ALPHA BANK

GROUP FINANCIAL STATEMENTS OF ALPHA BANK CYPRUS LIMITED

ANNUAL REPORT
For the year from 1 January to 31 December 2022

Nicosia,
30 March 2023

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	M.H. Colakides
	C.N. Papadopoulos
	L. Georgiadou
	M.A. Iacovidou
	M.Ch. Drakou
	Ek. Marmara
	N. Karamanos
	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 2022.

PRINCIPAL ACTIVITIES

During 2022, 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*	**31.12.2022**	**31.12.2021**
Net interest income	-2,6%	44,4	45,6
Total income	6,7%	70,4	66,0
Total expenses	15,0%	(61,2)	(53,2)
Profit / (loss) before impairment	-28,1%	9,2	12,8
Impairment losses and provisions to cover credit risk	-96,3%	(2,1)	(57,5)
Profit / (loss) after income tax	114,6%	6,5	(44,6)
Profit / (loss) per share	114,3%	3 cent	(21,0) cent
In Euro mil.		**31.12.2022**	**31.12.2021**
Loans and advances to customers	-4,0%	1.021,0	1.063,4
Due to customers	6,5%	2.433,3	2.284,9
Transitional common equity Tier I ratio (Common Equity Tier I)	200 basis points	15,1%	13,1%
Transitional Tier I ratio	310 basis points	20,9%	17,8%
Non-performing exposures ratio	20 basis points	4,9%	4,7%

Net Interest income in 2022 amounted to € 44,4 million, presenting a decrease of 2,6% compared to € 45,6 million in 2021, which is attributed to the sale of a non-performing portfolio in March 2022, the decrease of which was offset by effective asset management and the increase in loan interest rates in the last quarter of 2022.

Total income of the Group amounted to € 70,4 million in 2022, compared to € 66,0 million in 2021. The total increase of income during 2022 of 6,5% is attributed to the increase in loan interest rates as well as increased commission income.

Total expenses of the Group for 2022 amounted to € 61,2 million, compared to € 53,2 million for 2021. The increase of total expenses is mainly due to the implementation of a voluntary separation scheme in 2022, amounting to € 9.7 million with the aim of reducing staff costs. Excluding the cost of the voluntary separation scheme, the expenses in 2022 decreased by € 1,7 million with a percentage decrease of 3,2%. The cost to income ratio, excluding non-recurring voluntary separation costs, is at 73,2% for 2022 compared to 80,5% in 2021.

MANAGEMENT REPORT (cont.)

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

Impairment loss and provisions to cover credit risk decreased to € 2,1 million in 2022 compared to € 57,5 million in 2021. The impairments are reduced due to the reduction in the non-performing loans ratio which was achieved due to the sale of a non-performing portfolio worth € 349 million before provisions at the fair value of € 133 million to a company of the Group of Alpha Services and Holdings that was carried out in March 2022.

Accumulated bad debt provisions for on-balance sheet loans amounted to € 16.1 million as at 31 December 2022 compared to € 13.1 million in 2021. The 2022 provisions represent 1,6% of total gross loans compared to 1,2% for the year 2021. As part of the provisions, for risk management purposes, the Group includes the adjustment balance of the contractual balances of the loans acquired at their fair value in the context of the acquisition as non-performing, as well as the exposures which during their initial recognition were characterized as Purchased or Originated Credit Impaired (POCI). The total adjustment balance of the aforementioned loans to their fair value on 31 December 2022 amounts to € 1.7 million (2021: € 0.8 million).

Net loans and advances to customers on 31 December 2022 amounted to € 1.021,0 million, decreased by 4,0% compared to € 1.063,4 million on 31 December 2021. The main reason relates to the repayments of loans.

Non-performing exposures according to the definition of the European Banking Authority (EBA) stood at € 51,2 million compared to € 50,4 million in 2021. These represent the 4,7% of gross loans, compared to 4,7% in 2021.

In 2022, the coverage ratio of non-performing exposures, according to the definition of the European Banking Authority (EBA), stands at 31,6% compared to 26,2% in 2021.

