (on-balance sheet balances of loan accounts and off-balance sheet balances such as Letters of Guarantee and Letters of Credit) and the total value of the related exposures exceeds Euro 300 thous.

- Through Desktop appraisal or on-site visit of the commercial property or agricultural land or residential property which is part of a Land Development Corporation project and is used as collateral. This is provided that the property is linked as collateral to at least one non-performing exposure (on-balance sheet balances of loan accounts and off-balance sheet balances such as Letters of Guarantee and Letters of Credit).

In the context of the credit control process, the Bank performs regularly and through proper sampling, credit controls on the implementation of the Group's Loan Collateral Policy, back-testing to facilitate the verification of property valuations. Back-testing performed relates to property valuations that are based on indices or one-off valuations, in order to verify the correct representation of the values of the respective collaterals in the Bank's core systems in line with the values stated in the relevant approvals of the responsible Committees.

Credit Risk Early Warning Policy

In order to optimise the management of the lending portfolio and, in particular, limit the loans whose status changes from Performing (PLs) to Non-Performing (NPLs), the Bank has developed the Credit Risk Early Warning Policy (EWP).

The EWP relates to the aggregation of actions, processes and reports required to ensure the early identification of events (Early Warning Alerts), at borrower and portfolio level, which may possibly lead to either an increase in exposures with significant increase in credit risk, or an increase in NPLs due to default or financial difficulty of the borrower, temporary or permanent, as well as the relevant actions that must be taken in order to manage the borrowers concerned.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

The Credit Risk Early Warning Policy consists of the following steps:

• Identification of early warning triggers
• Actions (timely taking of adequate actions)
• Monitoring the effectiveness of the process
• Quality control for the implementation of the process

The implementation perimeter of the Credit Risk Early Warning Policy encompasses all performing exposures, as well as exposures past due for up to 30 days which have not been forborne (PLs).

The effectiveness of the EWS is being monitored on a regular basis by the “three lines of defence”, as follows:

- The first “line of defence” consists of controls within the Units of the Bank that participate in the process.
- The second “line of defence”, i.e., the Risk Management Function, is responsible for ensuring on an ongoing basis, at least once per year, that the controls of the “first line of defence” are applied effectively, through the Credit Control mechanism.
- The third “line of defence” is the internal audit function that carries out regular evaluations and proposes potential improvements.

Environmental & Social Risk

Within the Credit Risk Management Framework and the Credit Policy, it has been integrated the assessment of the strict compliance of the principles of an environmentally and socially responsible financing towards legal entities.

The main purpose is the management of potential risk arising from the operations of obligors that may be connected with a damage to the environment or the society or with any direct threat of such a damage, having as a result a negative impact on the business operations and financial results of the Bank.

In this context, a relevant Environmental and Social Responsibility Risk assessment model is used where, based on the company's sector of activity and in combination with the purpose of financing, it classifies the creditors in risk zones (High, Medium, Low) in order to carry out targeted on-site visits to the companies' facilities (due diligence) where necessary, with the aim of further evaluating the assumed environmental and social responsibility risk by the competent Credit Council.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Concentration risk

Concentration Risk is a specific form of credit risk which arises due to the low degree of diversification between counterparties, products or group of counterparties, sectors, geographic regions, products or collaterals.

The Bank monitors on a regular basis concentration risk at sector level and at borrower/group of borrowers level as well through detail reporting which informs senior management and the Board of Directors and its Committees.

In line with the supervisory framework, the Bank applies and complies with the regulatory directives regarding large exposures, while the capital requirements for single name and sector concentration risks are estimated in the context of Pillar 2 of Basel III.

In relation to the concentration risk at borrower/group of borrower level, the supervisory limits are defined as follows:

• Regulatory limit of 25% on Total Capital (CET1), on which no excess is allowed.

• Regulatory limit of 10% on Total Capital (CET1), excesses on which the Central Bank of Cyprus shall be notified.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Additionally, the Bank has included certain concentration risk indicators in its Risk Appetite Framework which are monitored on a regular basis with the aim of timely corrective actions to be taken by relevant bodies of the Bank where necessary.

DEFINITIONS:

Past Due Exposures

Past due exposures are defined as exposures that are more than one (1) day past due. The amount due is considered as the sum of the principal, interests and charges/commissions that is over one day due at the account level.

In particular, overdraft facilities are defined as past due when the balance exceeds the credit limit.

Non-Performing Exposures

An exposure is considered as non-performing when at least one of the following criteria apply at the time of the credit risk rating assessment:

- The exposure is materially more than 90 days past due (NPL): The amount due exceeds Euro 100 - for retail exposures - or Euro 500 - for wholesale exposures and 1% of the total - on balance sheet - debt.
- Legal actions have been undertaken by the Bank – Legal (NPL).
- The exposure is classified as Forborne Non-Performing Exposure in accordance with the provisions of the Commission Implementing Regulation (EU) 2015/227 of 9 January 2015.
- It is assessed as Unlikely to Pay (UTP).

Performing Exposures

An exposure is considered as performing when the following criteria are cumulatively met:

- the exposure is less than 90 days past due;
- no legal actions have been undertaken against the exposure;
- it is not assessed as Unlikely to Pay
- is not classified as credit impaired or
- the exposure is classified as forborne performing exposure, as defined in the aforementioned Commission Implementing Regulation (EU) 2015/227 of 9 January 2015.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Unlikely to pay

An exposure is flagged as 'Unlikely To Pay' (UTP) when it is less than 90 days past due and the Bank assesses that the borrower is unlikely to fully meet his credit obligations, without the liquidation of collateral, regardless the existence of any past due amount or the number of days past due, with the exception of the cases of collaterals that are part of the production and trade chain of the borrower (e.g. properties for Real Estate companies, corporate shares for Holding companies).

For Wholesale Banking Exposures, the procedures are as follows:

a) Events are determined which when occur the exposure is identified as Non-Performing (Hard UTP Triggers) without any assessment needed by any Credit Committee,

b) Triggers are determined which when occur, the borrower shall be revisited and shall be assessed by the relevant Credit Committee to decide if the borrower's exposures should be assessed as Non-Performing or not (Soft UTP Triggers). The abovementioned assessment takes place on the date of revision of the Customer's limits, based on its rating, as defined in the Wholesale Banking Credit Regulation. If the Exposure of a creditor is ultimately considered UTP, then the creditor's rating on the Bank's system must be D or in Default for borrowers' categories based on Slotting models. It should be noted that if a creditor belongs to a group of companies and is considered UTP, then it must be also assessed by the competent Credit Committee the group to which the borrower belongs, as a whole, as to the existence of UTP or not.

For Wholesale Banking Exposures the following Hard UTP Trigger exist:

1. Denouncement of loan agreement /Liquidation of collaterals /legal actions, initiation of foreclosure measures by the Bank in order to recover the amount owed.

2. Withdrawal of a license of particular importance in companies that require public authorisation to carry out their activities such as banks and insurance companies. The same applies for technical and construction companies, telecommunications companies, pharmaceutical, mining, transport, food, chemical, petroleum, recycle, media etc.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

3. Refinancing/Extensions of loans whose lifetime exceeds the economic lifetime of the funded investment.

4. There are strong indications that the borrower is unable to meet his debt obligations (e.g., termination of business).

5. Fraud cases.

6. Excess of the minimum acceptable Loan to Value (LTV), as depicted contractually, for loans collateralised with securities, e.g., bonds, shares etc (Margin Financing).

7. Disappearance of an active market for the debtor's financial instruments, held by the Bank.

8. Write-off of debt because of default or debt forgiveness with forbearance.

9. The credit institution or the leader of consortium starts bankruptcy/insolvency proceedings (application for insolvency).

10. Out-of-court settlement/negotiation between Banks and Borrower for settlement / debt repayment of borrowers that are under bankruptcy proceedings (application for the bankruptcy).

11. The borrower has requested to enter into bankruptcy or insolvency status (application for bankruptcy).

12. A Bank has initiated bankruptcy or insolvency proceedings (application for bankruptcy).

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Additionally, for Wholesale Banking exposures the following Soft UTP Triggers exist:

1. Exposures that were modified by providing a “balloon” payment while the initial terms of the loan agreement did not include this repayment method, as well as exposures that the initial terms of the loan agreement included “balloon” payment and were modified by including an increase of the “balloon” amount and simultaneously by reducing the current instalment.
2. Multiple modifications in the same exposure.
3. Deterioration of the leverage ratio (Debt to Equity).
4. An exposure was purchased or sold with deep discount that reflects the low credit quality of the borrower.
5. The debt service coverage ratio indicates that debt is not viable.
6. Loss of an important customer or lessee representing a significant percentage of entity’s turnover or the total property income, respectively.
7. A turnover decrease resulting in a reduction of cash flows
8. An affiliated customer, who represents at least 20% of an entity’s turnover, has applied for bankruptcy.
9. An external auditor report with restrictions or reservations that results to significant deterioration of key financial ratios of the borrower and to worsened estimated future cash flows of the borrower.
10. It is expected that an exposure with repayment at maturity or a due instalment cannot be refinanced under current market conditions.
11. The borrower has breached the financial terms of the loan agreement.
12. There is significant deterioration of the borrower’s sector activity prospects.
13. Adverse changes in the ownership structure or the management of the company or serious administrative problems.
14. A third party (excluding Banks) has started bankruptcy or insolvency proceedings (application for Bankruptcy).
15. Overdue payments to Tax Authorities and Social Security Funds.
16. Non-availability of an active market for the borrower’s financial instruments (e.g., Bonds), which however are not held by the Bank.

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

For Retail Banking, the procedure is the following:

(a) Identification of events which when occur lead to the transfer of the exposure to Non-Performing status without requiring an assessment by any Credit Committee (Hard UTP Triggers),

(b) Identification of triggers which when occur, lead to borrower's credit assessment by the relevant Retail Banking Credit Committee in order to determine whether borrower's exposures should be classified as Non-Performing or not (Soft UTP Triggers). This assessment takes place at the date of a forbearance request. If an exposure is flagged as UTP, then it should be classified as Non-Performing in the Bank's systems.

For Retail Banking exposures the following Hard UTP Triggers exist:

1. The borrower has gone bankrupt.
2. Fraud has been confirmed at the expense of the Bank.
3. The borrower has passed away.
4. Denouncement of loan agreement.
5. Legal actions, sale or forced sale have been initiated in order to collect the debt (e.g., foreclosure measures against debt collection).
6. Debt Forgiveness with or without forbearance

Additionally, for Retail Banking exposures the following Soft UTP Triggers exist:

1. The borrower has other exposures in the Bank in default.
2. The borrower is unemployed.
3. The borrower is the sole owner of a company with exposures in default and for which he has provided personal guarantees.

It is noted that the Group has adopted the new Definition of Default that applies from 1.1.2021, according to the EBA guideline (Article 178 of Regulation (EU) No 575/2013), adjusting its Policies and updating the Hard and Soft UTP triggers by implementing new ones (see par. "New Definition of Default"), for both the Retail and Wholesale Banking Portfolios.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

DEFINITION OF DEFAULT

To support a more harmonized approach to the application of the definition of default, the European Banking Authority (EBA) has adopted the following which guides the application of the definition of default: Guidelines for the application of the definition of default, EBA/GL/2016/07 and Regulatory Technical Standards (RTS) on materiality threshold for credit obligations in a delayed period, EBA/RTS/2016/06.

The Bank adopted this definition of credit default, which applies from 1.1.2021.

The main changes introduced by the new Definition of Default are presented as follows:

- Additional "Unlikeliness to Pay" trigger events such as sale of credit obligations, restructurings with NPV loss > 1%, existence of default facilities within the Group.

- Change on the way of counting of Days Past Due meaning that hereafter the counting will be based on the existence of consecutive days of material past due.

- An additional three-month probation period from the moment the obligor is no longer materially past due and no indication of Unlikeliness to Pay occurs.

The Bank has decided since 2018 to align Default, NPE and IFRS 9 "Credit Impaired" perimeter.

Definition:

A Default event is considered to have occurred, regarding a particular Borrower, when at least one of the following criteria has taken place:

1. Past Due Criterion

The Borrower is past due more than 90 consecutive days on any material amount of the credit obligation(s).

2. Unlikeliness to Pay (UTP) Criterion

The Bank considers that a Borrower is unlikely to pay his credit obligations when it assesses that the fulfillment of his obligations is unlikely without recourse by the Bank to actions such as realizing security.

In addition to the above, the EBA requires the harmonization of the classification of exposures in Default stage and consequently any non-performing exposure under forbearance (FNPL) or non-performing exposure (NPL) shall be considered as an exposure in default.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

For Retail Exposures, the above definition of default is applied at the individual credit level.

For Non-Retail exposures, the definition of default shall be applied at the level of the obligor, which means that when at least one of the above criteria is met, the obligor shall be considered as defaulted. The delay criterion applies both to the facility level and to the borrower level for Non-Retail exposures in order to identify the exposures for which the delay criterion is met at the facility level and not at the borrower level.

Credit Impaired Exposures

An Exposure is considered as Credit Impaired when the criteria specified by the definition of Non-performing Exposures are met.

Default Exposures

An Exposure is considered as “In Default” when the criteria specified by the definition of Non-performing Exposures are met.

Allowance for expected credit losses

For credit risk disclosure purposes, the allowance for expected credit losses of loans measured at amortised cost include also the fair value adjustment for the contractual balance of loans which were impaired at their acquisition or origination (POCI) since the Bank, from credit risk perspective, monitors the respective adjustment as part of the provisions. These loans were recognized either in the context of acquisition of specific loans or companies (i.e., Emporiki Bank), or as a result of significant modification of the terms of the previous loan that led to derecognition. Relevant adjustment has also been performed at the carrying amount of loans before allowance for expected credit losses.

Value of collaterals

The value of the collateral is considered to be the most recent commercial/market value. In the case of real estate, the lower value between the mortgage amount and the value of the property is taken into account. The value of guarantees includes the value of guarantees exceeding the value of the tangible collateral. It is pointed out that all collateral values are capped to 100% of the debt.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

EXPECTED CREDIT LOSS ESTIMATION METHODOLOGY

The Bank, every three months, recognizes a provision for expected credit losses on loans and advances to customers not measured at fair value through profit or loss as well as for letters of guarantee, letters of credit and undrawn loan commitments.

The Loan Impairment Methodology is common and applicable for both the Wholesale and Retail Banking Portfolios.

Default definition

The Bank has fully harmonized the perimeter of portfolios recognised as “EBA Non-performing exposures”, “Defaulted exposures” and “IFRS 9 Impaired Exposures”.

The definition of Non-Performing Exposures is consistently used to develop models for estimating credit risk parameters (Probability of Default, Loss Given Default, Exposure at Default).

Lastly, the definition of default is consistent with the one used for internal credit risk management purposes.

Portfolio Classification in Stages based on the Credit Risk (Staging)

Following an exposure’s initial recognition, exposure is classified into stages based on its credit risk characteristics. The classification of loans in stages is based on the changes of the credit quality compared to its initial recognition.
Upon initial recognition of an exposure, the Bank must determine whether this exposure is considered as credit impaired (Credit Impaired at Initial Recognition).
The POCI category (Purchased or Originated Credit Impaired, POCI) includes the following:

- Exposures that at the time of purchase (Purchased) meet the criteria of non-performing exposures.

- Exposures for which repayment terms have been modified, whether due to financial difficulty or not, leading to derecognition and recognition of a new impaired asset (POCI) at the same time; unless the derecognition relates to a change in the borrower in which case the credit rating of the new borrower is re-assessed.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

For exposures not classified as POCI, the classification in stages is performed as follows:

- Stage 1 includes performing credit exposures which have no significant increase in credit risk since initial recognition. The expected credit losses are recognised based on the probability of default within the next twelve months, and the assessment is carried out on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 2 includes credit exposures which have had significant increase in credit risk since initial recognition, but which are not non-performing. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 3 includes the non-performing / defaulted credit exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective or individual basis.

With regards to POCI exposures, the expected credit losses calculated are the lifetime losses.

All possible movements between Stages of credit risk are presented below:

• An exposure which has been classified in Stage 1 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the credit risk has not deteriorated and the exposure is still performing, or in Stage 2, if the exposure is still performing but the credit risk has deteriorated, or in Stage 3 if the exposure is non-performing/default.

• An exposure which has been classified in Stage 2 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the criteria of “Significant increase in credit risk” and in particular, for case of Forborne Performing exposure, if the exit criteria from the 2-years probation period are met. It could also remain in Stage 2, if the credit risk has not substantially changed, or be transferred to Stage 3, if the exposure is non-performing/default.

• An exposure which has been classified in Stage 3 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the criteria of “Significant increase in credit risk”, or transferred in Stage 2, if it is no longer considered as non-performing, or remain in Stage 3, if it is still nonperforming/ default.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

For all defaulted exposures (Stage 3), except for those exposures related to distressed restructuring, to be reclassified in a non-default stage, a minimum of 3 months probation period must pass from the point in time when the conditions leading to default cease to be met. For exposures under distressed restructuring, regardless of whether the debt restructuring took place before or after the determination of default; a minimum of 12 months grace period shall apply from the latest of:

1. The timing of the provision of the restructuring measures
2. The point in time at which the exposure was classified as defaulted
3. The expiry of the grace period included in the restructuring agreement

The Bank does not make use of the exemption provided by the standard for low credit risk exposures.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Significant increase in credit risk

For the timely identification of significant increase in credit risk for an Exposure after the initial recognition (SICR) leading to the calculation of lifetime credit losses of the exposure instead of twelve months credit losses, the risk of default at the reference date is compared to the risk of default at the initial recognition date for all Performing Exposures, including those with no days past due (Delinquencies).

The assessment to determine whether an exposure shows significant increase in credit risk or not is based on the following three types of Indicators:

- *Quantitative Indicators*: They refer to the use of quantitative information and more specifically to the comparison between the probability of default ("PD") at the reference date and the probability of default at the initial recognition date. The assessment of significant increase in credit risk takes into consideration both the absolute increase of PD between the reporting date and the initial recognition date (established absolute threshold of increase in PD by 4 percentage points), as well as the relative increase of PD between the reporting date and the initial recognition date (established relative threshold of doubling of PD). In relation with the Exposures transferred from the Alpha Bank S.A. Group, the assessment of significant increase in credit risk takes into consideration both the absolute increase of PD between the reporting date and the initial recognition date (Alpha Bank Romania: 0,5-1 percentage points depending on the type of the exposure), as well as the relative increase of PD between the reporting date and the initial recognition date (Alpha Bank S.A.: between 50% and 200% while taking into account the Credit Rating, Alpha Bank Romania: 25-50%). It is noted that the critical areas – both for the absolute and the relevant increase in PD between the reporting date and the initial recognition date – are assessed on an annual basis, in order to validate the importance of the statistical separation. In addition, for specialized lending portfolios (complex finance and Shipping Finance), a deterioration of the respective slotting grade since initial recognition to Category 4 ("weak" category), is considered to be an indication of significant increase in credit risk (also applies to loans from Alpha Bank S.A. and Alpha Bank London).

- *Qualitative indicators*: They refer to use of qualitative information which is not necessarily depicted in the probability of default, such as the assessment of an exposure as performing forborne ("FPL" within 2-years probation period according to EBA ITS) or as exposure with Financial Difficulty. Additional qualitative indicators for the Wholesale Banking portfolios and the Retail Banking portfolios are included in Early Warning Policy. According to the abovementioned policy and as per the assessment performed, an exposure may be considered to show significant increase in credit risk.

- *Other indicators (Backstop Indicator)*: In addition to the above, in order to ensure that cases with no indication of significant credit risk deterioration based on the quantitative and qualitative indicators are addressed, the Bank also considers, by definition, that a significant increase in credit risk occurs for exposures with more than 30 days past due.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Allowance for expected credit losses estimation

Exposures assessed on individual basis (Individual Assessment)

The impairment calculation is carried out on an individual basis, taking into account the significance of the exposure, the fact that certain exposures do not share common risk characteristics and that there are not sufficient historical data.

The following Exposures to Companies are assessed on an individual basis:

- Borrowers with at least one Non-Performing Exposure whose Customer General Limit in the Bank exceeds the amount of €750.000.
- Borrowers of the Shipping Division and the Structured Finance Division, regardless the overall credit limit with at least one Non-Performing Exposure.
- Individual exposures which do not share common risk characteristics with other loans and at the same time there are no relevant and sufficient historical data to allow collective assessment.

The following Exposures to Individuals are assessed on an individual basis:

- Borrowers with at least one Non-Performing Exposure and total debit outstanding balances over €1,5 million.

Exposures assessed on collective basis (Collective Assessment)

Collective Assessment applies to credit exposures which are not assessed individually, i.e., exposures classified in Stage 1 and Stage 2 as well as non-performing exposures that do not meet the above criteria for individual assessment, after having been categorised based on similar credit risk characteristics by portfolio in which the borrower or the credit facility belongs to.

For the classification of credit facilities into groups with similar credit risk characteristics, the followings are considered:

- Staging according to Credit Risk
- Type of product
- Currency of product
- Time in default
- Collateral existence, taking into account the percentage of collateral coverage (Loan to Value)
- Credit risk rating
- Behaviour in relation to repayments (e.g., days in arrears)

Grouping shall be re-evaluated regularly to ensure that each group consists of loans with similar credit risk characteristics. The calculation of the expected credit loss shall be made at the account level.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Calculation of expected credit loss

The amount of expected credit losses is updated on a calendar quarterly basis so as to reflect the changes in credit risk since initial recognition and thus provide timely information on expected credit losses.

The measurement of expected credit losses is performed as follows:

- For financial assets, the credit loss is equal to the present value of the difference between:
  a. the contractual cash flows and
  b. the cash flows that the Bank expects to receive

- For undrawn revolving loan commitments, the credit loss is equal to the present value of the difference between:
  a. the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  b. the cash flows that the Bank expects to receive if the loan is drawn down.

- For letters of guarantee and letters of credit, the loss is equal to the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder.

The Bank calculates expected credit losses on the weighted probability of three alternative scenarios.