Amounts due to customers on 31 December 2022 amounted to € 2.433,3 million, presenting an increase of 6,5% compared to € 2.284,9 million on 31 December 2021. The net loans to deposits ratio was improved from 46,5% in 2021 to 42,0% in 2022.

On 31 December 2022, Common Equity Tier I ratio (CET I) of the Group stood at 15,1% (2021: 13,1%) and Total Capital Adequacy ratio stood at 20,9% (2021: 17,8%) (using transitional provisions).

FINANCIAL RESULTS

The results of the Group are presented in the statement of comprehensive income on page 43 of the financial statements.

The profit for the year attributable to the owners amounts to €6.520 thousand (2021: loss €44.657 thousand)

DIVIDENDS

The Board of Directors does not propose the payment of a dividend for the year 2022 (2021: €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 2022 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 the risks and their management is presented in note 38 of the financial statements.

MANAGEMENT REPORT (cont.)

CAPITAL ADEQUACY

Ratios

On 31 December 2022, Common Equity Tier I (CET I) of the Group was 15,1% and the Total Capital Adequacy ratio was 20,9% 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 31.12.2022 stood with transitional provisions at 17,8%. According to the European Central Bank (ECB), the minimum Overall Capital Requirement (OCR) is 13,75% for 2022.

The Central Bank of Cyprus, in a letter dated December 2022, determined the amount of the counter-cyclical capital buffer (Counter Cyclical Buffer-CCyB) at 0,5% in Cyprus, which will be effective from 30.11.2023. The relevant safety margin for the Group is estimated at approximately 0.30%.
The assessment of Pillar II capital requirements is done annually by the supervisory authority, with a specific supervisory process which is dynamic as it is subject to changes over time.

In relation to International Financial Reporting Standard 9 (IFRS 9), the Bank applies the transitional provisions of Article 473a of Regulation 2395/2017 of the European Parliament and of the Council, as amended by the Regulation of the European Parliament 873/2020, for the calculation of capital adequacy on an individual and consolidated basis. The 2023 is the last year in which the transitional provisions apply, with the full implementation of the Standard (known as fully loaded) set for 2023. The Bank is sufficiently capitalized to meet the needs arising from the implementation of the Standard. The impact from full implementation is estimated at approximately 1,0% and the CAR ratio for the Group amounts to 19,9% with a reference date of 31.12.2022.

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.

Specifically, on 12 March 2020, 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.

Furthermore, the change expected in January 2021 under CRD V regarding the P2R buffer was implemented earlier allowing it to be covered by Tier 1 (AT1) capital as well by 18,75% and from Tier 2 capital by 25% and not only from CET 1 capital as was the case.

MANAGEMENT REPORT (cont.)

CAPITAL ADEQUACY (cont.)

Ratios (cont.)

At the same time, the ECB issued a recommendation to banks regarding the limitation of dividend distribution or share buybacks. According to the press release it issued on 23 July 2021, the recommendation is valid until 30 September 2021. Additionally, based on the same announcement, the ECB expects banks to adopt a conservative approach taking into account future estimates regarding variable remuneration remuneration).

The European Commission decided to review the existing supervisory framework by bringing into force, earlier, regulations that would be included in the framework of CRR2/CRDV, as well as to offer greater flexibility in terms of the supervisory treatment of the impact of the IFRS 9 standard on the Bank's supervisory capital. The revised supervisory framework was published in 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.

The ECB informed the Group that for the year 2022, according to the Supervisory Review and Evaluation Process (SREP), the minimum limit for the Total Capital Requirements (OCR) remains 13,75%, unchanged from 2021. This limit of Total Capital Requirements (OCR) also includes the minimum regulatory capital limit of Pillar II (P2R) amounting to 3,0%. The minimum ratio should be met on an ongoing basis, taking into account the transitional provisions of CRR / CRD IV.