More specifically, the Bank uses forecasts for the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios, under a baseline and two alternative macroeconomic scenarios (an upside and a downside one), and produces the cumulative probabilities associated with these scenarios.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Incorporation of forward-looking information

The macroeconomic variables affecting the level of allowance for expected credit losses are Gross Domestic Product (GDP), unemployment rate, as well as forward looking prices of residential and commercial real estates.

The yearly average for the period 2022-2024 of macroeconomic variables for the Cypriot economy, affecting both the estimation of the probability of default and the expected loss given default for the calculation of allowance for expected credit losses as at 31.12.2021, are the following:

Cypriot Economy	2022 - 2024		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	1,6%	3,5%	5,4%
Unemployment rate (%)	8,2%	6,3%	4,3%
Change in Residential Real Estate prices (%)	1,1%	3,3%	5,6%
Change in Commercial Real Estate prices (%)	-2,2%	0%	2,3%

Respectively, the yearly average for the period 2021 - 2023 of macroeconomic variables affecting the expected credit losses as at 31.12.2020, are the following:

Cypriot Economy	2021 – 2023		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	1,6%	3,6%	5,5%
Unemployment rate (%)	8,5%	6,7%	4,7%
Change in Residential Real Estate prices (%)	1,4%	3,6%	5,7%
Change in Commercial Real Estate prices (%)	0,9%	2,7%	4,5%

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Respectively, the yearly average for the period 2022-2024 of macroeconomic variables for the Greek and Romanian economies, in consideration for exposures transferred from Alpha Bank S.A. and Alpha Bank Romania, as well as the total impairment for exposures transferred from Alpha Bank London are the following:

Greek Economy	2022 – 2024		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	1,97%	4,03%	6,15%
Unemployment rate (%)	13,30%	11,87%	10,42%
Change in Residential Real Estate prices (%)	1,56%	3,26%	5,05%
Change in Commercial Real Estate prices (%)	2,96%	4,36%	5,98%

Romanian Economy	2022 – 2024		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	2,50%	4,00%	4,90%
Unemployment rate (%)	6,50%	4,50%	3,00%
Change in Residential Real Estate prices (%)	3,40%	5,00%	7,00%
Change in Commercial Real Estate prices (%)	0,40%	5,67%	8,00%

English Economy	2022 – 2024		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Residential Real Estate prices (%)	-35,00%	0,00%	5,00%
Change in Commercial Real Estate prices (%)	-40,00%	0,00%	5,00%

Respectively, the yearly average for the period 2022 of macroeconomic variables affecting the expected credit losses as at 31.12.2020, are the following:

Greek Economy	2021 - 2023		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	2,2%	4,1%	6,2%
Unemployment rate (%)	16,6%	15,0%	13,4%
Change in Residential Real Estate prices (%)	0,8%	3,0%	5,4%
Change in Commercial Real Estate prices (%)	2,2%	3,9%	5,8%

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Romanian Economy	**2021 - 2023**		
	Adverse Scenario	**Base Scenario**	**Upside Scenario**
Change in Real GDP (%)	1,2%	3,8%	4,9%
Unemployment rate (%)	6,5%	5,5%	4,8%
Change in Residential Real Estate prices (%)	1,3%	2,0%	4,0%
Change in Commercial Real Estate prices (%)	-1,7%	-0,3%	3,0%

The production of the baseline scenario, supported by a consistent economic description, serve as the starting point, and constitutes the most likely scenario according to the current economic conditions and the Bank's basic assessment of the course of the economy.

The cumulative probabilities attached to the macroeconomic scenarios indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, that is the upside and the adverse scenarios. For each of the alternative scenarios, the expected credit loss is calculated and weighted against the probability of each scenario in order to calculate the weighted expected credit loss.

The cumulative probability assigned to the baseline scenario for the Cypriot economy is 70%, while the cumulative probability assigned to the adverse and upside scenarios is 15% for each scenario.

Respectively, the cumulative probability assigned to the baseline scenario for the Greek, Romanian and English economies is 60%, 50% and 75% respectively, while the cumulative probability assigned to the adverse scenario is 20%, 40% and 15% respectively and to the upside scenario is 20%, 10% and 10% respectively.

More specifically for the future prices of residential and commercial real estates, for the year 2021, the Bank used forecasts based on statistical models, developed by a company specialized in the real estate market.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Credit risk parameters

The mechanism for calculating expected credit loss is based on the following credit risk parameters, which are calculated with the use of statistical models based on historical evidence.

In particular for 2021, in the context of the annual review of credit risk parameters, the following adjustments have been applied:

• New DoD: The new default definition has been adopted, where applicable, using a proxy algorithm of the new definition for the period before 2021 and the productive new definition for 2021.

• Covid-19 Moratoria: The period of application of Covid-19 moratoria has been assessed and handled in a specific way on the credit risk parameters deemed necessary.

Probability of Default (PD):

Wholesale portfolio:

It is an estimate of the probability of a debtor to default over a specific time horizon. For the measurement of Probability of Default, the credit rating models of credit risk use a series of parameters which can be grouped as follows:

- Financial Analysis: The Borrower's Financial Capacity (Liquidity Indicators, Debt to Revenue etc.)
- Competitor's analysis: the borrower's comparative position in the market in which operates, mainly in relation to its competitors
- Current and historical debtor's behavioral data either towards the Bank or towards third parties (delinquencies, repayment behavior, etc.), and
- Qualitative characteristics of the debtor (strong and sound management, management succession, appropriate facilities and equipment, etc.).

Regarding Specialized Lending the Probability to Default is estimated on facility level based on dedicated expert-based models.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Retail portfolio:

It is an estimate of the probability of an obligor to default over a specific time horizon. For assessing the probability of default, credit risk behavioural models have been developed which assess a series of parameters that can be grouped as follows:

- Loan characteristics, such as the product, the currency, loan to value.,
- Loan behavioural characteristics in the last period such as, payments in the latest period, delinquencies (e.g., overdue amount, past due days), the balance, type of transaction, the credit limit usage.

Credit Risk models/Ratings models constitute the main input in order to determine the probability of default. The Bank uses statistical models in order to analyze the collected data and make estimates of the remaining probability of default over the life of the exposures and how they will evolve over time based, among other things, on macroeconomic variables. In particular, based on historical time series of observations, specialized models have been developed by portfolio and portfolio type, which assess separately the 12-month probability of default (12-month PD models), the probability of default over the lifetime of exposures (Lifetime PD models) and the macro-economic environment (Macro PD models). The 12-month default models assess essentially the behavioural characteristics of the loan (behavioural models) and Lifetime models, combined with the macro-economics, assess two types of factors: Endogenous ones such as maturity of the loan and exogenous ones (indicative, annual percentage change in GDP). The final assessment of the probability of default is derived from the combination of the three components

Exposure at Default (EAD):
Exposure at Default is an estimate of the amount of the exposure at the time of the default. The approved credit limits that have not been fully disbursed represent a potential credit exposure and are converted into a credit exposure equal to the approved undrawn credit limit multiplied by a Credit Conversion Factor (CCF).

Loss Given default (LGD):
Loss given default is an estimate of the loss that will occur if the default occurs at a given time. It is based on the difference between the contractual cash flows due and those expected to be received, including the liquidation of collaterals and cure rate and probability to modify.

For unsecured loans, the estimated loss given default takes into account expected recovery rates that vary with the remaining recovery time as well as the probability of recovery and the probability of adjustment.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Expected recoveries from tangible collateral are based on the following inputs: most recent (updated within the year) market value of the collateral, the time required for the liquidation or sale of the collateral (6,5 years for collectively assessed exposures, whilst for individually assessed exposures the respective time horizon varies according to the status of actions, as well as the specific facts and circumstances of each case), expected market value of tangible collateral at the time of liquidation/sale based on the expected evolution of property prices in future years and the expected sale price.

Specifically for Exposures which have been transferred from Alpha Bank S.A., the estimated time required for the liquidation or sale of the collateral is 4 years for collectively assessed exposures.

Respectively, for Exposures which have been transferred from Alpha Bank Romania, the estimated time required for the liquidation or sale of the collateral is 4,2 years for the three macroeconomic scenarios used for collectively assessed exposures.

The weighted average liquidation haircut on the value of real estate collaterals used in the calculation of the collective impairments amounts to 25% (including costs to sell), whilst the respective haircut used in the individual assessment varies according to the specific characteristics and circumstances of each case.

Specifically, the weighted average liquidation haircut on the value of real estate collaterals used in the calculation of the collective impairments for the Cyprus Exposures is 24%, for the exposures transferred from Alpha Bank S.A amounts to 39%, for the exposures transferred from Alpha Bank Romania amounts to 42% and amounts to 6% for the exposures transferred from Alpha Bank London.

The expected cash flows are discounted using the original effective interest rate of the exposures.

Lastly, it is noted that for exposures secured with tangible collateral, the LGD may vary under each macroeconomic scenario.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Sensitivity Analysis

The Bank has performed sensitivity analysis based on the credit risk models used for the purposes of the collective assessment, in order to assess the impact of changes in key impairment inputs on expected credit losses for non-performing exposures. In particular:

- In the event that the probability of the adverse scenario is determined to be complementary to the probability of the baseline scenario, an increase in expected credit losses is expected by €0,8 million at 31.12.2021 (31.12.2020: €1,8 million).

- In the event that the probability of the upside scenario is determined to be complementary to the probability of the baseline scenario, a reduction of Expected Credit Risk Losses is expected by €0.8 million on 31.12.2021 (31.12.2020: €1.8 million).

- If the expected recovery period for tangible collateral was increased by 1 year, expected credit losses would increase by €0,2 million at 31.12.2021 (31.12.2020: €2,3 million).

- If the expected recovery period for tangible collateral was decreased by 1 year, expected credit losses would decrease by €0,2 million at 31.12.2021 (31.12.2020: €2,4 million).

- If the haircut for the sale/realization of tangible collateral was increased by 5%, expected credit losses would increase by €1,2 million at 31.12.2021 (31.12.2020: €4,8 million).

- If the haircut for the sale/realization of tangible collateral was decreased by 5%, expected credit losses would decrease by €1 million at 31.12.2021 (31.12.2020: €4,7 million).

It is noted that the difference in sensitivity analysis between 2020 and 2021 is mainly due to the significant reduction in the non-performing portfolio (project SKY). In addition, in 2020, the sensitivity analysis was calculated only on the non-performing portfolio, while in 2021 it is also calculated on the performing loans.

Inherent Model Risk

The Bank recognizing the inherent model risk, derived from the model complexity and aggregated model risk, has adopted the Model Risk management framework of the Alpha Bank Group, which includes the principles of credit risk models development policy and credit risk models validation framework. Specifically, the relevant Divisions/ Credit Risk Management Model Validation Departments, of the Bank, validate independently all models used for the calculation of expected credit loss.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Governance

The Credit Risk Committee is responsible for approving the Expected Credit Losses as well as the methodologies developed by the Bank for calculating the expected credit losses (ECL Methodology) for the loan portfolio.

The Board of Directors approves the Expected Credit Losses as well as the Bank's Loan Impairment Policy through the Risk Committee.

Forbearance

Maintaining a healthy loan portfolio depends on the constant monitoring and assessment of the borrowers in order to allow early detection of future liquidity problems, which could affect the normal repayment of their obligations to the Bank.

The credit tools which are normally used by the Bank for managing the liquidity problems that borrowers are facing for repaying their obligations are the restructuring of debt through the renegotiation of the original terms and conditions of the loan agreement they have entered into.

EU Regulation No. 575/2013 established the framework for prudential requirements on the management by credit institutions of loans in arrears and non-performing loans.

Furthermore, in the context of the Commission Implementing Regulation (EU) 2015/227 of the European Commission dated January 9, 2015, and the executive technical standards of the European Banking Authority, the Bank assumes the resulting regulatory obligations for forborne exposures.

Forbearance measures should be applied to cooperative borrowers and consist of concessions assessed to be robust and sustainable, taking into consideration the causes of the debtor's financial difficulties as well as the repayment capability of the borrower.

The existence of more favourable terms for renegotiating and modifying the terms and conditions of the bilateral arrangement between the Bank and the debtor (concession), who is facing or is about to face difficulties in meeting his financial commitments ("financial difficulty"), are defined with respect to:

- Respective existing terms that apply to customers with no financial difficulty; and
- Corresponding terms existing in market for debtors with similar credit risk profile.

Financial Difficulty is defined as the situation where the debtor is unable to comply or is about to face difficulties in servicing his credit obligations as per the current loan repayment schedule due to the worsening of his financial status.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Write-offs and write-downs of bad debts

Bad Debt Write-off is defined as the reduction of the gross carrying amount of a financial asset, using accrued impairment when there is no probability of material further recoveries. The write-off refers to the accounting write-off of a debt or a portion of it, i.e., the removal of the financial asset or part of it from the balance sheet, which does not necessarily entail the waiver of the legal right to recover the debt. In the event that the Bank decides to waive its legal right to recover the debt, this is called **Debt Forgiveness** and this waiver may include either on or off-balance sheet items as well.

Bad Debt Write-down is defined as the definitive reduction of a debt or portion of it, as a result of a legally binding decision or agreement (court judgment, contractual agreement etc.), which is not further claimable. It is noted that this category encompasses **Definitive write-downs** which are unconditional and **Conditional Write-Downs** (Contingent Write-Down) subject to the achievement by the Customer of a specific performance (usually, upon the successful implementation of a specific repayment program).

In the case of Definitive Write-downs, both the accounting and the legal reduction (Debt Forgiveness) take place immediately and simultaneously, whereas in the case of Contingent Write-downs, the accounting reduction takes place when the relevant decision is taken or when the agreement is concluded, while the legal reduction (Debt Forgiveness) takes place either simultaneously with the relevant decision or at a later (future) time, depending on the type of the condition.

Contingent Write-downs of debts are in turn classified into:

(a) **Resolutive Condition**, i.e., the debt is accounting and legal write down at the time of reaching the agreement with the Debtor and is revived only in the event that the debtor does not pay the remaining amount and;

(b) **Condition Precedent**, i.e., the debt is legally written down if the Debtor repays the debt in accordance with the relevant agreement.

Indicative conditions for the submission of proposals for writing-off a part or total amount of the exposure include, but are not limited to, the following:

- The relevant Agreements with the Customers have been terminated.
- Payment Orders have been issued against all liable parties to such Agreements.
- The actions regarding the investigation of immovable property have been completed without any results.
- The procedure for the registration of encumbrances has been completed.
- At least one real estate property has been auctioned, so that the preferential claims (through the final creditor's classification list) and, by extension, the Bank's potential losses, are finalised.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

- In cases where the likelihood of further recovery of the debt is considered to be particularly low, due to:
  - the fact that the debtors are placed under special liquidation;
  - the proven existence of preferential claims of a significant amount and the adoption of a decision to cease litigation actions, in order to avoid non-collectable enforcement costs;
  - the fact that further litigation actions seeking collection of the claim is economically unprofitable (e.g., low-value collateral).

The write-off requires the existence of an equal amount of provision for impairment, established no later than in the quarter preceding the submission of the proposal.

EFFECT OF THE COVID-19 PANDEMIC

The Bank in order to support its customers who are affected or expected to be affected by the crisis due to Covid-19 pandemic, has taken, and will continue to take, a series of measures. Support measures are provided to affected businesses and individuals, facing temporary payment difficulties and liquidity shortages, through both legislative and non-legislative support measures.

The measures concern either new loans, in the context of strengthening the liquidity of small, medium and large businesses, as well as the self-employed, or modifications in the repayment schedules of existing loan of both businesses and individuals.

Moreover, the Bank actively participates in every effort planned and coordinated by the Government of Cyprus, either through the competent Ministries or the Cyprus Banking Association.

Amendments in the loan impairment policy due to Covid-19 pandemic

During the second quarter of 2021, the Bank amended its Loan Impairment Policy as the EBA Guidelines “on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” (EBA/GL/2020/08), to incorporate the distinct treatment of the exposures which are affected by the Covid-19 pandemic cease to apply as of 1.4.2021 and as of that date no new suspensions of payments due to Covid-19 shall be granted. Furthermore, the post model adjustments (PMAs) for the exposures affected by the Covid-19 pandemic are no longer applicable.

As a result of the pandemic which lasted for most of 2020, measures were taken at both local and pan-European level to support borrowers. In this context, the banking system in Cyprus implemented the suspension of payments measure for March-December 2020. (Moratoria). 2,989 accounts participated in the plan (moratoria) out of the 3,281 that applied, with a balance of Euro 425.2 million. Expected credit losses and provisions to cover the credit risk of loans and advances due from customers for 2020 include an amount of € 9,5 million related to the impact of the global economic crisis caused by Covid-19 pandemic.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

DUE FROM BANKS

Exposure to credit institutions relates to loans, interbank transactions (which include positions in derivatives) and International Trade activities. Following the basic rules of designation, monitoring and revision of corporate lending, boundaries are established by the relevant Credit Committees for the monitoring of credit risk for the overall exposure per credit institution counterparty, excluding positions related to bonds issued by them. The approved credit limits are monitored on a daily basis. The validity period of the limits is specified in the approval of the limits in accordance with the counterparty credit institutions rating from international credit rating agencies.

In addition to the regular revisions of counterparty credit institutions limits, interim revisions may be carried out either due to circumstances associated with the trading activity of the Group or due to markets conditions or problems associated with counterparty credit institutions. Trigger events for an extraordinary review are regularly monitored per counterparty in order to review the relevant limits when such trigger events exist.

At each reporting date, a loss allowance for expected credit losses on due from banks is recognized.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument.

In addition, if the receivable falls under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

Due from bank’s credit risk is assessed based on credit rating of rating agencies or internal credit rating of the counterparty when a loan exposure exists at bank level.

The Group defines as low credit risk all investment grade counterparties, for which it calculates a credit allowance equal to a 12-month expected credit loss (Stage 1).

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

DUE FROM BANKS (cont.)

For counterparties which do not meet the criteria of investment grade, the assessment of the significant increase in credit risk for which calculation of lifetime expected credit losses is required (Stage 2), is based on the two following conditions:

- Downgrade by at least two notches of the counterparty credit rating between the reporting date and the initial recognition date.
- The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date.

INVESTMENT IN DEBT SECURITIES

Investments in debt securities relate to securities that are classified into investment security portfolio. The positions are subject to Group investment limits and issuer’s limits and are monitored on a daily basis.

At each reporting date, a loss allowance for expected credit losses on bonds, which are not measured at fair value through profit or loss, is recognized.

In addition, if the debt securities fall under the definition of purchased or originated credit impaired (POCI) financial assets, a loss allowance equal to the lifetime expected credit losses is recognized.

The loss allowance is based on expected credit losses related to the probability of default within the next twelve months, unless there has been a significant increase in credit risk from the date of initial recognition in which case expected credit losses are recognized over the life of the instrument.

Credit risk of investment in debt securities is assessed based on credit ratings of rating agencies or internal credit rating in case of corporate issuers for which loan exposure exists.

The Group defines as low credit risk all investment grade securities, for which it calculates a credit allowance equal to a 12-month expected credit loss (Stage 1).

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

INVESTMENT IN DEBT SECURITIES (cont.)

For debt securities, which do not meet the criteria of investment grade, the assessment of the significant increase in credit risk for which calculation of lifetime expected credit losses is required (Stage 2), is based on the two following conditions:

- Downgrade by at least two notches of the counterparty credit rating between the reporting date and the initial recognition date

- The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date.

In addition, the Group is monitoring, the change in credit spreads since the initial recognition date. A change in the credit spread of the issue of more than 500bps since the initial recognition date is a trigger for the review of the debt instrument staging.

Depending on the outcome of the above review the debt instrument will remain at Stage 1 or be allocated at Stage 2, regardless of whether the primary staging criteria for allocation to Stage 2 have been triggered or not.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

FINANCIAL INSTRUMENTS CREDIT RISK

For credit risk disclosure purposes, the accumulated provision for impairment losses of loans to customers measured at amortised cost (i.e., Expected Credit Loss) include the accumulated allowance for impairment losses and the fair value adjustment for the contractual balance of loans which were impaired at their acquisition or origination (POCI) since the Group, from credit risk perspective, monitors the respective adjustment as part of the provisions.

The maximum credit risk per category, in which the Group is exposed, is depicted in the “Net exposure to credit risk”.

		2021	
	Exposure before impairment	**Provision for impairment losses**	**Net exposure to credit risk**
	€´000	€´000	€´000
A. Credit risk exposure relating to on balance sheet items			
Balance with central banks	1.009.985	-	1.009.985
Due from banks	228.719	88	228.631
Loans and advances to customers measured at amortised cost	1.059.767	12.808	1.046.959
Loans measured at fair value through profit or loss	16.800	385	16.415
Derivative financial assets	74	-	74
Securities measured at fair value through other comprehensive income	354.403	626	353.777
Securities measured at amortised cost	178.312	284	178.028
Other assets	11.896	-	11.896
Total amount of balance sheet items exposed to credit risk (a)	**2.859.956**	**14.191**	**2.845.765**
Other balance sheet items not exposed to credit risk	262.912		262.912
Total assets	**3.122.868**	**14.191**	**3.108.677**
B. Credit risk exposure relating to off balance sheet items:	.		
Letters of guarantee, letters of credit and other guarantees	60.245	2.547	57.698
Undrawn loan agreements and credit limits	159.674	905	158.769
Total amount of off-balance sheet items exposed to credit risk (b)	**219.919**	**3.452**	**216.467**
Total credit risk exposure (a+b)	**3.079.875**	**17.643**	**3.062.232**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

FINANCIAL INSTRUMENTS CREDIT RISK

The maximum credit risk per category, in which the Group is exposed, is depicted in the "Net exposure to credit risk".