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS

CHANGE IN THE BUSINESS MODEL OF THE BONDS INVESTMENT PORTFOLIO

In March 2022 and following:
The significant change in the structure of the Balance Sheet of Alpha Bank Cyprus as a result of the decision to sell a portfolio of Non-Performing Exposures (NPEs) and Real Estate Assets of the Bank and the supervisory expectations, as reflected in the Supervisory Assessment (SREP) regarding the business models which could have an impact on the regulatory capital and the Capital Adequacy Ratio of Alpha Bank Cyprus, the Executive Committee of Alpha Bank Cyprus took the decision to limit the exposure to securities that were valued at fair value through other comprehensive income (FVOCI) , and then the Asset Liability Management Committee decided to reclassify bonds from FVOCI to amortised cost to collect principal and interest.

The above decision was evaluated as meeting the criteria of changing the business model in accordance with the provisions of IFRS 9 and therefore from 1.4.2022 the relevant investment portfolio of € 291 million was reclassified to the portfolio of investment securities valued at amortized cost adjusted by the amount of cumulative losses of € 5.3 million recognized in 2022 in the equity.
On 31.12.2022 the fair value of the reclassified portfolio amounted to € 248 million, while other comprehensive reserve would have been adjusted with a loss of € 20 million from 1.4.2022 if the reclassification had not taken place.

VOLUNTARY SEPARATION SCHEME

In October 2022, Alpha Bank Cyprus Ltd implemented a voluntary separation scheme, which provided for a one-time compensation where the amount was determined based on age, years of service and annual gross income with a maximum compensation amount of Euro two hundred thousand (€ 200 thousand). At the same time, additional incentives were granted by increasing the amount of compensation for specific services. The total cost of the voluntary exit program, which was recognized in the results of the fiscal year 2022, amounted to € 9.673 thousand, of which €5.045 thousand was paid to those who left within the fiscal year 2022, while for the participants in the scheme who will leave within 2023 an obligation of € 4.628 thousand was recognized (Note 29). A total of 75 people joined the Voluntary Separation Scheme. For the people who have joined the Voluntary Separation Scheme, the Group will continue to pay a contribution to the Medical Scheme and provide insurance coverage for a period of 2 years.

PROJECT SKY

In the context of the effective management of non-performing loans, the Alpha Group of Services and Holdings SA, began in September 2021 the process of selling the Cypriot portfolio of non-performing loans, subsidiaries, and repossessed real estate (Project Sky). In December 2021, binding offers were submitted and bilateral discussions with the preferred investor began to reach an agreement. Therefore, on 31.12.2021 the loan and real estate portfolio in question as well as the subsidiaries related to the transaction were classified as assets held for sale. The fair value of the portfolio classified as "Assets held for sale" in the context of the project SKY amounted to Euro 153 million and consisted of loans of Euro 134 million and repossessed properties of Euro 14 million as well as net assets of subsidiaries Euro 5 million. On 12.2.2022 a binding agreement was signed for the sale of the portfolio.

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS (Cont.)

PROJECT SKY (cont.)

In March 2022 and until the completion of the transaction with the investor, the Group sold the Held for Sale portfolio on 31.12.2021 to a company of the Alpha Services and Holdings SA Group in Cyprus for the amount of Euro 133 million.

In December 2022, Alpha Services and Holdings SA Group, for the purpose of completing the SKY project, transferred through a scheme of arrangement from Alpha Bank Cyprus Ltd, assets of Euro 18,75 million and liabilities of Euro 18.5 million to a newly established company of Alpha Services and Holdings SA Group. Since the transaction was essentially a transaction with the Shareholder, the impact from the transaction of Euro 250 thousand was recorded in Equity. As a result of the transfer and the reduction of the net equity by Euro 250 thousand of the Alpha Bank Cyprus Group, an equal capital increase was made in which the existing shareholder Alpha International Holdings Single Member S.A. participated.

BRANCH NETWORK

The Group, implementing the plan for further digitalization of its services, has created a digital branch to provide remote service to new and existing customers. Basic responsibilities of the digital branch are:

- Handling customer requests for new business relationship
- Opening of accounts for new and existing customers of the Bank
- Performing operations to ensure the smooth completion of requests as well as a seamless customer experience
- Sales promotion by running defined campaigns
- Conducting online and face-to-face meetings with clients
- Remote handling of orders submitted by the customers of the digital branch

With the start of the operation of the Digital branch , the new "Alpha Easy 2 Open" service was made available to customers, which provides customers with the capability to remotely submit a request to open a current account with a single beneficiary, through the Bank's Website.