		2020	
	Exposure before impairment	**Provision for impairment losses**	**Net exposure to credit risk**
	€´000	€´000	€´000
A. Credit risk exposure relating to on balance sheet items			
Balance with central banks	216.110	-	216.110
Due from banks	159.485	231	159.254
Loans and advances to customers measured at amortised cost	1.526.740	181.915	1.344.825
Loans measured at fair value through profit or loss	16.520		16.520
Derivative financial assets	467	-	467
Securities measured at fair value through other comprehensive income	433.689	866	432.823
Securities measured at amortised cost	175.771	159	175.612
Other assets	12.208	-	12.208
Total amount of balance sheet items exposed to credit risk (a)	**2.540.990**	**183.171**	**2.357.819**
Other balance sheet items not exposed to credit risk	140.251		140.251
Total assets	**2.681.241**	**183.171**	**2.498.070**
B. Credit risk exposure relating to off balance sheet items:	.		
Letters of guarantee, letters of credit and other guarantees	69.932	4.382	65.550
Undrawn loan agreements and credit limits	132.530	780	131.750
Total amount of off-balance sheet items exposed to credit risk (b)	**202.462**	**5.162**	**197.300**
Total credit risk exposure (a+b)	**2.743.452**	**188.333**	**2.555.119**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS
Loans by IFRS 9 Stage (past due and not past due)
The following table presents past due and not past due loans measured at amortised cost, per IFRS 9 Stage:

	31.12.2021									
	Loans measured at amortised cost									
	Stage 1					Stage 2				
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	413.026	2.331	415.357	(299)	415.058	73.887	12.161	86.048	(2.104)	83.944
Mortgage	348.823	2.218	351.041	(145)	350.896	60.821	9.068	69.889	(1.334)	68.555
Consumer	43.799	113	43.912	(110)	43.802	10.367	2.172	12.539	(655)	11.884
Credit cards	6.756	0	6.756	(15)	6.741	37	85	122	(5)	117
Small Business loans	13.648	1	13.648	(29)	13.619	2.662	836	3.499	(110)	3.388
Corporate lending	327.082	1.575	328.657	(288)	328.369	143.258	605	143.863	(2.082)	141.781
Large	319.772	1.575	321.347	(287)	321.060	142.720	572	143.292	(2.081)	141.211
SME's	7.310	0	7.310	(1)	7.310	538	33	571	(1)	570
Public sector	-	-	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-
Total	740.108	3.906	744.014	(587)	743.427	217.145	12.766	229.911	(4.186)	225.725

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2021											
	Loans measured at amortised cost											
	Stage 3					Purchased or originated credit impaired loans (POCI)					Total net carrying amount at amortised cost	Value of collateral
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount		
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	11.893	25.351	37.244	(4.347)	32.897	38.764	4.909	43.673	(2.460)	41.213	573.112	492.218
Mortgage	9.738	19.452	29.190	(3.247)	25.943	31.875	3.284	35.159	(1.915)	33.244	478.638	438.076
Consumer	1.186	3.886	5.072	(716)	4.356	5.092	1.338	6.430	(457)	5.973	66.015	36.596
Credit cards	34	123	157	(74)	83	2	3	5	(2)	3	6.944	1.246
Small Business Loans	935	1.890	2.825	(310)	2.515	1.795	284	2.079	(86)	1.993	21.517	16.300
Corporate lending	2.849	2.076	4.925	(1.228)	3.697	-	-	-	-	-	473.847	349.283
Large	2.634	851	3.485	(1.137)	2.348	-	-	-	-	-	464.619	343.008
SME's	215	1.225	1.440	(91)	1.349	-	-	-	-	-	9.228	6.275
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Total	14.742	27.429	42.169	(5.575)	36.594	38.764	4.909	43.673	(2.460)	41.215	1.046.959	841.501

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2020									
	Loans measured at amortised cost									
	Stage 1					Stage 2				
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	333.438	11.397	344.835	(362)	344.473	94.465	22.008	116.473	(3.743)	112.730
Mortgage	274.126	9.809	283.935	(214)	283.721	77.077	17.600	94.677	(2.806)	91.871
Consumer	41.038	1.118	42.156	(103)	42.053	13.173	3.338	16.511	(744)	15.767
Credit cards	6.603	85	6.688	(14)	6.674	86	215	301	(20)	281
Small Business loans	11.671	385	12.056	(31)	12.025	4.129	855	4.984	(173)	4.811
Corporate lending	479.020	637	479.657	(2.665)	476.992	153.087	12.446	165.533	(3.183)	162.350
Large	473.361	637	473.998	(2.584)	471.414	150.285	12.365	162.650	(3.153)	159.497
SME's	5.659	-	5.659	(81)	5.578	2.802	81	2.883	(30)	2.853
Public sector	-	-	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-
Total	812.458	12.034	824.492	(3.027)	821.465	247.552	34.454	282.006	(6.926)	275.080

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2020											
	Loans measured at amortised cost											
	Stage 3					Purchased or originated credit impaired loans (POCI)					Total net carrying amount at amortised cost	Value of collateral
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount		
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	42.226	239.898	282.124	(115.438)	166.686	44.160	92.746	136.906	(56.487)	80.419	704.308	594.233
Mortgage	30.256	159.051	189.307	(67.616)	121.691	35.794	53.430	89.225	(29.482)	59.743	557.026	500.158
Consumer	7.961	52.650	60.611	(30.988)	29.623	6.930	28.991	35.921	(19.485)	16.436	103.879	65.570
Credit cards	2	3.345	3.347	(2.918)	429	1	718	718	(660)	58	7.442	1.528
Small Business Loans	4.007	24.852	28.859	(13.916)	14.943	1.435	9.607	11.042	(6.860)	4.182	35.961	26.977
Corporate lending	1.203	9	1.212	(37)	1.175	0	0	0	0	0	640.517	470.907
Large	1.200	9	1.209	(34)	1.175	0	0	0	0	0	632.086	464.476
SME's	3	0	3	(3)	0	0	0	0	0	0	8.431	6.431
Public sector	0	0	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0
Other countries	0	0	0	0	0	0	0	0	0	0	0	0
Total	43.429	239.907	283.336	(115.475)	167.861	44.160	92.746	136.906	(56.487)	80.419	1.344.825	1.065.140

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

The following table presents loans measured at fair value through profit or loss past due and not:

	31.12.2021				31.12.2020			
	Loans measured at fair value through profit or loss (FVPL)				Loans measured at fair value through profit or loss (FVPL)			
	Not past due	Past due	Net carrying amount	Value of collaterals	Not past due	Past due	Net carrying amount	Value of collaterals
Retail lending					-	-	-	-
Mortgage	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-	-	-
Small Business Loans	-	-	-	-	-	-	-	-
Corporate lending	-	-	-	-	-	-	-	-
Large	16.415	-	16.415	16.153	16.520	-	16.520	15.913
SME's	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-
Total	**16.415**		**16.415**	**16.153**	**16.520**		**16.520**	**15.913**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage

The following tables presents loans measured at amortised cost, letters of guarantee, letters of credit and undrawn loan commitments per IFRS 9 Stage and credit quality:

2021					
Loans measured at amortised cost					
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€´000	€´000	€´000	€´000	€´000
Mortgage					
Strong credit quality	298.992	0	0	0	298.992
Satisfactory credit quality	47.795	21.685	0	9.472	78.952
Watch list (higher risk)	4.254	48.204	0	20.051	72.509
Default	0	0	29.190	5.636	34.826
Carrying amount (before provision for impairment losses)	351.041	69.889	29.190	35.159	485.279
Expected credit losses	(145)	(1.334)	(3.247)	(1.915)	(6.641)
Net carrying amount	350.896	68.555	25.943	33.244	478.638
Value of collateral			23.267	27.497	50.764
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originates credit impaired (POCI)**	**Total**
	€´000	€´000	€´000	€´000	€´000
Consumer					
Strong credit quality	36.666	0	0	0	36.666
Satisfactory credit quality	7.104	3.154	0	1.650	11.908
Watch list (higher risk)	142	9.385	0	2.998	12.525
Default	0	0	5.072	1.782	6.854
Carrying amount (before provision for impairment losses)	43.912	12.539	5.072	6.430	67.953
Expected credit losses	(110)	(655)	(716)	(457)	(1.938)
Net carrying amount	43.802	11.884	4.356	5.973	66.015
Value of collateral			3.406	3.934	7.340

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2021					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Credit cards					
Strong credit quality	6.360	-	-	-	6.360
Satisfactory credit quality	395	39	-	2	434
Watch list (higher risk)	1	83	-	-	84
Default	-	-	157	3	160
Carrying amount (before provision for impairment losses)	6.756	122	157	5	7.040
Expected credit losses	(15)	(5)	(74)	(2)	(96)
Net carrying amount	6.741	117	83	3	6.944
Value of collateral			12	-	12

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2021					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Small Business					
Strong credit quality	11.112	-	-	-	11.112
Satisfactory credit quality	2.413	558	-	93	3.064
Watch list (higher risk)	123	2.940	-	1.193	4.256
Default	-	-	2.825	793	3.618
Carrying amount (before provision for impairment losses)	13.648	3.498	2.825	2.079	22.050
Expected credit losses	(29)	(110)	(310)	(86)	(535)
Net carrying amount	13.619	3.388	2.515	1.993	21.515
Value of collateral			2.294	1.624	3.918
Large Corporate					
Strong credit quality	255.486	8.865	-	-	264.351
Satisfactory credit quality	46.893	1.159	-	-	48.052
Watch list (higher risk)	18.968	133.268	-	-	152.236
Default	-	-	3.485	-	3.485
Carrying amount (before provision for impairment losses)	321.347	143.292	3.485	-	468.124
Expected credit losses	(287)	(2.081)	(1.137)	-	(3.505)
Net carrying amount	321.060	141.211	2.348	-	464.619
Value of collateral			2.088	-	2.088

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2021					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
SME's					
Strong credit quality	3.960	65	-	-	4.025
Satisfactory credit quality	1.822	46	-	-	1.868
Watch list (higher risk)	1.528	461	-	-	1.989
Default	-	-	1.440	-	1.440
Carrying amount (before provision for impairment losses)	7.310	571	1.440	-	9.321
Expected credit losses	(1)	(1)	(91)	-	(93)
Net carrying amount	7.309	570	1.349	-	9.228
Value of collateral			1.334	-	1.334
Public Sector – Cyprus					
Strong credit quality	-	-	-	-	-
Satisfactory credit quality	-	-	-	-	-
Watch list (higher risk)	-	-	-	-	-
Default	-	-	-	-	-
Carrying amount (before provision for impairment losses)	-	-	-	-	-
Expected credit losses	-	-	-	-	-
Net carrying amount	-	-	-	-	-
Value of collateral			-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2021					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Letters of guarantee, letters of credit and other guarantees					-
Strong credit quality	34.576	22	-	-	34.598
Satisfactory credit quality	4.084	17.175	-	-	21.259
Watch list (higher risk)	1.977	93	-	-	2.070
Default	-	-	2.319	-	2.319
Carrying amount (before provision for impairment losses)	40.637	17.290	2.319	-	60.246
Expected credit losses	(87)	(253)	(2.207)	-	(2.547)
Net Carrying Amount	40.550	17.037	112	-	57.699
Value of collateral	-	-	-	-	-
Undrawn loan agreements and credit limits					
Strong credit quality	120.253	1.193	-	-	121.446
Satisfactory credit quality	32.178	179	-	36	32.393
Watch list (higher risk)	2.074	2.705	-	-	4.779
Default	-	-	1.052	4	1.056
Carrying amount (before provision for impairment losses)	154.504	4.077	1.052	40	159.674
Expected credit losses	143	26	735	1	905
Net Carrying Amount	(154.362)	(4.051)	(317)	(39)	(158.769)
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

The following tables presents loans measured at amortised cost, letters of guarantee, letters of credit and undrawn loan commitments per IFRS 9 Stage and credit quality:

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Mortgage					
Strong credit quality	129.248	-	-	-	129.248
Satisfactory credit quality	154.687	-	-	-	154.687
Watch list (higher risk)	-	94.677	-	25.480	120.157
Default	-	-	189.307	63.745	253.052
Carrying amount (before provision for impairment losses)	283.935	94.677	189.307	89.225	657.144
Expected credit losses	(214)	(2.806)	(67.616)	(29.482)	(100.118)
Net Carrying Amount	283.721	91.871	121.691	59.743	557.026
Value of collateral	-	-	106.818	48.062	154.880
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Consumer					
Strong credit quality	25.848	-	-	-	25.848
Satisfactory credit quality	16.308	-	-	-	16.308
Watch list (higher risk)	-	16.511	-	4.658	21.169
Default	-	-	60.611	31.263	91.874
Carrying amount (before provision for impairment losses)	42.156	16.511	60.611	35.921	155.199
Expected credit losses	(103)	(744)	(30.988)	(19.485)	(51.320)
Net Carrying Amount	42.053	15.767	29.623	16.436	103.879
Value of collateral	-	-	23.201	10.468	33.669

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Credit cards					
Strong credit quality	5.275	-	-	-	5.275
Satisfactory credit quality	1.414	-	-	-	1.414
Watch list (higher risk)	-	301	-	2	303
Default	-	-	3.346	717	4.063
Carrying amount (before provision for impairment losses)	6.688	301	3.347	718	11.054
Expected credit losses	(15)	(20)	(2.917)	(660)	(3.612)
Net Carrying Amount	6.673	281	430	58	7.442
Value of collateral	-	-	211	1	212

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Small Business					
Strong credit quality	6.961	-	-	-	6.961
Satisfactory credit quality	5.094	-	-	-	5.094
Watch list (higher risk)	-	4.984	-	1.380	6.364
Default	-	-	28.860	9.662	38.522
Carrying amount (before provision for impairment losses)	12.055	4.984	28.860	11.042	56.941
Expected credit losses	(31)	(173)	(13.916)	(6.860)	(20.980)
Net Carrying Amount	12.024	4.811	14.944	4.182	35.961
Value of collateral	-	-	12.365	3.086	15.451
Large Corporate					
Strong credit quality	344.522	25.306	1	-	369.829
Satisfactory credit quality	86.463	903	-	-	87.366
Watch list (higher risk)	43.013	136.441	1.208	-	180.662
Default	-	-	-	-	0
Carrying amount (before provision for impairment losses)	473.998	162.650	1.209	-	637.857
Expected credit losses	(2.584)	(3.153)	(34)	-	(5.771)
Net Carrying Amount	471.414	159.497	1.175	-	632.086
Value of collateral	-	-	397	-	397

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
SME's					
Strong credit quality	663	-	-	-	663
Satisfactory credit quality	3.148	1.503	-	-	4.651
Watch list (higher risk)	1.848	1.380	3	-	3.231
Default	-	-	-	-	0
Carrying amount (before provision for impairment losses)	5.659	2.883	3	-	8.545
Expected credit losses	(81)	(30)	(3)	-	(114)
Net Carrying Amount	5.578	2.853	0	-	8.431
Value of collateral	-	-	3	-	3
Public Sector – Cyprus					
Strong credit quality	-	-	-	-	-
Satisfactory credit quality	-	-	-	-	-
Watch list (higher risk)	-	-	-	-	-
Default	-	-	-	-	-
Carrying amount (before provision for impairment losses)	-	-	-	-	-
Expected credit losses	-	-	-	-	-
Net Carrying Amount	-	-	-	-	-
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

2019					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Letters of guarantee, letters of credit and other guarantees					-
Strong credit quality	27.538	-	-	-	27.538
Satisfactory credit quality	30.936	-	-	-	30.936
Watch list (higher risk))	-	11.355	-	-	11.355
Default	-	-	103	-	103
Carrying amount (before provision for impairment losses)	58.474	11.355	103	-	69.932
Expected credit losses	(848)	(3.526)	(8)	-	(4.382)
Net Carrying Amount	57.626	7.829	95	-	65.550
Value of collateral	-	-	-	-	0
Undrawn loan agreements and credit limits	-	-	-	-	-
Strong credit quality	77.470	5	-	-	77.475
Satisfactory credit quality	48.216	123	-	-	48.339
Watch list (higher risk)	2.132	3.671	629	26	6.458
Default	-	-	253	4	257
Carrying amount (before provision for impairment losses)	127.819	3.799	882	30	132.530
Expected credit losses	(225)	(7)	(548)	-	(780)
Net Carrying Amount	127.594	3.792	334	30	131.750
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Loans and advances to customers, letters of guarantee, letters of credit and undrawn loan commitments by credit quality and IFRS 9 Stage (cont.)

	Loans measured at fair value through profit or loss (FVPL)	
	31.12.2021	**31.12.2020**
Large Corporate		
Strong credit quality		
Satisfactory credit quality	16.415	16.520
Watch list (higher risk)		-
Default		-
Carrying amount (before provision for impairment losses)	**16.415**	- 16.520
Expected credit losses	-	-
Carrying amount	16.415	16.520
Value of collaterals	16.153	15.913

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

2021																				
	Loans at amortised cost																			
	Retail lending																			
	Mortgage Loans					**Consumer**					**Credit Cards**					**Small Business**				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Current	348.686	59.573	8.885	30.618	447.762	43.690	9.892	915	4.777	59.273	6.741	35	23	3	6.802	13.618	2.574	748	1.741	18.681
1 - 30 days	2.210	4.062	773	254	7.299	112	1.411	125	97	1.745	-	-	-	-	-	1	458	187	-	646
31 -60 days	-	2.830	1.121	121	4.072	-	371	107	8	486	-	67	6	-	73	-	207	19	-	226
61 -90 days	-	2.090	827	0	2.917	-	210	189	202	601	-	15	-	-	15	-	149	108	-	257
91 - 180 days	-	-	2.623	303	2.926	-	-	250	2	252	-	0	16	-	16	-	-	88	-	88
181 - 360 days	-	-	7.218	615	7.833	-	-	385	70	455	-	0	20	-	20	-	-	281	14	295
> 360 days	-	-	4.496	1.333	5.829	-	-	2.385	817	3.202	-	0	18	-	18	-	-	1.084	238	1.322
Total	**350.896**	**68.555**	**25.943**	**33.244**	**478.638**	**43.802**	**11.884**	**4.356**	**5.973**	**66.014**	**6.741**	**117**	**83**	**3**	**6.944**	**13.619**	**3.388**	**2.515**	**1.993**	**21.515**
Value of collaterals	328.617	58.695	23.267	27.497	438.076	23.223	6.033	3.406	3.934	36.596	1.225	9	12	-	1.246	10.071	2.311	2.294	1.624	16.300

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

2021																				
	Loans measured at amortised cost										Loans measured at amortised cost									
	Corporate lending										Public sector									
	Large					SME's					Cyprus					Other countries				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Current	319.487	140.640	2.085	-	462.212	7.309	537	123	-	7.969	-	-	-	-	-	-	-	-	-	-
1 - 30 days	1.573	571	-	-	2.144	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-
31 -60 days	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-
61 -909 days	-	-	-	-	-	-	33	305	-	338	-	-	-	-	-	-	-	-	-	-
91 - 180 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
181 - 360 days	-	-	169	-	169	-	-	921	-	921	-	-	-	-	-	-	-	-	-	-
> 360 days	-	-	94	-	94	-	-	0	-	0	-	-	-	-	-	-	-	-	-	-
Total	**321.060**	**141.211**	**2.348**	-	**464.619**	**7.309**	**570**	**1.349**	-	**9.228**	-	-	-	-	-	-	-	-	-	-
Value of collaterals	214.114	126.806	2.088	-	343.008	4.381	560	1.334	-	6.275	-	-	-	-	-	-	-	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

	2020																			
	Loans measured at amortised cost																			
	Retail lending																			
	Mortgage loans					Consumer					Credit cards					Small Business				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Current	273.939	74.994	27.660	33.088	409.681	40.948	12.704	6.028	6.288	65.968	6.590	84	-	-	6.674	11.642	3.986	3.359	1.359	20.346
1 - 30 days	9.782	9.873	6.142	4.285	30.082	1.105	2.354	1.483	1.220	6.162	84	39	-	1	124	383	436	678	384	1.881
31 -60 days	-	4.836	4.678	1.683	11.197	-	359	1.617	1.725	3.701	-	62	-	-	62	-	327	336	59	722
61 -90 days	-	2.168	2.251	409	4.828	-	269	528	219	1.016	-	96	-	-	96	-	49	77	100	226
91 - 180 days	-	-	3.572	729	4.301	-	32	750	59	841	-	-	22	-	22	-	5	166	32	203
181 - 360 days	-	-	3.071	220	3.291	-	14	1.384	13	1.411	-	-	6	2	8	-	-	162	7	169
> 360 days	-	-	74.317	19.329	93.646	-	35	17.833	6.912	24.780	-	-	401	55	456	-	8	10.165	2.241	12.414
Total	283.721	91.871	121.691	59.743	557.026	42.053	15.767	29.623	16.436	103.879	6.674	281	429	58	7.442	12.025	4.811	14.943	4.182	35.961
Value of collaterals	265.391	79.887	106.818	48.062	500.158	22.594	9.307	23.201	10.468	65.570	1.268	49	211	-	1.528	8.444	3.082	12.365	3.086	26.977

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

2020																				
	Loans measured at amortised cost										**Loans measured at amortised cost**									
	Corporate lending										**Public Sector**									
	Large					**SME's**					**Cyprus**					**Other countries**				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Current	470.778	147.132	1.171	-	619.081	5.578	2.772	-	-	8.350	-	-	-	-	-	-	-	-	-	-
1 - 30 days	636	-	-	-	636	-	81	-	-	81	-	-	-	-	-	-	-	-	-	-
31 -60 days	-	12.365	-	-	12.365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61 -909 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91 - 180 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
181 - 360 days	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
> 360 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	471.414	159.497	1.175	-	632.086	5.578	2.853	-	-	8.431	-	-	-	-	-	-	-	-	-	-
Value of collaterals	320.241	143.838	397	-	464.476	3.806	2.622	3	-	6.431	-	-	-	-	-	-	-	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans measured at fair value through profit or loss (FVPL)

31.12.2021			
	Loans measured at fair value through profit or loss (FVPL)		
	Corporate lending		Total
	Large	SME's	
Current	**16.415**	-	**16.415**
1 - 30 days	-	-	-
31 - 60 days	-	-	-
61 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 360 days	-	-	-
> 360 days	-	-	-
Total	**16.415**	-	**16.415**
Value of collaterals	**16.153**	-	**16.153**

31.12.2020			
	Loans measured at fair value through profit or loss (FVPL)		
	Corporate lending		Total
	Large	SME's	
Current	**16.520**	-	**16.520**
1 - 30 days	-	-	-
31 - 60 days	-	-	-
61 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 360 days	-	-	-
> 360 days	-	-	-
Total	**16.520**	-	**16.520**
Value of collaterals	**15.913**	-	**15.913**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage
The following table presents the movement in the loans measured at amortised cost by IFRS 9 Stage:

	2021									
	Retail lending					Corporate lending				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2021	**344.835**	**116.472**	**136.906**	**136.906**	**880.337**	**479.658**	**165.533**	**1.212**	-	**646.403**
Transfers to Stage 1 from Stage 2 or 3	47.455	(46.525)	(930)	-	-	7.014	(7.012)	(2)	-	-
Transfers to Stage 2 from Stage 1 or 3	(24.794)	77.007	(52.213)	-	-	(29.785)	29.785	-	-	-
Transfers to Stage 3 from Stage 1 or 2	(3.098)	(27.708)	30.806	-	-	(335)	(21.778)	22.113	-	-
New loans originated or purchased	66.451	-	-	2.342	68.793	46.507	-	-	-	46.507
Derecognition of loans	(3.368)	(248)	(2.041)	(3.152)	(8.809)	(9.775)	-	-	-	(9.775)
Interest on loans before impairment	10.252	2.755	14.724	7.042	34.773	11.639	5.761	1.060	-	18.460
Changes due to modifications that did not result in loans’ derecognition	(76)	38	(429)	(30)	(497)	(29)	1.532	-	-	1.503
Write-offs	-	-	(22.135)	(12.354)	(34.489)	-	-	-	-	-
Repayments and other movements	(18.421)	(20.105)	6.682	(41)	(31.885)	(176.237)	(29.958)	(611)	-	(206.806)
Transfers to assets held for sale	(3.879)	(15.638)	(219.344)	(87.040)	(325.901)	-	-	(18.847)	-	(18.847)
Balance 31.12.2021	**415.357**	**86.048**	**37.244**	**43.673**	**582.322**	**328.657**	**143.863**	**4.925**	**-**	**477.445**
Accumulated provision for impairment losses	(299)	(2.104)	(4.347)	(2.460)	(9.210)	(288)	(2.082)	(1.228)	-	(3.598)
Balance of loans 31.12.2021	**415.058**	**83.944**	**32.897**	**41.213**	**573.112**	**328.369**	**141.781**	**3.697**	**-**	**473.847**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage (cont.)

	2021									
	Public Sector					Off Balance items				
	Stage 1	Stag 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2021	-	-	-	-	17	**186.293**	**15.154**	**984**	**31**	**202.462**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
New loans originated or purchased	-	-	-	-	-	-	-	-	-	-
Derecognition of loans	-	-	-	-	-	-	-	-	-	-
Interest on loans before impairment	-	-	-	-	-	-	-	-	-	-
Changes due to modifications that did not result in loans' derecognition	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Repayments and other movements	-	-	-	-	-	9.008	6.052	2.387	10	17.457
Transfer of accumulated provision for impairment losses to assets held for sale	-	-	-	-	-	-	-	-	-	-
Balance of loans 31.12.2021	-	-	-	-	-	**195.301**	**21.206**	**3.371**	**41**	**219.919**
Accumulated provision for impairment losses	-	-	-	-	-	-	-	-	-	-
Balance of loans 31.12.2021	-	-	-	-	-	**195.301**	**21.206**	**3.371**	**41**	**219.919**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage

The following table presents the movement in the loans measured at amortised cost by IFRS 9 Stage:

	2020									
	Retail lending					Corporate lending				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	342.903	106.689	580.439	219.621	1.249.652	422.135	68.146	289.040	77.700	857.021
Transfers to Stage 1 from Stage 2 or 3	36.684	(35.978)	(706)	-	-	28.849	(28.849)	-	-	-
Transfers to Stage 2 from Stage 1 or 3	(57.586)	80.589	(23.003)	-	-	(113.267)	113.548	(281)	-	-
Transfers to Stage 3 from Stage 1 or 2	(1.508)	(21.064)	22.572	-	-	(553)	-	553	-	-
New loans originated or purchased	47.772	169	30	5.535	53.506	278.015	13.388	-	(1)	291.402
Derecognition of loans	(3)	(604)	(5.070)	(712)	(6.389)	(21.204)	(13.356)	(610)	-	(35.170)
Interest on loans before impairment	10.140	3.073	22.483	10.374	46.070	13.483	4.212	8.693	2.451	28.839
Changes due to modifications that did not result in loans' derecognition	312	(150)	(2.859)	(606)	(3.303)	(566)	(712)	(1)	-	(1.279)
Write-offs	(9)	(185)	(23.850)	(14.885)	(38.929)	-	-	(30.851)	(8.952)	(39.803)
Repayments and other movements	(32.070)	(14.072)	(1.418)	(4.173)	(51.733)	(127.231)	9.156	(4.404)	(385)	(122.864)
Disposal of assets	(1.800)	(1.996)	(286.494)	(78.247)	(368.537)	(3)	-	(260.927)	(70.813)	(331.743)
Balance 31.12.2020	344.835	116.471	282.124	136.907	880.337	479.658	165.533	1.212	-	646.403
Accumulated provision for impairment losses	(362)	(3.743)	(115.438)	(56.487)	(176.030)	(2.665)	(3.183)	(37)	-	(5.885)
Balance of loans 31.12.2020	344.473	112.728	166.686	80.420	704.307	476.993	162.350	1.175	-	640.518

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage (cont.)

	2020									
	Public sector					Off balance items				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	2	15	-	-	17	188.928	8.421	8.047	43	205.439
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
New loans originated or purchased	-	-	-	-	-	-	-	-	-	-
Derecognition of loans	-	-	-	-	-	-	-	-	-	-
Interest on loans before impairment	-	-	-	-	-	-	-	-	-	-
Changes due to modifications that did not result in loans' derecognition	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Repayments and other movements	(2)	(15)	-	-	(17)	(2.635)	6.733	(895)	(13)	3.190
Disposal of assets	-	-	-	-	-	-	-	(6.168)	-	(6.168)
Balance 31.12.2020	-	-	-	-	-	186.293	15.154	984	30	202.461
Accumulated provision for impairment losses	-	-	-	-	-	(1.073)	(3.534)	(555)	-	(5.162)
Balance of loans 31.12.2020	-	-	-	-	-	185.220	11.620	429	30	197.299

During the year 2020, the Group sold to a company of the Alpha Bank S.A. Group non-performing loans with carrying amount before provision of impairment losses of Euro 649 million. In addition, the Group purchased from companies of the same Group loans with a carrying amount of Euro 251 million.

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage (cont.)

The following table includes the movement in the accumulated provision for impairment losses of loans measured at amortised cost:

	Retail lending					Corporate lending				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2021	363	3.743	115.438	56.487	176.031	2.665	3.183	37	-	5.885
Transfers to Stage 1 from Stage 2 or 3	1.075	(871)	(204)	-	-	372	(370)	(2)	-	-
Transfers to Stage 2 from Stage 1 or 3	(85)	6.973	(6.888)	-	-	(165)	165	0	-	-
Transfers to Stage 3 from Stage 1 or 2	(20)	(1.643)	1.663	-	-	(1)	(435)	436	-	-
Net remeasurement of loss allowance	(529)	(1.792)	2.559	(16)	222	(279)	326	3.880	-	3.927
Impairment losses on new loans	21	-	-	(546)	(525)	48	-	-	-	48
Derecognition of loans	-	(16)	(374)	(25)	(415)	-	-	-	-	-
Loans initial recognition	-	-	-	819	819	-	-	-	-	-
Write-offs	-	-	(16.071)	(8.840)	(24.911)	-	-	-	-	-
Changes in risk parameters	(145)	(456)	43.787	15.022	58.208	(2.097)	(234)	4.056	-	1.725
Changes in methodology	(41)	(97)	(13)	26	(125)	(318)	(535)	(9)	-	(862)
Foreign exchange and other movements	(92)	(2.149)	2.792	662	1.213	63	(18)	(131)	-	(86)
Change in present value of the allowance	-	-	1.527	508	2.035	-	-	224	-	224
Transfers to assets held for sale – accumulated impairments	(248)	(1.588)	(139.869)	(61.637)	(203.342)	-	-	(7.263)	-	(7.263)
Balance 31.12.2021	299	2.104	4.347	2.460	9.210	288	2.082	1.228	-	3.598

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of accumulated provision for impairment losses of loans per IFRS 9 Stage

	Retail lending					Corporate lending				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	1.313	4.123	273.393	101.031	379.860	3.254	1.514	173.296	52.639	230.703
Transfers to Stage 1 from Stage 2 or 3	1.583	(1.486)	(97)	-	-	98	(85)	(13)	-	-
Transfers to Stage 2 from Stage 1 or 3	(556)	2.431	(1.875)	-	-	(745)	745	-	-	-
Transfers to Stage 3 from Stage 1 or 2	(22)	(1.110)	1.132	-	-	-	-	-	-	-
Net measurement of loss allowance	(725)	38	774	405	492	(11)	411	-	-	400
Impairment losses on new loans	28	-	-	(95)	(67)	1.116	-	-	(87)	1.029
Derecognition of loans	-	(33)	(209)	(137)	(379)	-	-	(276)	-	(276)
Loan initial recognition	-	-	-	477	477	-	-	-	-	-
Write-offs	-	-	(24.044)	(14.885)	(38.929)	-	-	(30.851)	(8.952)	(39.803)
Change in risk parameters	682	2.733	11.381	7.470	22.266	(1.124)	921	2.409	2.167	4.373
Change in methodology	(1.789)	(2.486)	22.512	3.914	22.151	(91)	(324)	2.378	260	2.223
Foreign exchange and other movements	(93)	(336)	(5.187)	653	(4.963)	168	1	1.636	(86)	1.719
Change in present value of the allowance	-	4	8.957	4.310	13.271	-	-	5.513	1.727	7.240
Sale of financial assets – accumulated impairments	(59)	(135)	(171.299)	(46.656)	(218.149)	-	-	(154.055)	(47.668)	(201.723)
Balance 31.12.2020	362	3.743	115.438	56.487	176.030	2.665	3.183	37	-	5.885

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Reconciliation of off-balance sheet items by IFRS 9 Stage

Off-Balance Sheet items include undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below:

	2021				
	Credit risk exposures associated with off balance sheet items				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2021	186.293	15.154	984	31	202.462
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
New off -balance sheet items originated or purchased	-	-	-	-	-
Derecognition	-	-	-	-	-
Interest on carrying values before impairments	-	-	-	-	-
Modification gain / losses	-	-	-	-	-
Write-offs	-	-	-	-	-
Other movements	9.008	6.052	2.387	10	17.457
Transfer to assets held for sale – accumulated impairments	-	-	-	-	-
Balance 31.12.2021	195.301	21.206	3.371	41	219.919
Accumulated impairments	(225)	(284)	(2.942)	(1)	(3.452)
Balance 31.12.2021	195.076	20.922	429	40	216.467

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Reconciliation of off-balance sheet items by IFRS 9 Stage

Off-Balance Sheet items include undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below:

	2020				
	Credit risk exposures associated with off balance sheet items				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	188.928	8.421	8.047	43	205.439
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
New off-balance sheet items originated or purchased	-	-	-	-	-
Derecognition	-	-	-	-	-
Interest on carrying values before impairments	-	-	-	-	-
Modification gain / losses	-	-	-	-	-
Write-offs	-	-	-	-	-
Other movements	(2.635)	6.733	(895)	(13)	3.190
Sale of financial assets – accumulated impairments	-	-	(6.168)	-	(6.168)
Balance 31.12.2020	186.293	15.154	984	30	202.461
Accumulated impairments	(1.073)	(3.534)	(555)	-	(5.162)
Balance 31.12.2020	185.220	11.620	429	30	197.299

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of accumulated allowance for impairment losses of off-balance sheet items by IFRS 9 Stage
The Group has recognized expected credit losses for the undrawn credit limits and letters of credit and letters of guarantee, the reconciliation of which is presented in the following table:

	Off balance sheet items				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total**
	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2021	1.073	3.534	555	0	5.162
Change in risk parameters	(848)	(3.250)	2.387	1	(1.710)
Balance 31.12.2021	225	284	2.942	1	3.452

	Off-balance sheet items				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total**
	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2020	2.995	16	1.011	1	4.023
Change in risk parameters	(1.922)	3.518	(456)	(1)	1.139
Balance 31.12.2020	1.073	3.534	555	-	5.162

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

Analysis of received guarantees and collaterals

31.12.2021						
Value of collateral						
	Loans measured at amortised cost					Loans measured at fair value through profit or loss
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Value of Guarantee	Real estate collateral
	€´000	€´000	€´000	€´000	€´000	€´000
Retail lending	463.533	28.376	309	492.218	-	-
Corporate lending	233.920	11.570	103.793	349.283	-	16.153
Public sector	-	-	-	-	-	-
Total	697.453	39.946	104.102	841.501	-	16.153

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

Analysis of received guarantees and collaterals

31.12.2020						
Value of collateral						
	Loans measured at amortised cost					Loans measured at fair value through profit or loss
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Value of Guarantee	Real estate collateral
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	564.210	29.011	1.012	594.233	-	-
Corporate lending	293.033	9.683	161.760	464.476	-	15.913
Public sector	-	-	-	-	-	-
Total	857.243	38.964	162.772	1.058.709	-	**15.913**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

The loan-to-value ratio (LTV) reflects the relationship between the loan and the value of the property held as collateral.
The Loan-to-value ratio (LTV) of Mortgage lending portfolio is presented in the following table:

	31.12.2021	31.12.2020
	Loans measured at amortised cost	
	€΄000	€΄000
< 50%	62.836	137.467
50% - 70%	64.500	115.888
71% - 80%	61.713	55.343
81% - 90%	81.372	33.294
91% - 100%	57.809	40.127
101% - 120%	47.876	64.750
121% - 150%	44.183	51.334
> 150%	64.991	158.940
Total exposure	485.281	657.143
Simple average LTV (%)	112,59%	133.46%

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

REPOSSESSED ASSETS

	31.12.2021						
			Balance			Disposals during the year	
	Value of collaterals repossessed 31.12.2021 €´000	of which in 2021 €´000	Accumulated impairment allowance 31.12.2021 €´000	of which in 2021 €´000	Carrying amount of collaterals repossessed 31.12.2021 €´000	Net disposal value €´000	Net gain/(loss) on disposal €´000
Real estate	5.892	166	641	(2.251)	5.251	4.089	55

	31.12.2020						
			Balance			Disposals during the year	
	Value of collaterals repossessed 31.12.2020 €´000	of which in 2020 €´000	Accumulated impairment allowance 31.12.2020 €´000	of which in 2020 €´000	Carrying amount of collaterals repossessed 31.12.2020 €´000	Net disposal value €´000	Net gain/(loss) on disposal €´000
Real estate	27.392	1.815	2.892	2.240	24.500	465	46

During 2019, the Group established a new Governance Framework for management of real estate properties with the establishment of two new Committees and the assignment of the management of all repossessed real estate properties of the Bank and its Subsidiaries Companies to a different company of the Group. When the Group acquires the ownership of real estate in the context of managing non-performing exposures (NPE's), the said company is in charge for the monitoring of asset on-boarding, determines the optimum management strategy for each real estate purchased and then assigns its management to appropriate management channels which are located within or outside of the Group.

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

REPOSSESSED ASSETS (cont.)

Depending on the assigned strategy, the property is classified to the appropriate category for accounting purposes. The classification process is repeated periodically so that classification of each property is updated based on its current status. Finally, there is continuous supervision and coordination of the collaborating management channels for the implementation of specific strategies such as promotion/sale of repossessed properties in accordance with the respective Group's policy, as well as the supervision of their performance through key performance indicators (KPIs).

On the above table the purchased properties by the companies of the Group are not included and have been classified in investment properties amounting Euro 11.210 thousand (2020: Euro 17.178 thousand). Analysis is presented in note 19.

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region

	31.12.2021							
		Cyprus						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	-	353.335	68.263	29.542	39.570	490.710	6.680	484.030
Mortgage	-	289.250	52.190	21.510	31.182	394.132	4.112	390.020
Consumer	-	43.736	12.516	5.050	6.305	67.607	1.936	65.671
Credit cards	-	6.701	121	157	5	6.984	96	6.888
Small Business Loans	-	13.648	3.436	2.825	2.078	21.987	536	21.451
Corporate lending	-	84.684	139.752	4.871	-	229.307	3.452	225.855
Financial institutions	-	13.589	1.633	-	-	15.222	-	15.222
Manufacturing	-	16.363	150	173	-	16.686	117	16.569
Construction and real estate	-	2.876	111.498	3.466	-	117.840	691	117.148
Wholesale and retail trade	-	33.422	6.358	255	-	40.035	169	39.866
Transportation	-	-	-	-	-	-	-	-
Shipping	-	275	-	-	-	275	3	271
Hotels - Tourism	-	2.781	19.269	-	-	22.050	1.384	20.666
Services and other sectors	-	15.378	844	977	-	17.199	1.086	16.113
Public sector	-	-	-	-	-	-	-	-
Total	-	438.019	208.015	34.413	39.570	720.017	10.135	709.885

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2021							
		Greece						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	-	44	284	**70**	-	398	-	398
Mortgage	-	-	281	70	-	351	-	351
Consumer	-	31	3	-	-	34	-	34
Credit cards	-	13	-	-	-	-	-	13
Small Business Loans	-	-	-	-	-	-	-	-
Corporate lending	16.415	135.546	161	53	-	135.760	36	135.724
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	16.415	25.422	161	-	-	25.583	-	25.582
Construction and real estate	-	13.655	-	-	-	13.655	-	13.655
Wholesale and retail trade	-	12.690	-	47	-	12.738	17	12.721
Transportation	-	-	-	-	-	-	-	-
Shipping	-	39.643	-	-	-	39.643	4	39.639
Hotels - Tourism	-	18.228	-	5	-	18.233	6	18.227
Services and other sectors	-	25.908	-	-	-	25.908	8	25.900
Public sector	-	-	-	-	-	-	-	-
Total	16.415	135.590	445	123	-	136.158	36	136.122

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2021							
		Other countries						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	-	61.979	17.501	7.632	4.103	91.215	2.531	88.684
Mortgage	-	61.792	17.417	7.610	3.979	90.798	2.528	88.270
Consumer	-	144	22	22	124	312	3	309
Credit cards	-	43	-	-	-	43	-	43
Small Business Loans	-	-	62	-	-	62	-	62
Corporate lending	-	108.427	3.951	-	-	112.378	110	112.268
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Construction and real estate	-	39.927	3.951	-	-	43.878	110	43.768
Wholesale and retail trade	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Shipping	-	68.500	-	-	-	68.500	-	68.500
Hotels - Tourism	-	-	-	-	-	-	-	-
Services and other sectors	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Total	-	170.406	21.452	7.632	4.103	203.593	2.641	200.952

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region

31.12.2020							
	Cyprus						
	Loans measured at amortised cost						
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	**271.807**	**87.972**	**245.960**	**126.641**	**732.380**	**156.099**	**576.281**
Mortgage	211.202	66.300	153.998	79.446	510.946	81.066	429.880
Consumer	41.916	16.460	59.828	35.435	153.639	50.503	103.136
Credit cards	6.633	299	3.274	719	10.925	3.549	7.376
Small Business Loans	12.056	4.913	28.860	11.041	56.870	20.981	35.889
Corporate lending	**161.660**	**140.081**	**1.161**	**-**	**302.902**	**3.644**	**299.258**
Financial institutions	30.186	-	-	-	30.186	23	30.163
Manufacturing	10.379	422	-	-	10.801	79	10.722
Construction and real estate	29.372	109.702	1.161	-	140.235	820	139.415
Wholesale and retail trade	53.842	7.686	-	-	61.528	1.086	60.442
Transportation	13.772	369	-	-	14.141	59	14.082
Shipping	140	-	-	-	140	-	140
Hotels - Tourism	2.579	21.287	-	-	23.866	1.356	22.510
Services and other sectors	21.390	615	-	-	22.005	221	21.784
Public sector	-	-	-	-	-	-	-
Total	**433.467**	**228.053**	**247.121**	**126.641**	**1.035.282**	**159.743**	**875.539**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2020							
		Greece						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	-	**36**	**363**	**542**	**47**	**988**	**252**	**736**
Mortgage	-	-	360	428	47	835	195	640
Consumer	-	28	2	102	-	132	45	87
Credit cards	-	8	1	12	-	21	12	9
Small Business Loans	-	-	-	-	-	-	-	-
Corporate lending	**16.520**	**178.158**	**21.344**	**51**	-	**199.553**	**2.212**	**197.341**
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	16.520	34.256	160	-	-	34.416	161	34.255
Construction and real estate	-	14.356	-	-	-	14.356	-	14.356
Wholesale and retail trade	-	35.301	249	48	-	35.598	357	35.241
Transportation	-	19.043	-	-	-	19.043	14	19.029
Shipping	-	21.756	-	-	-	21.756	-	21.756
Hotels - Tourism	-	26.619	20.836	3	-	47.458	1.381	46.077
Services and other sectors	-	26.827	99	-	-	26.926	299	26.627
Public sector	-	-	-	-	-	-	-	-
Total	**16.520**	**178.194**	**21.707**	**593**	**47**	**200.541**	**2.464**	**198.077**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2020							
		Other countries						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending	-	**72.993**	**28.136**	**35.622**	**10.218**	**146.969**	**19.679**	**127.290**
Mortgage	-	72.733	28.017	34.881	9.731	145.362	18.856	126.506
Consumer	-	212	48	681	487	1.428	771	657
Credit cards	-	48	0	60	-	108	52	56
Small Business Loans	-	-	71	-	-	71	-	71
Corporate lending	-	**139.840**	**4.108**	-	-	**143.948**	**29**	**143.919**
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Construction and real estate	-	45.935	4.108	-	-	50.043	28	50.015
Wholesale and retail trade	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Shipping	-	93.905	-	-	-	93.905	1	93.904
Hotels - Tourism	-	-	-	-	-	-	-	-
Services and other sectors	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Total	-	**212.833**	**32.244**	**35.622**	**10.218**	**290.917**	**19.708**	**271.209**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Interest income from loans by loan category and IFRS 9 Stage

The following table presents the interest income from loans per IFRS 9 Stage.