As part of the Bank's reorganisation, 5 branches were closed in 2022 and their portfolio was transferred to the rest of the network. At the end of 2022, the Group has 12 physical and one digital branch.

UKRAINE

In 2022 the Cyprus as well as the global economy faced a series of unprecedented challenges as a result of the impact from Russia's invasion in Ukraine in February 2022.

The above event has substantially changed the global economic environment due to the economic sanctions imposed on Russia and Belarus mainly by the United States, the European Union and the United Kingdom. The sanctions imposed were aimed at limiting exports to Russia and reducing dependence on Russian oil and natural gas.

As a result of the subsequent economic sanctions against Russia, the prices of basic goods, especially natural gas, oil and food, have increased significantly with a consequent of increase in energy prices and continued disruptions in the supply chain. As a result, inflation has risen to historically high levels, with the result that central banks around the world have taken measures to limit it and bring it back to the target level of around 2%.

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS (Cont.)

UKRAINE (Cont.)

In this context, the European Central Bank (ECB) made successive interest rate increases of 250 basis points during the last six months of 2022. For the same reason, both the Bank of England and the Federal Reserve Bank of America made interest rate increases. Due to high inflation in the European Union, ECB estimates that there will be further interest rate hikes during 2023. On 2/2/23 and 16/3/23 the European Central Bank announced an additional 50 basis point increase on each date.
The Bank closely monitors the latest developments in Ukraine and Russia and informs the relevant committees of the Bank in order to manage and mitigate any risks.

Direct impact
The Bank has no substantial exposure to Russia, Ukraine and Belarus.
The exposure to assets at the end of 2022 in the above countries amounts to Euro 5 million, which is 0,3% of the total assets which is not considered essential.
Customer deposits from Russia, Ukraine and Belarus amount to Euro 49m. and they do not constitute a significant percentage of all deposits (2,0%), which cannot affect the high liquidity rates maintained by the Bank.

Indirect impact
The Cypriot economy is mainly affected by the high energy prices caused by the war in Ukraine. High prices affect almost all sectors of the economy and therefore contribute to increasing inflation. This is expected to reduce private consumption resulting in a slowdown in economic activity. Economic activity may also be limited by the continuous increase in interest rates and the limitation of demand for credit facilities. Inflation on 31/12/2022 amounted to 8,1%.
The tourism sector, although it is estimated that it will be affected both by inflation and by the sanctions imposed on Russia, which was a traditional partner of Cyprus in this sector, is expected to continue the positive course recorded in 2022.
It is noted that based on announcements by the European Commission, Cyprus is among the Eurozone countries (four countries in total) with the highest expected growth rate for 2023 - double the rate of both the EU and the Eurozone average - which demonstrates the resilience and ability to adapt to difficult economic situations as well as challenges.

The above factors that slow the growth of the economy may affect the ability of businesses and households to service their loans. Despite the limited direct exposure to risk from the war, the Bank closely monitors the developments and at the same time evaluates the effects of the sectors of the economy where repayment problems may arise for the borrowers. In this way the Bank will be able to offer timely solutions to clients to deal with the indirect consequences caused by the war.

It is pointed out that so far, no significant increase in the portfolio of non-performing exposures has been observed. The Bank will continue to closely monitor developments that may arise from the spillover effects of the war in Ukraine and take measures to mitigate the potential impact on its assets.

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

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS (Cont.)

IBOR (Cont.)

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 30 June 2023 has the sole purpose of supporting the transition of existing products (legacy products). The amount of assets on 31.12.2022 that continue to be based on LIBOR interest rates amount to Euro 65,7 million.
After taking all the necessary measures, on 1.1.2022 the Group switched to the new alternative reference interest rates smoothly.