For loans classified in Stages 1 and 2, interest income is calculated by applying the effective interest rate to the gross carrying amount of the loan.
For loans classified in Stage 3, interest income is calculated by applying the effective interest rate on the amortised cost of the loan (i.e., gross carrying amount after impairment), while for Purchased or Originated Credit Impaired loans (POCI) interest income is calculated by applying the adjusted effective interest rate to the amortised cost of the loan.

		31.12.2021				
	Loans measured at amortised cost					**Loans measured at fair value through profit or loss (FVPL)**
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total interest income**	
	€΄000	€΄000	€΄000	€΄000	€΄000	
Retail lending	10.322	2.821	6.987	3.033	23.163	-
Corporate lending	11.419	5.851	962	-	18.232	480
Total interest income	21.741	8.672	7.949	3.033	41.395	480

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Interest income from loans by loan category and IFRS 9 Stage

		31.12.2020				
	Loans measured at amortised cost					**Loans measured at fair value through profit or loss (FVPL)**
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total interest income**	
	€΄000	€΄000	€΄000	€΄000	€΄000	
Retail lending	9.604	3.600	11.607	4.858	29.669	-
Corporate lending	11.934	5.738	3.178	722	21.572	134
Total interest income	**21.538**	**9.338**	**14.785**	**5.580**	**51.241**	**134**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

FORBORNE LOANS
Analysis of forborne loans by type of forbearance measure

	31.12.2021	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
	€´000	€´000
Interest only payment	-	69.215
Reduce payments scheme	-	18.237
Grace period	-	38.765
Loan term extension	-	29.592
Arrears capitalization	-	42.303
Partial write-off in borrowers' obligations	-	26.254
Other	-	168
Total net amount	-	**224.534**

	31.12.2020	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
	€´000	€´000
Interest only payment	-	435
Reduce payments scheme	-	33.805
Grace period	-	5.470
Loan term extension	-	25.402
Arrears capitalization	-	88.866
Partial write-off in borrowers' obligations	-	67.186
Other	-	19.099
Total net amount	-	240.263

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Forborne loans by geographical region

Loans measured at amortised cost		
	31.12.2021	**31.12.2020**
	€´000	€´000
Cyprus	215.108	211.471
Other countries	9.426	28.792
Total net amount	**224.534**	**240.263**

During the year 2021 and 2020, there were no forbearance measures for loan measured at fair value through profit or loss (FVPL).

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of forborne loans and advances to customers

	Forborne loans (Net Value)	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
		€΄000
Balance 1.1.2021	-	240.263
Forbearance measures during the year	-	132.447
Interest income	-	6.666
Repayment of loans (partial or total)	-	(9.138)
Loans that exited forbearance status during the year	-	(25.185)
Impairment losses	-	(24.190)
Remeasurement of fair value	-	
Loans that exited forbearance status during the year due to disposal	-	(93.447)
Other movements	-	(2.882)
Balance 31.12.2021	-	**224.534**

	Forborne loans (Net Value)	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
		€΄000
Balance 1.1.2020	-	**362.777**
Forbearance measures during the year	-	19.057
Interest income	-	9.482
Repayment of loans (partial or total)	-	(15.927)
Loans that exited forbearance status during the year	-	(13.375)
Impairment losses	-	(15.769)
Remeasurement of fair value	-	
Loans that exited forbearance status during the year due to disposal	-	(107.572)
Other movements	-	1.590
Balance 31.12.2020	-	**240.263**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Forborne loans according to their credit quality

	31.12.2021		
	Total amount of Loans	**Total amount of Forborne Loans**	**Percentage of Forborne Loans (%)**
	€΄000	€΄000	
Loans measured at fair value through profit or loss (FVPL)			
Past due	-	-	-
Not past due	-	-	-
Total carrying amount	-	-	-
Value of collaterals	-	-	-
Loans measured at amortised cost			
Stage 1	744.014	-	0%
Stage 2	229.911	176.190	77%
Stage 3	42.168	25.680	61%
Purchased or originated credit impaired loans (POCI)	43.674	30.877	71%
Carrying amount (before provision for impairment losses)	**1.059.767**	**232.747**	**22%**
Stage 1- Accumulated provision for impairment losses	587	0	0%
Stage 2- Accumulated provision for impairment losses	4.186	3.426	82%
Stage 3- Accumulated provision for impairment losses	5.575	2.424	43%
Accumulated provision for impairment losses for purchased or originated credit impaired loans (POCI)	2.460	2.364	96%
Total net carrying amount	**1.046.959**	**224.534**	**21%**
Value of collaterals	841.501	196.204	23%

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Forborne loans according to their credit quality

	31.12.2020		
	Total amount of loans	**Total amount of Forborne Loans**	**Percentage of Forborne Loans (%)**
	€´000	€´000	
Loans measured at fair value through profit or loss (FVPL)	-	-	-
Past due	-	-	-
Not past due	-	-	-
Total carrying amount	-	-	-
Value of Collaterals	-	-	-
Loans measured at amortised cost			
Stage 1	824.492	-	0%
Stage 2	282.005	68.905	24%
Stage 3	283.336	175.790	62%
Purchased or originated credit impaired loans (POCI)	136.907	64.200	47%
Carrying amount (before provision for impairment losses)	**1.526.740**	**308.895**	**20%**
Stage 1- Accumulated provision for impairment losses	3.028	-	0%
Stage 2- Accumulated provision for impairment losses	6.926	2.691	39%
Stage 3- Accumulated provision for impairment losses	115.474	52.834	46%
Accumulated provision for impairment losses for purchased or originated credit impaired loans (POCI)	56.487	13.107	23%
Total net carrying amount	**1.344.825**	**240.263**	**18%**
Value of collaterals	1.064.845	194.621	18%

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Financial instruments credit risk – Analysis by industry sector

31.12.2021											
	Financial Institution and other financial services	Manufacturing	Construction and Real Estate	Wholesale and retail trade	Public sector Government securities	Transportation	Shipping	Hotels-Tourism	Services and other sectors	Retail and small businesses	Total
Credit risk exposure relating to balance sheet items:											
Balances with Central Bank	1.009.985	-	-	-	-	-	-	-	-	-	**1.009.985**
Due from banks	228.719	-	-	-	-	-	-	-	-	-	**228.719**
Loans and advances to customers measured at amortised cost	15.222	42.268	175.372	52.773	-	-	108.418	40.283	43.108	-	**1.059.767**
Loans and advances to customers measured at fair value through profit or loss		16.800									**16.800**
Derivative financial assets	74	-	-	-	-	-	-	-	-	-	**74**
Investment securities – measured at fair value through other comprehensive income	66.996	39.643	-	-	210.214	4.956	-	-	32.594	-	**354.403**
Investment securities – measured at fair value through profit or loss	4.389										**4.389**
Investment securities – measured at amortised cost	53.871	15.844	-	-	74.925	-	-	-	33.672	-	**178.312**
Other balance sheet items not exposed to credit risk	**258.523**	-	-	-	-	-	-	-	-	-	**258.523**
Credit risk exposure relating to off-balance sheet items:											
Letters of guarantee, letters of credit and other guarantees	1.043	1.496	19.928	29.252	-	-	171	-	6.701	1.654	60.245
Undrawn loan agreements and credit limits	484	12.092	27.956	28.690	-	-	1.734	-	15.634	73.084	159.674
Total amount of off-balance sheet items exposed to credit risk	1.527	13.588	47.884	57.942	-	-	1.905	-	22.335	74.738	219.919

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Financial instruments credit risk – Analysis by industry sector

	31.12.2020										
	Financial Institution and other financial services	Manufacturing	Construction and Real Estate	Wholesale and retail trade	Public sector Government securities	Transportation	Shipping	Hotels-Tourism	Services and other sectors	Retail and small businesses	Total
Credit risk exposure relating to balance sheet items:											
Balances with Central Banks	216.110	-	-	-	-	-	-	-	-	-	**216.110**
Due from banks	159.485	-	-	-	-	-	-	-	-	-	**159.485**
Loans and advances to customers	30.186	45.217	204.633	97.126	0	33.184	115.802	71.324	48.931	880.337	**1.526.740**
Derivative financial assets		16.520									**16.520**
Investment securities – measured at fair value through other comprehensive income	467	-	-	-	-	-	-	-	-	-	**467**
Investment securities – measured at fair value through profit or loss	227.231	12.796	-	-	187.225	-	-	-	1.634	-	**433.689**
Investment securities – measured at amortised cost	3.949										**3.949**
Other balance sheet items not exposed to credit risk	14.542	-	-	-	144.939	-	-	-	16.290	-	**175.771**
Credit risk exposure relating to off-balance sheet items:											
Letters of guarantee, letters of credit and other guarantees	583	56	29.415	31.591	-	111	43	953	4.867	2.313	69.932
Undrawn loan agreements and credit limits	4.078	12.615	4.319	29.784	-	42	1.203	1.155	14.776	64.558	132.530
Total amount of off-balance sheet items exposed to credit risk	4.661	12.671	33.734	61.375	-	153	1.246	2.108	19.643	66.871	202.462

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Other financial instruments subject to credit risk – analysis per rating

The following table presents other financial assets measured at amortised cost and at fair value through other comprehensive income as at 31.12.2021 per IFRS 9 Stage and credit rating.

	31.12.2021				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balances with Central Banks					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	1.009.985	-	-	-	1.009.985
Lower than BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Carrying amount (before allowance for impairment losses)	1.009.985	-	-	-	1.009.985
Expected credit losses	-	-	-	-	0
Net carrying amount	1.009.985	-	-	-	1.009.985
Value of collateral	-	-	-	-	-
Due from banks					
AAA	-	-	-	-	0
AA+ to AA-	76.766	-	-	-	76.766
A+ to A-	15.658	-	-	-	15.658
BBB+ to BBB-	3.692	-	-	-	3.692
Lower than BBB-	132.599	-	-	-	132.599
Unrated	4	-	-	-	4
Carrying amount (before allowance for impairment losses)	228.719	-	-	-	228.719
Expected credit losses	(88)	-	-	-	(88)
Net carrying amount	228.631	-	-	-	228.631
Value of collateral	-	-	-	-	-
Securities measured at fair value through other comprehensive income					
AAA		-	-	-	0
AA+ to AA-	2.683	-	-	-	2.683
A+ to A-	55.446	-	-	-	55.446
BBB+ to BBB-	65.237	-	-	-	65.237
Lower than BBB-	225.866	-	-	-	225.866
Unrated	5.171	-	-	-	5.171
Carrying amount (before allowance for impairment losses)	354.403	-	-	-	354.403
Expected credit losses	(626)	-	-	-	**(626)**
Net carrying amount	353.777	-	-	-	**353.777**
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Other financial instruments subject to credit risk – analysis per rating

	31.12.2021				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	51.741	-	-	-	51.741
BBB+ to BBB-	75.845	-	-	-	75.844
Lower than BBB-	50.727	-	-	-	50.727
Unrated	-	-	-	-	0
Carrying amount (before allowance for impairment losses)	178.312	-	-	-	178.312
Expected credit losses	(284)	-	-	-	(284)
Net carrying amount	178.028	-	-	-	178.028
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Other financial instruments subject to credit risk – analysis per rating

	31.12.2020				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balances with Central Banks					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-
Lower than BBB-	216.110	-	-	-	216.110
Unrated	-	-	-	-	-
Carrying amount (before allowance for impairment losses)	216.110	-	-	-	216.110
Expected credit losses	-	-	-	-	-
Net carrying amount	216.110	-	-	-	216.110
Value of collateral	-	-	-	-	-
Due from banks					
AAA	-	-	-	-	-
AA+ to AA-	7.306	-	-	-	7.306
A+ to A-	3.005	-	-	-	3.005
BBB+ to BBB-	1.658	-	-	-	1.658
Lower than BBB-	141.415	-	-	-	141.415
Unrated	6.101	-	-	-	6.101
Carrying amount (before allowance for impairment losses)	159.485	-	-	-	159.485
Expected credit losses	(231)	-	-	-	(231)
Net carrying amount	159.254	-	-	-	159.254
Value of collateral	-	-	-	-	-
Securities measured at fair value through other comprehensive income					
AAA	-	-	-	-	-
AA+ to AA-	30.577	-	-	-	30.577
A+ to A-	146.555	-	-	-	146.555
BBB+ to BBB-	36.227	-	-	-	36.227
Lower than BBB-	186.152	-	-	-	186.152
Unrated	34.178	-	-	-	34.178
Carrying amount (before allowance for impairment losses)	428.888	-	-	-	428.888
Expected credit losses	(866)	-	-	-	(866)
Net carrying amount	428.022	-	-	-	428.022
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Trading portfolio – Derivative financial assets – Securities measured at fair value through profit or loss- Analysis per rating

	2021	2020
	€´000	€´000
Derivative financial assets		
AAA	-	-
AA+ to AA-	-	-
A+ to A-	-	-
BBB+ to BBB-	74	-
Lower than BBB-		467
Unrated	-	-
Carrying amount (before allowance for impairment losses)	**74**	**467**
Value of collateral	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Due from Banks

The following table presents Due from Banks by IFRS 9 Stage:

	31.12.2021				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 31.12.2021					
Carrying amount (before allowance for impairment losses)	228.719	-	-	-	228.719
Expected credit losses	(88)	-	-	-	(88)
Net carrying amount	**228.631**	-	-	-	**228.631**

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 31.12.2020					
Carrying amount (before allowance for impairment losses)	159.485	-	-	-	159.485
Expected credit losses	(231)	-	-	-	(231)
Net carrying amount	**159.254**	-	-	-	**159.254**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of other financial assets (except loans) before allowance for impairment losses by IFRS 9 Stage

The table below presents the movement of the carrying amount before allowance for impairment losses of due from banks and the movement of the fair value of investment securities measured at fair value through other comprehensive income, including the expected credit losses per IFRS 9 Stage.

	31.12.2021									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2021	159.485	-	-	-	159.485	432.823	-	-	-	432.823
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
New financial assets originated or purchased	3.663.278	-	-	-	3.663.278	157.067	-	-	-	157.067
Derecognition of financial assets	(3.593.993)	-	-	-	(3.593.993)	-	-	-	-	-
Interest on carrying amount before impairment	12	-	-	-	12	(3.184)	-	-	-	(3.184)
Changes due to modifications that did not result in derecognition	-	-	-	-	-	(53)	-	-	-	(53)
Write-off	-	-	-	-	-	(4.178)	-	-	-	(4.178)
Repayments foreign exchange and other movements	(151)	-	-	-	(151)	(228.698)	-	-	-	(228.698)
Balance 31.12.2021	228.631	-	-	-	228.631	353.777	-	-	-	353.777

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of other financial assets (except loans) before allowance for impairment losses by IFRS 9 Stage

	31.12.2020									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	**328.198**	-	-	-	**328.198**	**446.790**	-	-	-	**446.790**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
New financial assets originated or purchased	7.023.650	-	-	-	7.023.650	200.835	-	-	-	200.835
Derecognition of financial assets	(7.192.541)	-	-	-	(7.192.541)	(44.555)	-	-	-	(44.555)
Interest on carrying amount before impairment	178	-	-	-	178	(5.007)	-	-	-	(5.007)
Changes due to modifications that did not result in derecognition	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Repayments foreign exchange and other movements		-	-	-	-	(165.240)	-	-	-	(165.240)
Balance 31.12.2020	**159.485**	-	-	-	**159.485**	**432.823**	-	-	-	**432.823**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Investment securities measured at fair value through other comprehensive income

The following table presents the analysis by IFRS 9 Stages and issuer's category:

	31.12.2021				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	**163.124**	-	-	-	**163.124**
Expected credit losses	(115)	-	-	-	(115)
Fair value	163.009	-	-	-	163.009
Other bonds	**186.108**	-	-	-	**186.108**
Expected credit losses	(511)	-	-	-	(511)
Fair value	185.597	-	-	-	185.597
Other securities	**5.171**	-	-	-	**5.171**
Expected credit losses	-	-	-	-	-
Fair value	5.171	-	-	-	5.171
Total securities measured at fair value through other comprehensive income	354.403	-	-	-	354.403
Expected credit losses	(626)	-	-	-	(626)
Fair value	353.777	-	-	-	353.777

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Investment securities measured at fair value through other comprehensive income

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	187.225	-	-	-	187.225
Expected credit losses	(249)	-	-	-	(249)
Fair value	186.976	-	-	-	186.976
Other Government Bonds	241.662	-	-	-	241.662
Expected credit losses	(617)	-	-	-	(617)
Fair value	241.045	-	-	-	241.045
Other securities	4.802	-	-	-	4.802
Expected credit losses	-	-	-	-	-
Fair value	4.802	-	-	-	4.802
Total securities measured at fair value through other comprehensive income	433.689	-	-	-	433.689
Expected credit losses	**(866)**	-	-	-	**(866)**
Fair value	**432.823**	-	-	-	**432.823**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of the accumulated impairment allowance

	31.12.2021									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2021	**(231)**	-	-	-	**(231)**	**(866)**	-	-	-	**(866)**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-	-	-
Impairment losses on new receivables/securities	-	-	-	-	-	-	-	-	-	-
Change in credit risk parameters	143	-	-	-	143	240	-	-	-	240
Derecognition of financial assets	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-		-	-	-	
Balance 31.12.2021	**(88)**	-	-	-	**(88)**	**(626)**	-	-	-	**(626)**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of the accumulated impairment allowance

	31.12.2020									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	**(232)**	-	-	-	**(232)**	**(524)**	-	-	-	**(524)**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-	-	-
Impairment losses on new receivables/securities	-	-	-	-	-	-	-	-	-	-
Change in credit risk parameters	-	-	-	-	-	(342)	-	-	-	(342)
Derecognition of financial assets	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	1	-	-	-	1		-	-	-	
Balance 31.12.2020	**(231)**	-	-	-	**(231)**	**(866)**	-	-	-	**(866)**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Investment securities measured at amortised cost

The following table presents the analysis by IFRS 9 Stages and issuer's category:

	31.12.2021				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	74.682	-	-	-	74.682
Expected credit losses	(41)	-	-	-	(41)
Fair value	74.641	-	-	-	74.641
Other bonds	103.630	-	-	-	103.630
Expected credit losses	(243)	-	-	-	(243)
Fair value	103.387	-	-	-	103.387
Total securities measured at amortised cost	178.312	-	-	-	178.312
Expected credit losses	**(284)**	-	-	-	**(284)**
Fair value	**178.028**	-	-	-	**178.028**

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	117.216	-	-	-	117.216
Expected credit losses	(84)	-	-	-	(79)
Fair value	117.132	-	-	-	117.137
Other bonds	58.555				58.555
Expected credit losses	(75)				(80)
Fair value	58.480				58.475
Total securities measured at amortised cost	175.771	-	-	-	175.771
Expected credit losses	**(159)**	-	-	-	**(159)**
Fair value	**175.612**	-	-	-	**175.612**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of the accumulated impairment loss for securities measured at amortised cost

	31.12.2021				
	Due from banks				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2021	**(159)**	-	-	-	**(159)**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Impairment losses on new receivables/securities	-	-	-	-	-
Change in credit risk parameters	(125)	-	-	-	(125)
Derecognition of financial assets	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance 31.12.2021	(284)	-	-	-	(284)

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of the accumulated impairment loss for securities measured at amortised cost

	31.12.2020				
	Due from banks				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	-	-	-	-	-
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Impairment losses on new receivables/securities	(159)	-	-	-	(159)
Change in credit risk parameters	-	-	-	-	-
Derecognition of financial assets	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance 31.12.2020	**(159)**	-	-	-	**(159)**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Exposure to Cyprus Government

	31.12.2021	
	€΄000	€΄000
Portfolio type	**Nominal value**	**Carrying value**
Investment securities measured at fair value through other comprehensive income	146.000	156.657
Total		

	31.12.2020	
	€΄000	€΄000
Portfolio type	**Nominal value**	**Carrying value**
Investment securities measured at fair value through other comprehensive income	118.742	133.404
Total		

38. RISK MANAGEMENT (cont.)

38.2 Market risk

Market risk is the risk of losses arising from unfavourable changes in the value or volatility of interest rates, foreign exchange rates, stock exchange indices, equity prices and commodities. Losses may also occur either from the trading portfolio or from the Assets-Liabilities management.

The management policy followed for market risk as well as the accepted limits, are set by the Asset and Liability Committee (ALCO), within which the Treasury Division operates. The Asset and Liability Committee acts within the parameters set by the relevant policies of Alpha Bank Group and in particular according to the Policy manuals and Procedures in areas of market risk and the management of assets and liabilities.

38.2.1 Interest rate risk

Interest rate risk of the bank portfolio relates to the volatility of the Bank’s capital and interest income, which is due to the mismatch of the interest rate gap between the interest-bearing traded assets and the portfolio measured at fair value through other comprehensive income.

Interest rate risk management is carried out on a monthly basis and in accordance with the Interest Rate Risk in the Banking Book (IRRBB) Policy.

The interest rate risk management framework is defined from the Interest Rate Risk in the Banking Book (IRRBB) Policy. Based on this framework, the Group analyses interest rate gaps for all interest-bearing assets, depending on when their interest rate is redefined, for floating rate items, or when they expire, for fixed rate items. In addition, receivables or liabilities that do not have a regular contractual maturity or interest rate redefinition date are broken down into time periods based on a statistical study of the movement of those accounts. These models have been validated by the relevant independent Management of the Group. Interest rate risk is managed by ALCO. Stressed interest rate scenarios are performed on a three-month basis, calculating their impact on the change on interest income through Earning at Risk (EaR) and on equity through Economic Value of Equity (EVE). Respective boundaries have been set for both EaR and EVE, which are monitored and presented to ALCO and to the Risk Committee of the Board of Directors at regular intervals.

38. RISK MANAGEMENT (cont.)

38.2.1 Interest rate risk (cont.)

Based on this analysis and the scenarios of interest rate fluctuations applied, the corresponding change in net interest income as well as the equity position for the securities measured at fair value through other comprehensive income posted directly in equity. In the interest rate gap scenarios, the variance is applicable up to the point it's feasible (interest rate equals to zero), based on the current interest rate curves per currency.

Interest rate variation scenario (parallel fall or rise in yield curves)	Sensitivity for net interest income (annual) (€'000)	Equity sensitivity (€'000)
+200 b.p.	20.355	+200 b.p.
-200 b.p.	-1.666	-200 b.p.

38. RISK MANAGEMENT (cont.)

38.2 Market risk (cont.)

38.2.1 INTEREST RATE RISK AS AT 31 DECEMBER 2021 (cont.)

31.12.2021	1 to 30 days	1 month to 3 months	4 to 6 months	7 to 12 months	1 year to 5 years	Over 5 years	Non-interest bearings	Total
ASSETS	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**
Cash and balances with Central Banks	1.009.985	-	-	-	-	-	54.848	1.064.833
Due from banks	60.070	168.561	-	-	-	-	-	228.631
Investment securities measured at fair value through other comprehensive income	38.918	31.668	4.659	13.361	195.200	64.800	5.171	353.777
Investment securities measured at fair value through profit or loss							4.389	4.389
Investment securities measured at amortised cost	7.698	372	195	263	80.800	88.700	-	178.028
Derivative financial assets	74							74
Loan and advances to corporates	148.450	303.118	44.762	673	4.581	1.140	-	502.724
Loans and advances to individuals	178.093	297.197	39.763	6.781	34.950	3.866	-	560.650
Property, plant and equipment, Intangible assets and investment property	-	-	-	-	-	-	38.412	38.412
Deferred tax assets, other assets and repossessed assets	-	-	-	-	-	-	23.996	23.996
Non-current assets held for sale	-	-	-	-	-	-	153.163	153.163
TOTAL ASSETS	**1.443.288**	**800.916**	**89.379**	**21.078**	**315.531**	**158.506**	**279.979**	**3.108.677**
Due to banks	427.856	4.568	24.700	-	1.946	5.068	74	464.212
Due to customers	312.356	167.625	233.348	404.588	818.039	348.946	-	2.284.902
Subordinated bonds	-	-	-	-	90.074	-	-	90.074
Derivative financial liabilities	557							557
Other liabilities and provisions	0	0	0	0	0	0	43.543	43.954
Liabilities related to non-current assets held for sale	0	0	0	0	0	0	11	11
TOTAL LIABILITIES	**740.769**	**172.193**	**258.048**	**404.588**	**910.059**	**354.014**	**44.039**	**2.883.710**
EQUITY								
Share capital							180.694	180.694
Convertible capital securities							64.000	64.000
Share premium							102.661	102.661
Reserved							4.970	4.970
Retained earnings							(127.358)	(127.358)
Total Equity							**224.967**	**224.967**
Total Liabilities and Equity	**740.769**	**172.193**	**258.048**	**404.588**	**910.059**	**354.014**	**269.006**	**3.108.677**
OPEN EXPOSURE	**702.519**	**628.723**	**(168.669)**	**(383.510)**	**(594.528)**	**(195.508)**	**10.973**	**0**
CUMULATIVE EXPOSURE	**702.519**	**1.331.242**	**1.162.573**	**779.063**	**184.535**	**(10.973)**	**0**	**0**

38. RISK MANAGEMENT (cont.)
38.2 Market risk (cont.)

38.2.1 INTEREST RATE RISK AS AT 31 DECEMBER 2020 (cont.)

31.12.2020	1 to 30 days	1 month to 3 months	4 to 6 months	7 to 12 months	1 year to 5 years	Over 5 years	Non-interest bearing	Total
ASSETS	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**
Cash and balances with Central Banks	216.110	-	-	-	-	-	55.736	271.846
Due from banks	39.254	120.000	-	-	-	-	-	159.254
Investment securities measured at fair value through other comprehensive income	34.640	68.296	17.260	83.523	166.200	58.000	4.904	432.823
Investment securities measured at fair value through profit or loss							3.949	3.949
Derivative financial assets	4.312	-	100.000	-	7.300	64.000	-	175.612
Loan and advances to corporates	467							467
Loans and advances to individuals	195.721	380.908	88.120	1.854	11.780	1.374	-	679.757
Property, plant and equipment, Intangible assets and investment property	191.900	277.496	25.144	27.034	156.064	3.950	-	681.588
Deferred tax assets, other assets and repossessed assets	-	-	-	-	-	-	46.948	46.948
Non-current assets held for sale	-	-	-	-	-	-	42.945	42.945
	-	-	-	-	-	-	2.881	2.881
TOTAL ASSETS	**682.404**	**846.700**	**230.524**	**112.411**	**341.344**	**127.324**	**157.363**	**2.498.070**
Due to banks	24.658	3.645	9	9	27.200	6.397	-	61.918
Due to customers	296.983	182.453	247.836	426.303	656.473	292.253	-	2.102.301
Subordinated bonds	-	5.276	-	-	-	-	-	5.276
Derivative financial liabilities	195							195
Other liabilities and provisions	0	0	0	0	0	0	55.305	55.305
Liabilities related to non-current assets held for sale	0	0	0	0	0	0	30	30
TOTAL LIABILITIES	**321.836**	**191.374**	**247.845**	**426.312**	**683.673**	**298.650**	**55.335**	**2.225.025**
EQUITY								
Share capital								
Convertible capital securities							180.694	180.694
Share premium							64.000	64.000
Reserves							102.661	102.661
Retained earnings							8.760	8.760
Total Equity							(83.070)	(83.070)
Total Liabilities and Equity							**273.045**	**273.045**
OPEN EXPOSURE	**321.836**	**191.374**	**247.845**	**426.312**	**683.673**	**298.650**	**328.380**	**2.498.070**
CUMULATIVE EXPOSURE	**360.568**	**655.326**	**(17.321)**	**(313.901)**	**(342.329)**	**(171.326)**	**(171.017)**	**0**

38. RISK MANAGEMENT (cont.)

38.2 Market risk (cont.)

38.2.2 Foreign currency risk

Currency risk arises from an open position in one or more foreign currencies. The policy of the Group is the positions to be closed immediately using spot transactions or currency derivatives. In case that positions are still open, they are daily monitored by the competent department, and they are subject to limits. The total position results from the sum of the current position from the balance sheet and the forward position from the derivative products, as listed in the following tables. The open foreign exchange position during 2021 was low, therefore the impact on the Group's income from exchange rate fluctuations is negligible and therefore no preparation of alternative exchange rate scenarios is deemed necessary.

Foreign currency position (€'000) 31.12.2021							
	USD	**GBP**	**JPY**	**CHF**	**Other**	**Euro**	**Total**
Total assets	251.576	62.611	17.630	183.859	20.087	2.572.914	3.108.677
Total liabilities and equity	251.552	32.831	12.804	164.492	19.984	2.627.014	3.108.677
On balance sheet fx position	24	29.780	4.826	19.367	103	(54.100)	
Derivative forward foreign exchange position	-	(29.752)	(4.756)	(19.359)		53.867	
Total Foreign exchange position	**24**	**28**	**70**	**8**	**103**	**(233)**	

Foreign currency position (€'000) 31.12.2020							
	USD	**GBP**	**JPY**	**CHF**	**Other**	**Euro**	**Total**
Total assets	133.731	50.067	17.701	194.756	14.711	2.090.729	2.501.696
Total liabilities and equity	85.970	22.267	13.204	217.980	14.531	2.147.744	2.501.696
On balance sheet fx position	47.761	27.800	4.498	(23.224)	180	(57.014)	
Derivative forward foreign exchange position	(47.755)	(27.808)	(4.427)	23.193		56.796	
Total Foreign exchange position	**6**	**(7)**	**70**	**(31)**	**180**	**(218)**	

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk

Liquidity risk relates to Group’s ability to maintain sufficient funds to cover its planned or extraordinary obligations. Liquidity Risk comprises both funding liquidity risk and asset liquidity risk though these two dimensions of liquidity risk are closely related. Funding Liquidity risk refers to the inability of a financial institution to raise the cash necessary to roll over its debt, fulfill the cash, margin, or collateral requirements of counterparties; or to meet capital withdrawals. Asset – market liquidity risk, results from the Bank’s failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Liquidity management is done through the timely identification of the needs, the identification of all available sources and the most cost-effective way to meet the liquidity needs.

According to the Bank’s Liquidity Risk Management Policy, the Board Risk Management Committee assigns the overall responsibility for overseeing asset and liability management to Asset – Liability Committee (ALCo). ALCo is responsible on one hand to monitor the quantitative and qualitative aspects of liquidity risk and on the other hand to ensure that appropriate policies and procedures are in place to control and limit liquidity risk. In addition to that, ALCo is responsible for approving the guidelines, principles, risk measurement techniques and limits that have been proposed by the Group Market and Operational Risk Division and Asset Liability Management Division.

Executives and senior management are updated daily on current liquidity risk exposure levels to ensure that the Group’s liquidity risk profile remains within the approved limits. In addition, they receive a daily liquidity report detailing cash and deposit changes. Among others, for the purpose of proper management of liquidity risk and in line with supervisory requirements, the Bank monitors and manages on a monthly basis, the amount, quality and concentration of counterbalancing capacity, the cash flows arising from assets and liabilities (inflows, outflows – maturity ladder) over time, the concentration and cost of funding, and the roll-over of funding.

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk (cont.)

The reports that are prepared on a periodic basis (at least monthly except for the Net Stable Funding Ratio which is monitored on a quarterly basis) for the information of the Group's executive and senior management as well as for the decision making of the Assets-Liabilities Management Committee, concern the Static Analysis of Liquidity Maturities, the monitoring of the liquidity supervisory ratios, the monitoring of the change of the customer deposits, the ratio "Loans to Deposits", the monitoring of the limits of the liquidity ratios of the recovery plan, the Risk appetite Framework and the Contingency Funding Plan, the extreme situation simulation exercises that assess the risk of systemic and idiosyncratic emergencies in the Bank's liquidity position.

Stress tests are carried out on a monthly basis and / or more frequently, for liquidity purposes, in order to assess potential outflows (contractual or contingent) to determine the level of immediate liquidity available to cover the Bank's needs. These tests are carried out according to the approved, Liquidity Buffer and Liquidity Stress Scenario Policy of the Group and evaluate the risk in idiosyncratic extraordinary events (idiosyncratic stress test) in the Bank's liquidity, in systemic (systemic stress test) as well as combined events (combined stress test).
In addition, for Internal Liquidity Adequacy Assessment Process (ILAAP), the Bank uses Reverse Stress Test also in order to rate its impact on liquidity.

In addition, the Bank monitors the maturity of assets and liabilities and takes measures to manage liquidity risk in the current economic conditions. At the same time, it is ensured that the supervisory liquidity ratios are met.

Based on the Liquidity Gap Analysis, the cash flows arising from balance sheet items are calculated and classified into time periods in accordance with the contractual maturity date or the estimated date based on a statistical analysis (convention). Exceptions to the above are securities portfolios, which can contribute immediately to liquidity raising, and are allocated in the first period provided they have not been used to raise liquidity either by the Central Bank or in interbank repos transactions.

The Bank calculates the supervisory indicators, Liquidity Coverage Ratio and Net Stable Funding Ratio on a monthly and quarterly basis respectively as required by the Regulation (EU) 575/2013 and in accordance with the instructions of the Central Bank of Cyprus.
On 31.12.2021, the two indicators (LCR and NSFR) exceeded the minimum acceptable supervisory threshold (100%) with the liquidity coverage ratio (LCR) at 169,04% and the net stable funding ratio (NSFR) at 178,49%.

During 2021 all supervisory liquidity ratios fluctuated beyond the minimum supervisory limit.

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk (cont.)

The liquidity coverage ratio (LCR) examines the adequacy of cash available as a percentage of net outflows for the next 30 days as calculated under crisis conditions. The cash available should be sufficient to cover the outflows for a minimum period of 30 days.

2021	31/12/2021 %	Year highest %	Year lowest %	Year average %	Regulatory limit 31.12.2021 %
Liquidity coverage ratio (LCR)	169,04	319,56	160,88	188,62	100,00

2020	31/12/2020 %	Year highest %	Year lowest %	Year average %	Regulatory limit 31.12.2020 %
Liquidity coverage ratio (LCR)	186,97	320,44	152,69	205,35	100,00

In addition, the Bank calculates the Net stable funding Ratio (NSFR) index on the basis of the CRR II. The Index has been formally implemented since June 2021 as a regulatory requirement with a minimum supervisory limit of 100%.

In contrast to the LCR which examines the short-term liquidity profile, the NSFR examines the long-term liquidity and funding profile of the Bank.

The objective of the NSFR is to reduce the reliance on short-term sources of financing by requiring banks to finance their activities from adequate and stable sources of funding.

2021	31.12.2021 %	Year highest %	Year lowest %	Year average %	Regulatory limit 31.12.2021 %
Net Stable Funding Ratio (NSFR)	178,49	178,49	140,36	156,04	100,00

	Balance sheet total	On demand less than 30 days	1 to 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
31.12.2021							
Assets	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	
Cash and balances with Central Banks	1.064.833	997.997	3.021	4.350	8.079	51.386	
Due from banks	228.631	60.070	168.561	-	-	-	
Investment securities measured at fair value through other comprehensive income	353.777	348.606	-	-	-	5.171	
Investment securities measured at fair value through profit or loss	4.389	-	-	-	-	4.389	
Investment securities measured at amortised cost	178.028	7.697	372	195	263	169.501	
Derivative financial assets	74	74					
Loans and advances to customers net of impairments	1.063.374	29.239	24.921	26.107	100.274	882.833	
Investment in Subsidiaries							
Investment properties	11.210	6	11	17	34	11.142	
Property, plant and equipment	24.626	68	137	205	410	23.806	
Intangible assets	2.576	7	14	21	43	2.491	
Deferred tax asset	6.849	19	38	57	114	6.621	
Other assets and repossessed assets	17.147	711	1.422	2.133	4.267	8.614	
Non-current assets held for sale	153.163	-	-	153.163	-	-	
	3.108.677	**1.444.494**	**198.497**	**186.248**	**113.484**	**1.165.954**	
Liabilities							
Subordinated bonds	90.074	-	-	-	3.011	96.169	99.180
Due to banks	464.212	427.769	4.568	2	5	31.842	464.185
Due to customers	2.284.902	297.997	168.408	234.492	406.989	1.177.486	2.285.372
Derivative financial liabilities	557						-
Inflows		(124.544)	-	-	-	-	(124.544)
Outflows		124.054	-	-	-	-	124.054
Other liabilities	40.414	40.414	-	-	-	-	40.414
Lease liabilities	3.540					3.540	3.540
Liabilities related to non-current assets held for sale	11			11			11
Total liabilities	**2.883.710**	**765.690**	**172.976**	**234.505**	**410.005**	**1.309.036**	**2.892.212**
Off Balance Sheet items							
Letter of guarantees	57.715	17.780	8.624	4.359	23.455	3.498	57.715
Undrawn Credit facilities	159.674	31.935	-	-	-	127.739	159.674
	217.389	**49.715**	**8.624**	**4.359**	**23.455**	**131.237**	**217.389**

1: Liabilities are presented based on their estimated maturity payment date

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk (cont.)

	Balance Sheet total	On demand less than 30 days	1 to 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total[1]
31.12.2020							
Assets	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	
Cash and balances with Central Banks	271.846	205.723	3.173	4.500	8.307	50.143	
Due from banks	159.254	39.254	120.000	-	-	-	
Investment securities measured at fair value through other comprehensive income	432.823	428.021	-	-	-	4.802	
Investment securities measured at fair value through profit or loss	3.949					3.949	
Investment securities measured at amortised cost	175.612	3.999	105	100.084	124	71.300	
Derivative financial assets	467	467					
Loans and advances to customers net of impairments	1.361.345	30.964	33.825	40.200	128.755	1.127.601	
Investments in subsidiaries							
Investment properties	17.178	6	11	17	34	17.110	
Property, plant and equipment	27.600	77	153	230	460	26.680	
Intangible assets	2.170	6	12	18	36	2.098	
Deferred tax assets	6.237	17	35	52	104	6.029	
Other assets and repossessed assets	36.708	1.659	3.319	3.420	8.399	19.911	
Non-current assets held for sale	2.881	-	-	2.881	-	-	
	2.498.070	**710.193**	**160.633**	**151.402**	**146.219**	**1.329.623**	
Liabilities							
Subordinated bonds	5.276	-	5.276	-	-	-	5.276
Due to banks	61.918	24.653	3.650	9	9	33.597	62.057
Due to customers	2.102.301	282.629	183.188	249.049	428.732	958.703	2.103.265
Derivatives financial liabilities	195						-
Inflows		44.082	36.128	-	-	-	80.210
Outflows		(44.084)	(35.906)	-	-	-	(79.990)
Other liabilities	50.085	50.085					50.085
Lease liabilities	5.220					5.220	5.220
Liabilities related to non-current assets held for sale	30	-	-	30	-	-	30
Total liabilities	**2.225.025**	**357.365**	**192.336**	**249.088**	**428.741**	**997.520**	**2.220.932**
Off Balance Sheet items							
Letter of guarantees	69.932	21.556	7.037	7.222	26.960	3.382	66.158
Undrawn credit facilities	132.530	26.506	-	-	-	106.024	132.530
	202.461	**48.062**	**7.037**	**7.222**	**26.960**	**109.406**	**198.688**

1: Liabilities are presented based on their estimated maturity payment date.

38. RISK MANAGEMENT (cont.)

38.4 Operational risk

Operational Risk is defined as the risk of financial or qualitative effects resulting from inadequate or failed internal processes, IT systems, people (intentionally or unintentionally) and external events. Operational Risk includes Legal Risk.

The Bank recognizes the need to identify, assess, monitor, and reduce the inherent operational risk in its operations, as well as the need to provide sufficient capital to address this risk.

To this end, the Bank, in cooperation with the Group of Alpha Bank S.A., has established an Operational Risk Management Framework in which it includes, inter alia, the following issues:

- Operational Risk Governance Structure under which the overall supervision of Operational Risk Management is exercised by the Board of Directors of the Bank.
- The Operational Risk Management committee, which oversees the implementation of the Bank's Operational Risk Management Policy and the activities and actions related to the effective management of the operational risk.
- Collection and management of operational risk events including the management of bankruptcy proceedings against the Bank.
- Set and monitor of operational risk indicators for specific activities of the Bank.
- Techniques for identifying and evaluating operational risks, including the process of risk control self-assessment.
- Introduction of operational risk mitigation techniques relating to both the implementation of action plans that improve the existing internal control system and the protection against specific risks.
- The development and analysis of operational risk scenarios.
- Outsourcing Risk Assessment.
- Creation and submission of reports.
- The calculation of the Bank’s capital requirements against operational risks. The Bank has adopted the Standardized Approach.

The Framework is reviewed by the Group's competent Division in cooperation with the relevant Division of the Group of Alpha Bank S.A. if deemed necessary.

In 2021, as part of the ongoing effort to strengthen the Operational Risk Management Framework, the Group has developed a methodology for defining the risk profile resulting from the use of information and communication technologies (ICT risk). The methodology, which is fully in line with the supervisory guidelines, was applied during the year for the first time by Alpha Bank Cyprus and will be repeated on an annual basis. The framework for risk management of information and communication technologies will be further strengthened in 2022 through the adoption of a relevant policy.

38. RISK MANAGEMENT (cont.)

38.4 Operational risk (cont.)

Furthermore, as per the usual practice of the Bank, the Risk Control Self-Assessment method was implemented during the year according to general planning. The method identifies and evaluates operational risks involved and adopts corrective actions. Operational Risk events, Self-Assessment results as well as other current operational risk issues are regularly monitored by the relevant Risk Management Committees, which have increased responsibilities in reviewing relevant information and adopting measures for the limitation of Operational Risk. In addition, to effectively address the risks arising from the increased use of the Bank's models, the provisions of the relevant framework adopted by the Bank, which is the cornerstone of overall model risk management, have been implemented for the second year.

At the same time, the process of replacing the existing operational risk system with a more advanced, user-friendly and multifunctional infrastructure is underway. The replacement process is expected to be completed within 2022.

38.5 Regulatory compliance

The Group operates an independent Regulatory Compliance Division as required by the provisions of the Central Bank of Cyprus directive “Framework of Principles of Operation and Criteria of Assessment of Bank’s Organisational structure, Internal Governance and Internal Control Systems”.

The Compliance Division is administratively independent of other units responsible for risk management, or executive duties, or other audit / internal audit duties. The division reports directly to the Managing Director, is supervised by the Head of Compliance of Alpha Bank S.A. Group and reports to the Board of Directors of the Bank through the Audit Committee.

The aim of the Compliance Division is the prevention and effective management of compliance risks deriving from the institutional and regulatory framework (Regulatory Compliance Risk) and may arise from the business activity of the Bank. This can be achieved through the establishment of adequate policies and processes, the implementation of appropriate information systems and the adoption of recognition control, monitoring mechanism of relevant controls, aiming at the preservation of the integrity and reputation of the Bank.

Additionally, through the Compliance officer and his deputy, as defined in the Central Bank for the “Prevention of money laundering and terrorism financing”, it implements appropriate procedures to ensure timely and on-going compliance of the Bank with the supervisory framework, in relation to the prevention of the financial system being used for money laundering and terrorism financing.

38. RISK MANAGEMENT (cont.)

38.6 Pledge of financial assets

On 31.12.2021, the Group had encumbered “Loans and advances to customers” of net book value €86 mil. to Alpha Bank S.A. to obtain liquidity (31.12.2020: €113 mil.)
The Group maintains mandatory placements with Central Bank of Cyprus amounting to €22.018 thous. (2020: €21.188) for liquidity purposes.

38.7 Offsetting financial assets / liabilities

At 31 December 2021 there were derivative transactions of receivables of €74 thous. (2020: € 467 thous.) and payables of €557 thous. (2020: € 195 thous.), which are governed by ISDA, of the International Swap and Derivatives Association, signed with Alpha Bank S.A. Under the contract, the Group may offset claims against its counterparty liabilities in the event of a credit event. In addition to the provisions of the above set-off transaction, the Group during 2021 has received cash collateral which covered the exposure whereas for 2020 the Group had provided a cash collateral.

38.8 Disclosures on interest rate benchmark reform

As of January 2022, the London Interbank Interest Rate (LIBOR), one of the main and most important interest rate benchmarks used in global financial markets, has been abolished or ceased to be representative. Specific LIBORs indexes in English pounds (GBP) and Japanese Yen (JPY) benchmarks, following instructions from the UK Financial Conduct Authority, will continue to be published using a different calculation methodology known as "Synthetic", for a limited period of time, in order to facilitate the transition. In addition, the continuation of some specific durations of LIBORs benchmarks in US Dollar (USD) until June 30, 2023 has the sole purpose of supporting the transition of existing products (legacy products).

The Group took all the necessary measures for the timely preparation of the transition to the new alternative reference rates.

Indicatively, the main actions that took place are mentioned such as the Group's exposure to financial products inside and outside the Balance Sheet that are related to these reference interest rates and had maturities after 1/1/2022 was quantified. Furthermore, the Group created a transition strategy for contracts brought by LIBORs which expired or ceased to be representative on 1/1/2022, made the necessary amendments to the relevant contracts to be compatible with the new reference rates and local law by forming fallback clauses, performed new configuration of all IT systems, and informed the clientele about the transition from LIBOR through uploading on its website all the relevant information.

38. RISK MANAGEMENT (cont.)

38.8 Disclosures on interest rate benchmark reform (cont.)

On 27.8.2020, the International Accounting Standards Board amended IFRS 9, IAS 39 and IFRS 7 in the context of the 2nd phase of the project to address the accounting issues that arise due to the interest rate reform. These amendments are effective from 1.1.2021 and the basic powers they provide are as follows:

- Changes in contractual cash flows: When changing the basis for calculating the cash flows of financial receivables and liabilities, the changes required by the interest rate reform do not lead to a recognition of a gain or loss on the balance sheet but to an income statement.
- Hedge accounting: changes in the hedging documentation resulting from interest rate reform do not result in termination of the hedging relationship or the commencement of a new relationship provided that they relate to changes permitted by the 2nd amendment.

The adoption of the above amendments did not have an impact on the Group's financial statements as on the one hand the Group makes use of the option provided regarding changes in contractual cash flows.

The table below presents the Group's report by significant reference interest rate on financial assets and liabilities that as 31.12.21 have not yet switched to the alternative reference rates.

Currency	Loans to clients which are not part of the SKY portfolio	Loans to clients which are part of the SKY portfolio	Total
	Euro equivalent 000s	Euro equivalent 000s	Euro equivalent 000s
CHF	55.045	785.655	840.700
GBP	45.603	36.649	82.252
JPY	880	15.801	16.681
USD	93.785	12.205	105.990
Total	195.313	850.310	1.045.623

39. ECONOMIC ENVIRONMENT

Cyprus economy

Achievements

The Cypriot economy, before the spread of the corona virus disease (Covid-19), was expected in the coming years, according to the forecasts of the European Commission and international rating agencies, to continue developing. In 2020 the GDP in the first year of the pandemic recorded a negative growth rate of 5.2% while in 2021 it recorded a positive growth of 5.5%. This is due to the fact that the measures to limit the spread of the pandemic began to be withdrawn gradually in 2021 due to the high rate of vaccination coverage of the population. The withdrawal of the measures allowed the resumption of business activity and tourism in particular, to contribute substantially to the increase in GDP.

The public debt in 2021 rose to 104.2% of GDP, mainly due to the government borrowing in order to support the population, due to the effects of the pandemic.

The unemployment rate for 2021 reached 7.5% and remained at the same level compared to 2020 (7.6%).

Inflation increased in the fourth quarter of 2021 by 4,6%, resulting in an annual increase of 2,3% compared to -1,1% in 2020 mainly due to rising energy costs. Inflationary pressures may continue to rise in 2022.

The Cypriot economy still remains in the investment grade of the international rating agencies, except for Moody's.

Forecasts

According to the European Commission's new Winter Economic Forecast, economic growth in the first quarter will be moderate due to rising inflation. Economic growth will be higher in the following quarters due to the high vaccination rates of the population and the relaxation of the restrictive measures imposed to combat COVID 19. The number of airline bookings indicate an increase in the inflows of tourists to Cyprus which substantially contributes to GDP. In 2022, GDP is expected to grow by 4,1%. This is mainly attributed to domestic demand underpinned by the Cypriot Recovery and Resilience plan of 2021-2026. GDP growth for 2023 is expected to reach 3,5%.

Inflation is expected to rise to 2.6% in 2022 and be limited to 1.2% in 2023. due to the increase in disposable income from the expected increase in business activity.

According to the forecasts of the Ministry of Finance, the public debt will be limited to 97.5% in 2022 and will further decrease to 87.3% by 2024.

Participation in the Recovery and Resilience Program 2021-2026 will contribute positively to the development of the economy, which amounts to Euro 1.2 billion. Estimates indicate that the program will generate an increase in GDP by 3% in the period 2022-2023 and by 7% in the period 2024-2026. Employment is also expected to increase by 2.5%.

39. ECONOMIC ENVIRONMENT

Cyprus economy (cont.)

The war in Ukraine and sanctions imposed on Russia are expected to have a knock-on effect that is estimated to affect all sectors of business due to increased energy costs as well as a lack of basic goods. Tourism is also expected to be affected because the two countries are two of the most important markets when it comes to tourism in Cyprus.

The uncertainty caused to construction by the termination of the Cyprus Investment Program (CIP) poses a serious risk to this sector and the economy in general.

The G20 decisions to raise the tax rate to 15% are expected to create imbalances that Cyprus will have to face, in order to continue to remain competitive as it is a country primarily offering services.

Any developments on a political level will affect the economic environment accordingly.

Banking environment

Due to the Covid 19 pandemic that affected Cyprus in both 2020 and 2021, the banking system was forced to adapt to a new operating model. This is why digital transformation has accelerated to keep business going uninterrupted.

Measures were taken for increased distance working for the security of staff.

The banking system in Cyprus now enjoys the confidence of depositors. The excess liquidity held by the banks is indicative of the credibility of all banks. This confidence has not changed despite the negative interest rates offered. Banking system deposits increased in 2021 by EUR 3,3 billion (7,5%).

Loans to customers decreased Euro 1,9 billion (5,9%) mainly due to the banks' actions to consolidate their Balance Sheets.

Banks continue their deleveraging efforts, resulting in a sharp decline in lending in the banking system. The main reasons for the reduction are:

a. the sales of loans to companies that manage non-performing loans
b. the management of non-performing loans by specialized companies
c. the intensive efforts of banks to resolve non-performing loans with the method of debt-for-assets swap.

Despite the new funding in 2021, loans to customers fell by EUR 1,9 billion (5,9%).

As a result of the actions of the banking system, the non-performing exposures ratio decreased to 15,1% compared to 18% 3 years ago.

39. ECONOMIC ENVIRONMENT

Banking environment (cont.)

Despite the decline in non-performing loans, the challenges of the financial sector remain, as both high proportion of non-performing loans and high private debt persist.

The excess liquidity in an environment with negative interest rates negatively impacts the results of the banks.

Challenges and Uncertainties

The gradual implementation by 2025 of the new European requirements for compliance with the Minimum Requirement for own funds and Eligible Liabilities (MREL) may exert pressure on banks' balance sheets.

The banking sector will also have to face the consequences of the anticipated withdrawal of the relaxations granted by the European Central Bank during the pandemic.

Beyond the challenges brought on by the Covid-19 pandemic, non-performing exposures and private debt remain the main factor of instability for banking sector and the economy in general. Increasing public debt is also a challenge to be addressed due to the pandemic despite the forecasts made by the Ministry of Finance for a gradual reduction.

The abolition of the Cypriot investment program is expected to continue to affect the construction sector and the economy in general.

The expected tax reform to raise the tax rate from 12,5% to 15% may mainly affect the services sector.

The war in Ukraine that started in February 2022 will affect all business mainly due to rising energy costs as well as imported products.

- **Greek Economy – Operating Environment of Parent Company**

The swift and strong recovery of economic activity in 2021, recouped a significant part of the losses registered in 2020, as GDP at constant prices increased by 8.3% on an annual basis, compared to a decrease of 9% in 2020.

The European Commission (European Economic Forecast, Winter 2022) expects a further increase of 4.9% in 2022 and 3.5% in 2023. Furthermore, according to the latest projections by the Bank of Greece (Interim Monetary Policy Report, December 2021), the GDP growth rate is estimated to reach 5% in 2022 and 3.9% in 2023.

The steep rebound of GDP in 2021 can be attributed, firstly, to the strong increase of private consumption, driven by the sharp increase in savings accumulated during the pandemic and the significant gains in employment secondly, to the rise in investment, especially in machinery and

39. ECONOMIC ENVIRONMENT

Greek Economy – Operating Environment of Parent Company (cont.)

technological equipment and, thirdly, to the higher-than-expected performance of exports of services, due to the remarkable recovery of tourism in the summer of 2021.
The rebound of economic activity in Greece in 2021 was in line with the evolution of the Economic Sentiment Indicator (ESI), which is a leading indicator of economic activity and stood at 110,3 points in December 2021, compared to 91.8 points in the same month of 2020.

In April 2021, Standard & Poor's upgraded Greece's sovereign credit rating by one notch from BB- to BB while maintaining a positive outlook. In parallel, the Athens Stock Exchange (ASE) General Index recorded an increase in 2021, by 10.4% on an annual basis.

In March 2022, the credit rating agency DBRS upgraded Greece's sovereign credit rating to BB whereas Moody's did not carry out an assessment.

40. FAIR VALUE

Fair value of financial assets and liabilities measured at amortized cost

	2021		2020	
	Fair value €΄000	Carrying amount €΄000	Fair value €΄000	Carrying amount €΄000
Cash and balances with central banks	1.063.153	1.064.833	271.461	271.846
Due from banks	227.201	228.631	158.980	159.254
Securities measured at amortised cost	177.637	178.028	177.349	175.612
Loans and advances to customers	1.062.075	1.046.959	1.376.596	1.344.825
Due to customers	2.201.887	2.284.902	2.010.046	2.102.301
Debt securities in issue	88.511	90.074	5.248	5.276
Due to banks	455.242	464.212	58.198	61.918

The table above presents the fair value of the financial assets and liabilities measured at amortized cost and their carrying amount.

The fair value of loans to customers measured at amortized cost is estimated using the discount model of contractual future cash flows. The components of the discount rate are the interbank market yield curve, the liquidity premium, the cost of capital, the operational cost as well as the expected loss rate. More specifically, for the loans that for credit risk purposes are considered impaired and are individually assessed for impairment, the model uses the expected future cash flows excluding expected credit losses. In this case, the discount rate consists of the interbank market yield curve and the liquidity premium. However, for impaired loans assessed on a collective basis, estimates are made for capital repayment after taking into account the expected credit losses. The discount rate for impaired loans is the interbank market yield curve, the liquidity premium, the cost of capital and the operational cost.

The fair value of deposits is estimated based on the interbank market yield curve and the liquidity premium until their maturity.

The fair value of bonds is calculated on the basis of market prices as long as there is an active market. In other cases, the cash flow discounting method is applied where all significant variables are based on either observable data or a combination of observable and unobservable market data.

The fair value of all other financial assets and liabilities measured at amortized cost does not materially differ from the respective carrying amount.

The fair value of loans to customers measured at fair value through profit or loss is estimated based on the valuation methodology as described above regarding the disclosure of the estimated fair value of loans measured at amortized cost.

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value

	2021			
	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Loans and advances to customers			16.415	16.415
Derivative financial assets		74		74
Securities measured at fair value through profit or loss – Shares		4.389		4.389
Securities measured at fair value through other comprehensive income				
-Bonds and treasury bills	190.767	157.839		348.606
-Shares			5.171	5.171
Derivative financial liabilities		557		557

	2020			
	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Loans and advances to customers			16.520	16.520
Derivative financial assets		467		467
Securities measured at fair value through profit or loss – Shares		3.949		3.949
Securities measured at fair value through other comprehensive income				
-Bonds and treasury bills	293.441	134.580		428.021
-Shares			4.802	4.802
Derivative financial liabilities		195		195

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value (cont.)

The tables above present the fair value hierarchy of financial instruments which are measured at fair value based on inputs used for the fair value measurement.

			2021		
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€΄000	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost	177.637	-	-	177.637	178.028

			2020		
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€΄000	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost	77.500	99.849	-	177.349	175.612

The different levels are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The methodology for the valuation of securities is approved by the Assets Liabilities Committee (ALCO). Especially for securities that are valued at market prices, bid prices are obtained and a change in their valuation is performed on a daily basis.

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value (cont.)

Shares whose fair value is calculated are classified to Level 2 or Level 3, depending on the extent of the contribution of unobservable data to calculate final fair value. The fair value of non-listed shares, as well as shares not traded in an active market is determined either based on the Group's share on the issuer's equity or by the multiples valuation or the estimations made by the Group which relate to the future profitability of the issuer, taking into account the expected growth rate of its operations, as well as the weighted average rate of capital return which is used as discount rate.

During the period there were no transfers from / to Level 3 of the fair value hierarchy.

For the valuation of over-the-counter derivatives income approach methodologies are used: discounted cash flow models, option-pricing models, or other widely accepted valuation models. The valuation methodology of over-the-counter derivatives is subject to approval by the Assets – Liabilities Management Committee. Mid prices are considered as both long and short positions may be outstanding. Valuations are checked on a daily basis with the respective prices of the counterparty banks in the context of the daily process of provision of collaterals and settlement of derivatives. If the non-observable inputs are significant, the fair value that arises is classified as Level 3 or otherwise as Level 2.

A valuation method based on the Company's equity has been used to determine the fair value of the Bank's investment in JCC Payments Systems Limited at Level 3. In the scenario that the equity of JCC Payments Systems Limited is changed by Euro10mil. the impact on the Group's equity is expected to amount to Euro1 million.

For loans measured at fair value through profit or loss, in the scenario of a decrease in expected cash flows of 10% for individually assessed loans, the adverse impact in profit or loss is estimated at Euro 1.642 thousand (2020: Euro 1.652 thousand).

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value (cont.)

The following table shows the reconciliation from the initial balance to the final balance of the fair values classified in Level 3 of the fair value hierarchy:

2021	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
	€´000	€´000
Opening Balance	**16.520**	**4.802**
Disbursements	**-**	**-**
Interest income	**480**	**-**
Total gain or loss recognized in Income Statement	**(346)**	**-**
Total gain or loss recognized in directly in equity	-	369
Repayments	(239)	-
Balance 31.12.2021	**16.415**	**5.171**

2020	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
		€´000
Opening Balance 1.1.2020	**-**	**4.792**
Disbursements	**16.425**	**-**
Interest income	**134**	**-**
Total gain or loss recognized in Income Statement	**(39)**	**-**
Total gain or loss recognized in directly in equity	-	10
Balance 31.12.2020	**16.520**	**4.802**

41. CAPITAL ADEQUACY

The policy of the Alpha Bank S.A Group is to maintain a strong capital base from both an economic and supervisory point of view. Its purpose is to monitor and adjust the level of capital of the Alpha Bank S.A. Group, taking into account the demand and supply of the capital market, in an effort to achieve the optimal balance between economic and supervisory considerations.

The Risk and Capital Strategy of the Alpha Services and Holdings S.A. Group sets specific risk limits, based on management's risk appetite, as well as thresholds to monitor whether actual risk exposure deviates from the limits set. The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business, to support its strategy and to comply with regulatory capital requirements, at all times.

The Capital Adequacy Ratio compares the Bank's regulatory capital with the risks that the Bank undertakes (Risk Weighted Assets-RWAs). Regulatory capital includes CET1 capital (share capital, reserves, minority interests), additional Tier 1 capital (hybrid securities) and Tier 2 capital (subordinated debt). The Group uses the standardized method for both credit risk and operational risk to calculate the risk weighted assets. The Group does not currently have exposure to market risk.

The capital adequacy of the Group is supervised by the parent company Alpha Bank S.A., which is considered to be a systemic credit institution by the Single Supervisory Mechanism of the European Central Bank. Supervision is overseen along with the support of local supervisory authorities. The Central Bank of Cyprus within the context of its supervisory role, has adopted the European Guidelines for banking supervision.

The supervision is conducted in accordance with the European Regulation 575/2013 (CRR) and the relevant European Directive 2013/36 (CRD IV), which was incorporated into the Cyprus Law. The framework is broadly known as Basel III. The Central Bank of Cyprus, with a view to harmonize with CRD IV, has proceeded to transfer the provisions of the above Directive by amending the Banking law and by introducing the new Macro-Prudential Oversight Law of 2015, which was amended in early February 2017 with retrospective effect from 1.1.2016, setting the minimum ratios (equity capital, Tier I capital and capital adequacy) that the Group should maintain.

41. CAPITAL ADEQUACY (cont.)

In accordance with the above framework for the calculation of the capital adequacy ratio, the transitional provisions in force are followed:

- Besides the 8% capital adequacy limit, there are applicable limits for Common Equity Ratio and Tier I ratio of 4,5% and 6%, respectively
- The maintenance of capital buffers (Capital Conservation Buffer-CCB), additional to the Common Equity Capital, from 1.1.2019 of 2,5% is maintained.
- The maintenance of capital buffers, from 1.1.2019 and gradually until 1.1.2023, additional to the Common Equity Capital, are expected to be maintained. In particular:
    - Other systematically important institutions' (O-SII) buffer 0,5%, where for the year 2020 it was 0,25 % and will remain the same until 01.01.2023.

- Central Bank of Cyprus, set the following capital buffers:
    - Counter Cyclical Buffer (CCyB) equal to «zero percent» (0%) for the year 2021.

Supervisory Review and Evaluation Process (SREP)

In December 2020, the ECB informed the Group that for the year 2021 the minimum limit for Overall Capital Requirement (OCR) stays at 13,75% based on the Supervisory Review and Evaluation Process (SREP) which has not changed from 2020. The OCR includes the additional Pillar II own funds requirements (P2R) which corresponds to 3%. The above minimum ratio should be maintained on a phase-in basis under applicable transitional rules of the CRR / CRD IV, at all times.

For the year 2022, the requirement remains at 13,75% based on the relevant ECB's decision, due to the change adopted by the Central Bank of Cyprus and circulated in November 2021, where the gradual increase of the O-SII buffer reserve for the Group will stay at 0,25% until 01.01.2023.

Measures taken for the banks in order to tackle Covid-19 pandemic

As the impact of the Covid-19 pandemic began to become apparent, the European Central Bank (ECB), the European Banking Authority (EBA) and the European Commission (EC) announced a series of measures to ensure the unhindered continuation of financing the real economy by the supervised Banks.

41. CAPITAL ADEQUACY (cont.)

Specifically, on 12 March 2020, the ECB and the EBA announced the following relaxation measures for the minimum capital regulatory requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level of capital defined by the Capital Conservation Buffer and the Countercyclical Buffer. In addition, on 28 July 2020, the ECB announced through a press release that financial institutions are allowed to operate below the aforementioned thresholds at least up to the end of 2022. Furthermore, the change under CRD V which was expected in January 2021 regarding the P2R buffer was brought forward allowing the Pillar 2 requirement (P2R) to be covered by Additional Tier 1 (AT1) capital by 18.75% and Tier 2 (T2) capital by 25% and not only by CET 1.
- At the same time, the ECB issued a recommendation to banks on limiting dividend distribution or repurchasing shares. According to the press release issued on 23 July 2021, the recommendation is valid until 30 September 2021. In addition, on the basis of the same Communication, the ECB expects banks to adopt a conservative approach taking into account future estimates of variable remuneration.

The European Commission decided to revise the existing regulatory framework by bringing forward regulations that would normally come with the CRR2/CRDV framework as well as provide a greater flexibility to the phase-in of the impact of the IFRS 9 on capital. The revised framework was published in the Official Journal of the European Union as at June 22, 2020.

On 6 April 2020, the Central Bank of Cyprus determined the capital buffer of systematically important institutions (O-SII) and the timetable for its gradual implementation. The third and fourth phases have been delayed by 12 months each and will apply starting from 1 January 2022 and 1 January 2023 respectively. This decision is in the context of the response to Covid-19 pandemic in order to mitigate the subsequent financial impact.

On 22 December 2020, EU Regulation 2176/2020 of the Council of 12 November 2020, amending EU Regulation 241/2014 concerning the deduction of software assets from CET1 capital, was published in the Official Journal of the European Union.

Impact of IFRS 9

Regarding the International Financial Reporting Standard 9 (IFRS 9), the Bank applies the transitional provisions of Article 473a of Regulation (EC) No 2395/2017 of the European Parliament and of the Council, as amended by Regulation (EC) No 873/2020, for the calculation of capital adequacy on an individual and consolidated basis. The Bank is sufficiently capitalized to meet the needs arising from the application of the standard, the full implementation of which is set out in 2025. The impact of full implementation is estimated at around 1,8% and the CAR index for the group is 16% with a reference date of 31.12.2021.

41. CAPITAL ADEQUACY (cont.)

EBA Stress Testing

Following the postponement of the 2020 Stress Test due to the outbreak of COVID – 19 (Coronavirus) and its global spread, the European Banking Authority (EBA) launched the 2021 EU-wide Stress Test on 29 January 2021.

The Stress Test was conducted based on a static balance sheet approach under a baseline and an adverse macro scenario with a 3-year forecasting horizon (2020-2023). The exercise will be used as an input in the Supervisory Evaluation Process (SREP). The results of the exercise were published on 30 July 2021. According to the results Alpha Services and Holdings (Group) successfully concluded the 2021 EU-wide Stress Test under both scenarios. More specifically:

- Under the baseline scenario, the capital generation for the 3-year period was 2,8% fully absorbing 2,4% IFRS 9 phase-in, resulting in 2023 to a CET1 fully loaded ratio of 17,3% while the 2023 Leverage ratio (fully loaded) came to 13,0%.
- Under the adverse scenario, the 2023 CET1 fully loaded ratio stood at 8,3%, largely driven by the negative impact of Credit Risk, with the lowest point of CET1 fully loaded at 8,1%, in 2022. The 2023 Leverage ratio (fully loaded) resulted in 6,1%.
- The Stress Test methodology does not take into account capital strengthening (i.e. Tier II issuance, Share Capital Increase) and balance sheet de-risking (i.e. Galaxy transaction), events post December 31st, 2020. Pro-forma1 with the Share Capital Increase for the baseline scenario, the 2023 CET1 fully loaded ratio reached 19,1%, while the 2023 Leverage ratio (fully loaded) came to 14,4%. Under the adverse scenario, the 2023 CET1 fully loaded ratio stood at 10,2%, while the 2023 Leverage ratio (fully loaded) came to 7,6%.

41. CAPITAL ADEQUACY (cont.)

The capital adequacy ratios according to the CRR with transitional provisions set by the Central Bank of Cyprus are analyzed below:

	31.12.2021 €΄000	31.12.2020 €΄000
Regulatory Capital		
Transitional Common Equity Tier I	**179.036**	**239.210**
Additional Tier I	64.000	64.000
Total Tier I	**243.036**	**303.210**
Tier II	-	-
Total transitional capital	**243.036**	**303.210**
Total risk weighted assets	**1.363.236**	**1.556.580**
Transitional Common Equity Tier I ratio	**13,1%**	**15,4%**
Transitional Tier I ratio	**17,8%**	**19,5%**
Transitional total capital adequacy ratio	**17,8%**	**19,5%**

Under CRR provisions a leverage ratio has been adopted, which is calculated as the relation between total assets plus the off-balance sheet assets to the Tier I capital. The leverage ratio for 2021 stands at 7,7% (with transitional provisions) compared to 11,7% for 2020. The minimum leverage ratio of 3%, which became effective as of 1.1.2018, means that the Group does not undertake excessive leverage risk. For the purpose of calculation of leverage ratio, the Group did not utilize any temporary exceptions which are in place for certain exposures with central banks due to COVID-19 pandemic.

Minimum Requirement for own funds and eligible liabilities (MREL)

On 8 April 2021, the Bank received communications from the Central Bank of Cyprus on the final decision on the minimum own funds and eligible liabilities (MREL). The requirements are established in the light of the amended Directive on the Recovery and Resolution of credit institutions (‘BRRD II’), which was incorporated into Cyprus law in May 2021 by the Law on the Resolution of credit institutions and Investment companies Act 2016 and 2021. At the same time, the Single point of entry (SPE) was defined by the Resolution Authority in the same decision. Alpha Bank Cyprus is part of the resolution group of Alpha Bank SA according to the Decision, as of 1 January 2024, Alpha Bank Cyprus should meet minimum MREL requirements of 20,98% of risk-weighted assets and 5,91% of the leverage ratio

41. CAPITAL ADEQUACY (cont.)

exposure (LRE). Communication also sets out the MREL intermediate requirements to be met from 1 January 2022, i.e., 18,65% RWAs and 5,91% LRE. The MREL expressed as a percentage of risk-weighted assets does not include the combined buffer Requirement (CBR) requirement, which currently stands at 2,75% and is expected to remain stable.

The MREL requirements are in line with the group's expectations. The long-term financing plan provides for further enhancement of MREL so that these requirements can be met when they enter into force.

42. PARTICIPATION OF DIRECTORS IN THE BANK'S SHARE CAPITAL

The Board of Directors members, their spouses and their children do not hold directly or indirectly any interest in the Bank's share capital in accordance with article 60(4) of the Cyprus Stock Exchange Law at 31 December 2021.

During the period covering from 31 December 2021 and 30 days before the notification for convening the Annual General Meeting, there were no fluctuations on the above.

43. RELATED PARTY TRANSACTIONS

All transactions with the board members, the key management personnel and their related parties are performed at arm's length.

(a) Transactions with Directors of the Board

	31.12.2021	31.12.2020
	€΄000	€΄000
Loans and advances to Board of Directors members and related parties	40	72
Deposits by Board of Directors members and related parties	334	998

	From 1 January to	
	31.12.2021	31.12.2020
Non-executive Directors		
Board members fees	187	184
Executive Directors		
Salaries and benefits	472	468
Social insurance contributions by employer etc.	17	23
Retirement benefits	13	13
Total remuneration for executive directors	502	504

Credit facilities to executive and non-executive directors, per director, do not exceed 1% of the Bank's net assets.

(b) Transactions with Key Management Personnel

The Bank considers the members of the Executive committee as key management personnel.

	31.12.2021	31.12.2020
	€΄000	€΄000
Loans and advance to key management personnel and related parties	-	381
Deposits by key management personnel and related parties	-	499

	From 1 January to	
	31.12.2021	31.12.2020
Key Management Personnel		
Salaries and benefits	317	367
Social insurance contributions by employer etc.	23	30
Retirement benefits	8	13
Total remuneration to key management personnel	348	410

43. RELATED PARTY TRANSACTIONS (cont.)

(c) Transactions with the parent company

During the year, the parent company (ultimate beneficial owner) Alpha Bank S.A. has granted guarantees totalling €21.339 thous. (2019: €22.631 thous.) in relation to loans and advances granted to specific clients.

	31.12.2021	31.12.2020
	€´000	€´000
Assets		
Due from banks	132.505	141.158
Reverse Repos	-	-
Derivative financial assets	74	467
	132.579	141.625
Liabilities		
Due to banks (Note 26)	27.120	27.199
Repurchase agreements (Repos)	281.683	
Derivative financial liabilities	557	195
Debt securities in issue	90.074	-
Convertible capital securities	64.000	64.000
Other liabilities	495	120
	463.929	91.514

	From 1 January to	
	31.12.2021	31.12.2020
	€´000	€´000
Income		
Interest and similar income	36	202
Gain on financial transactions		
	-	1.694
	36	1.896
Expenses		
Interest expense and similar charges	514	579
Fair value loss of financial assets and liabilities measured at fair value	470	-
Staff costs	523	583
Other expenses	378	120
Provision for other financial assets	(143)	-
	1.742	1.282

43. RELATED PARTY TRANSACTIONS (cont.)

(c) Transactions with the parent company (cont.)

On 14.5.2015 the Group pledged in favor of Alpha Bank S.A., "Loans and advances to customers" as collateral for liquidity obtained. On 31.12.2021, the book value of the collateral amounted to €86 mil.

In 2020 the Group purchased loans from Alpha Bank S.A. amounting to Euro 204 mil. of which their fair value was Euro 204 mil. as well as bonds amounting to Euro 60 mil. During 202, loans of Euro 123 mil. have been repaid.

(d) Transactions with Alpha Bank S.A. Group companies

	31.12.2021	31.12.2020
	€΄000	€΄000
Assets		
Due from banks	6	8
Loan and advances to customers	10	20
Property, plant and equipment	2.259	3.478
Other assets	2.328	2.709
	4.603	6.215
Liabilities		
Due to customers	75.292	40.570
Debt securities in issue	-	5.276
Other liabilities	6.965	9.278
Lease liabilities	2.418	3.645
	84.675	58.769

	From 1 January to	
	31.12.2021	31.12.2020
	€΄000	€΄000
Income		
Interest and similar income	389	71
Fees and commission income	51	51
Staff loan income	-	1.075
Other income	8.485	8.053
	8.925	9.250
Expenses		
Interest expense and similar charges	107	223
Fees and commission expense	(6)	-
Depreciation and amortization	370	396
Other expenses	(437)	466
	34	1.085

43. RELATED PARTY TRANSACTIONS (cont.)

(d) Transactions with Alpha Bank S.A. Group companies (cont.)

During 2020, “Loans and advances to customers” with accounting amount before provision for impairment losses of €649 mil. and fair value of €280 mil. were sold to a company of the Alpha Bank S.A. Group for the amount of €307 million. The amount of €307 mil. was paid fully in cash during 2020. The difference between the fair value and the sale price was recorded in retained earnings as equity contribution from the parent company. For these loans all risks and rewards of ownership have been transferred and therefore their recognition in the Balance Sheet has been terminated.
In calculating the fair value of the loans sold, the expected cash flows from the loans have been taken into account, discounted at market rates that take into account cost of capital, liquidity cost and management costs.
In 2020, the Group purchased loans from companies of the Alpha Bank S.A. Group of Euro 47 mil. with fair value Euro 47 mil.
Other income relates to income from management of loans of related companies.

(e) Transactions with Hellenic Financial Stability Fund (HFSF) and its subsidiaries

The Group did not have any transactions with the HFSF or its subsidiaries during the year 2021 and 2020.

44. GROUP CONSOLIDATED COMPANIES

The consolidated financial statements, apart from the parent company Alpha Bank Cyprus Ltd include the following entities.

		Group's ownership interest %	
Company name	**Country**	**31.12.2021**	**31.12.2020**
Real estate			
ABC RE P1 LTD	Cyprus	-	100
ABC RE P2 LTD	Cyprus	100	100
ABC RE P3 LTD	Cyprus	100	100
ABC RE P4 LTD	Cyprus	100	100
ABC RE L2 LTD	Cyprus	100	100
ABC RE P&F LIMASSOL LTD	Cyprus	100	100
ABC RE L3 LTD	Cyprus	100	100
ABC RE COM PAFOS LTD	Cyprus	100	100
ABC RE RES LARNACA LTD	Cyprus	100	100
ABC RE L4 LTD	Cyprus	100	100
ABC RE L5 LTD	Cyprus	100	100
ABC RE P&F PAFOS LTD	Cyprus	100	100
ABC RE P&F NICOSIA LTD	Cyprus	100	100
ABC RE RES NICOSIA LTD	Cyprus	100	100
ABC RE P6 LTD	Cyprus	100	100
ABC RE P7 LTD	Cyprus	100	100
ABC RE P&F LARNACA LTD	Cyprus	100	100
ABC RE RES PAFOS LTD	Cyprus	100	100
ABC RE RES AMMOCHOSTOS LTD	Cyprus	100	100
AGI-CYPRE PROPERTY 52 LTD	Cyprus	100	100
AGI-CYPRE PROPERTY 55 LTD	Cyprus	100	100

The Bank and its subsidiaries have an obligation to dispose properties acquired through the debt for assets swap process, within three years of the date of recovery. The period of three years may be extended with the approval of the Central Bank of Cyprus.

The subsidiary ABC RE P1 LTD was disposed in February 2021 for the amount of Euro 1.450 thousand.

The subsidiaries ABC RE P4 LTD, ABC RE L4 LTD, ABC RE P&F LARNACA LTD and ABC RE P6 LTD which were classified in assets held for sale have been reduced to their fair value at the amount of Euro 4.520 thous.

The sole asset held by the companies is real estate recovered from the debt for asset swap process.

44. GROUP CONSOLIDATED COMPANIES (cont.)

The following table presents the profit/(loss) per subsidiary consolidated in these financial statements

	2021 Gain / (Loss)	2020 Gain / (Loss) €΄000
Real estate		
ABC RE P1 LTD	-	(57)
ABC RE P2 LTD	(170)	14
ABC RE P3 LTD	(673)	41
ABC RE P4 LTD	(20)	(23)
ABC RE L2 LTD	(97)	(70)
ABC RE P5 LTD	-	-
ABC RE P&F LIMASSOL LTD	(19)	(26)
ABC RE L3 LTD	(15)	(12)
ABC RE COM PAFOS LTD	(31)	68
ABC RE RES LARNACA LTD	(12)	9
ABC RE L4 LTD	(80)	(536)
ABC RE L5 LTD	(12)	(13)
ABC RE P&F PAFOS LTD	(19)	(4)
ABC RE P&F NICOSIA LTD	(19)	(42)
ABC RE RES NICOSIA LTD	(20)	(16)
ABC RE P6 LTD	(69)	44
ABC RE P7 LTD	(17)	(13)
ABC RE P&F LARNACA LTD	(17)	(18)
ABC RE RES PAFOS LTD	(26)	(13)
ABC RE RES AMMOCHOSTOS LTD	(13)	(12)
AGI-CYPRE PROPERTY 52 LTD	-	-
AGI-CYPRE PROPERTY 55 LTD	-	-
Total	**(1.329)**	**(679)**

45. EVENTS AFTER THE BALANCE SHEET DATE

Sale of non-performing loan portfolio

On 11 March 2022, the Group sold a portfolio of non-performing loans which, in 31.12.2021, were classified as 'non-current assets for sale'. As an intermediate stage, prior to its final sale to an investor, the loans were sold to a company in the Alpha Bank S.A. Group at fair value for Euro 133mil. cash, which is similar to the appraisal value of the portfolio at 31 December 2021.

All the risks and benefits of the ownership of these loans have been substantially transferred and therefore they are not recognised in the Balance Sheet.

Ukraine

Russia's invasion in Ukraine on 24 February 2022 has created uncertainties in the markets and in the evolution of macroeconomic conditions, while in addition the subsequent sanctions imposed by United States, the European Union, the United Kingdom and others affected the transactions with the parties involved in the sanctions. It is noted that the Group has direct exposure to Russia and Ukraine as at the end of February 2022 of a total amount of approximately €7 million (excluding the portfolio of loans classified for sale) derived from loans and interbank deposits. The Group has obligations to customers and banks of €50 million. Nevertheless, the Group is monitoring the unfolding crisis and assesses the impact on its business, financial position and profitability. Due to the existence of significant uncertainty as to event continues to evolve, it is not possible to assess the wider impacts.

The extent to which the Cyprus economy will be affected will be moderate to marginally significant as:

- the financial (majority of local Banks) and corporate sector have strong links to customers related to Russia, while
- there is also a significant dependence on Russian and Ukrainian markets in relation to the recovery of the tourism industry in 2022.

The extent of the impact of the Russian/Ukrainian conflict depends on the level of escalation, the duration of the conflict, and the level of international response when it comes to its resolution.

There are no further significant events after the balance sheet date affecting the financial statements on 31 December 2021.

The Annual Financial Report was approved for issue by the Board of Directors of the Bank on 31 March 2022.

Additional Risk Disclosures 2021

Additional Risk Disclosures
(Unaudited)

According to the Central Bank of Cyprus Directive which came into force on 21 February 2014, “Loan Impairment and Provisioning Procedures” financial institutions should disclose specific information regarding the quality of their loan portfolio. Tables A and B below depict non-performing loans according to the reporting standards of European Banking Authority (EBA) as these have been adopted by Central Bank of Cyprus since February 2015.

Tables A and B have been prepared using different definitions to those used for the preparation of note 38 “Risk Management”and therefore these figures are not comparable.

According to the EBA technical standards on Forbearance and Non-Performing exposures the following definitions were used:

Definition of non-performing exposure

An exposure is considered non-performing when one of the following criteria is satisfied:

- The exposure is more than 90 days past due
- An exposure against which legal actions have been undertaken by the bank
- The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral
- The exposure has been impaired
- The exposure is classified as forborne non-performing exposure, as defined in the Implementing Regulation (EU) 2015/227 of January 9, 2015.

A non-performing exposure with forbearance measures include the following:

- Exposures which were non-performing prior to the extension of forbearance measures; and
- Forborne exposures which have been reclassified from the performing exposures category, including exposures under probation (forborne performing having been reclassified out of the Forborne Non-Performing Loan (FNPL) status) having been re-forborne or that are more than 30 days past due.

Exposures include all on and off-balance sheet exposures without the use of collaterals, excluding held for trading exposures.

Definition of forborne exposure

An exposure is considered forborne when:

- the forbearance measure includes concessions towards a debtor facing or about to face financial difficulties.

Additional risks disclosures (cont.)
(Unaudited)

Loan portfolio analysis by industry (unaudited)
31 December 2021

	Total Credit Facilities				Provision for impairment			
	Gross Loans and advances[1]	Of which non-performing	Of which exposures with forbearance measures: Exposures with forbearance measures	Of which exposures with forbearance measures: Of which non-performing	Total provision for impairment[2]	Of which non-performing	Of which exposures with forbearance measures: Exposures with forbearance measures	Of which exposures with forbearance measures: Of which non-performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governments	-	-	-	-	-	-	-	-
Other financial corporations	**15.454**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Non-financial corporations	**494.815**	**7.644**	**131.014**	**3.603**	**4.485**	**1.629**	**2.267**	**352**
of which: Small and medium-sized enterprises	316.963	7.644	43.134	3.603	2.626	1.629	917	352
of which: Commercial real estate	279.769	5.988	123.524	3.193	1.584	420	743	216
Non-financial corporations per sector	**494.815**	**7.644**			**4.485**			
Construction	125.275	3.330			805			
Wholesale and retail trade	57.896	1.049			284			
Hotel and restaurants	41.202	54			1.403			
Real estate	52.949	1.148			110			
Manufacturing	61.096	504			652			
Other	156.397	1.559			1.231			
Households	**566.298**	**42.738**	**101.733**	**28.994**	**8.708**	**5.221**	**5.946**	**3.296**
of which: Residential mortgage loans	493.931	39.506	91.759	26.949	5.961	4.119	3.956	2.548
of which: credit for consumption	46.363	4.136	10.823	2.426	980	437	560	181
Total	1.076.567	**50.382**	**232.747**	**32.597**	**13.193**	6.850	**8.213**	**3.648**

(1) Excluding loans and advances to central banks and credit institutions.
(2) For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the non-performing loans and advances which were acquired at their fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 18 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.

Additional risks disclosures (cont.)
(Unaudited)
Loan portfolio analysis by industry (unaudited)
31 December 2020

	Total Credit Facilities				**Provision for impairment**			
			Of which exposures with forbearance measures				**Of which exposures with forbearance measures**	
	Gross Loans and advances[1]	**Of which non-performing**	**Exposures with forbearance measures**	**Of which non-performing**	**Total provision for impairment[2]**	**Of which non-performing**	**Exposures with forbearance measures**	**Of which non-performing**
	€’000	€’000	€’000	€’000	€’000	€’000	€’000	€’000
General Governements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial corporations	**30.696**	**280**	**30.696**	**-**	**172**	**148**	**172**	**-**
Non-financial corporations	**676.092**	**30.297**	**676.092**	**11.391**	**23.380**	**17.299**	**23.380**	**4.337**
of which: Small and medium-sized enterprises	513.051	30.297	513.051	11.391	22.045	17.299	22.045	4.337
of which: Commercial real estate	694	603	694	443	122	122	122	104
Non-financial corporations per sector	**676.092**	**30.297**			**23.380**			
Construction	127.531	9.685			6.476			
Wholesale and retail trade	109.276	7.667			6.426			
Hotel and restaurants	73.472	1.217			3.697			
Real estate	90.545	2.320			1.331			
Manufacturing	66.628	3.266			2.023			
Other	208.640	6.142			3.426			
Households	**836.511**	**358.146**	**836.511**	**206.548**	**158.401**	**153.255**	**158.401**	**60.424**
of which: Residential mortgage loans	1.046.690	657.288	29.561	11.813	303.280	299.310	12.868	4.507
of which: credit for consumption	91.010	50.645	836.511	206.548	28.389	27.743	158.401	60.424
Total	**1.543.299**	**388.723**	**1.543.299**	**217.939**	**181.954**	**170.703**	**181.954**	**64.760**

(1) Excluding loans and advances to central banks and credit institutions.
(2) For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the non-performing loans and advances which were acquired at their fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 18 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.

Loan portfolio analysis per loan origination date (unaudited)
31 December 2021

Loan origination date	Total loans portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	99.757	92	109	22.873	5	32	949	-	0	75.935	87	77
1 - 2 years	248.064	441	734	172.862	55	549	13.588	-	-	61.614	386	185
2 - 3 years	66.959	476	155	6.848	131	40	26	0	0	60.085	344	115
3 - 5 years	148.429	1.912	1.010	105.057	511	520	56	-	0	43.316	1.400	490
5 - 7 years	39.758	5.373	1.122	5.751	534	199	7	-	0	34.000	4.839	923
7 - 10 years	116.133	8.162	2.683	32.652	804	999	0	0	0	83.481	7.359	1.684
Over 10 years	357.467	33.926	7.380	148.771	5.604	2.146	828	-	1	207.868	28.323	5.233
Total	1.076.567	50.382	13.193	494.815	7.644	4.485	15.454	0	1	566.298	42.738	8.707
General Governments	-	-	-					-	-	-		
Total	**1.076.567**	**50.382**	**13.193**									

For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the non-performing loans and advances which were acquired at their fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 18 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.

Loan portfolio analysis per loan origination date (unaudited)
31 December 2020

Loan origination date	Total loans portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions	Gross loans and advances	Non-performing exposures	Provisions
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	308.536	25	1.044	254.925	25	983	1.184	-	23	52.427	-	38
1 - 2 years	90.073	141	322	25.240	59	250	34	-	-	64.799	82	72
2 - 3 years	146.735	522	1.750	116.330	78	1.560	64	-	-	30.341	444	190
3 - 5 years	134.279	37.962	17.866	41.943	2.516	1.838	28.233	-	-	64.103	35.446	16.028
5 - 7 years	152.487	67.341	34.305	13.271	3.608	2.189	8	4	4	139.208	63.729	32.112
7 - 10 years	123.549	43.783	22.082	38.259	3.916	3.139	43	42	24	85.247	39.825	18.919
Over 10 years	587.640	238.967	104.585	186.124	20.095	13.421	1.130	233	122	400.386	218.639	91.043
Total	1.543.299	388.741	181.954	676.092	30.297	23.380	30.696	280	172	836.529	358.165	158.402
General Governments	-	-	-					-	-	-		
Total	**1.543.299**	**388.741**	**181.954**					**1.543.317**	**388.741**	**181.954**		

For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the non-performing loans and advances which were acquired at their fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 18 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.