MUTUAL FUNDS THROUGH THE ALPHA BANK GOLD SERVICE

From the beginning of 2022, the Group offers its customers the possibility to invest in Mutual Funds managed by internationally recognized Mutual Fund Management Companies, with many years of experience in the investment sector.

Mutual Funds can meet a wide range of investment needs. Through the Alpha Bank Gold Personal Banking Service, it is possible to choose from a wide range of Mutual Funds (which are subject to the provisions of Directive 2009/65/EU) and cover investment categories such as Equity, Mixed, Bond and Management Mutual funds.

Through the Alpha Bank Gold Personal Banking Service, Alpha Bank provides services only for receiving and transmitting orders for mutual funds.

COVID

2022 was the year of a return to normal operations after the restrictions imposed last two years due to COVID.
This resulted to the expansion of the economic activities across all sectors, consequently fostering increased consumption. Also important was the removal of travel restrictions that helped tourism, a factor that contributes significantly to the economy.
The Group, following the developments of the pandemic and in accordance with the instructions issued by the competent authorities, transferred the staff to the workplaces for more effective customer service.

ENVIRONMENT, SOCIETY AND CORPORATE GOVERNANCE (ESG)

The environmental, social and governance principles (ESG principles) are sustainability-oriented guidelines. They provide a framework for understanding a firm's sustainability performance and growth opportunities. They also help monitor the impact and progress of sustainability-related issues.
The Group, within the framework of the initiative for the adoption of Environmental, Social and Governance (ESG) principles, has begun to integrate them into its business plan.
That is the reason the Group:

- commits to integrating climate risk into the overall risk management framework
- aims to strengthen the due diligence process regarding the assessment of its clients' PPE/climate profile,
- intends to finance the green / sustainable transition of its policyholders, both in the short and long term.

DEVELOPMENTS AND PROSPECTS

Cyprus Economy

Performance

Despite the initial shocks caused to the economy by the start of the war in Ukraine, the Cypriot economy, according to the European Commission, showed a growth of 5,8% in 2022 and remained close to the levels of 2021 when it had grown by 6,6%. Despite rising inflation, private consumption remained strong, supported by rising employment and wages, and supported by targeted government measures to offset high energy prices. Tourism also played a role as arrivals recovered ground lost during the pandemic and reached 80% of 2019 levels. In addition, exports of services increased significantly.

According to the rating agency Fitch, which in March 2023 upgraded the Cypriot economy by one notch from BBB- to BBB, public finances improved significantly in 2022, with the general government balance sheet turning from a deficit of 1,7% of GDP in 2021 to a surplus of 2,3%, well above the house's forecast of a small deficit in its previous revision in September 2022. Consistent with the house, strong nominal GDP growth and a much improved fiscal position translate into a sharp decline in the index of public debt to GDP in 2022, to 86,5%, from 101,1% in 2021.

The unemployment rate for 2022 fell to 6,9% compared to 2021 levels of 7,5%.

According to the European Commission, inflation reached 8,1% in 2022, fuelled by high energy prices as well as a lack of supply.

The Cypriot economy still remains in the investment grade by the international rating agencies, except Moody's.

Predictions

According to the European Commission's new winter forecast, economic sentiment among consumers and businesses improved slightly in January 2023. The improved economic outlook among Cyprus' trading partners is expected to further support tourism, which is expected to reach almost 2019 level. The 50% wage indexation implemented in January 2023 is expected to support purchasing power somewhat. However, rising interest rates are expected to negatively impact corporate investment and housing construction. Higher prices and tighter monetary policy are expected to weigh on real GDP growth, which is forecast to slow to 1,6% in 2023, before accelerating to 2,1% in 2024.

Inflation is expected to moderate over the forecast horizon as falling gas and oil prices dampen energy inflation and supply disruptions ease further. Conversely, wage inflation is expected to put some upward pressure on core inflation. Overall, inflation is forecast to hold at 4% in 2023 and 2,5% in 2024.

According to Fitch's forecasts, the public debt ratio will further decrease in the next two years, to 81,3% in 2024, with a further decrease to 73% in 2027.

MANAGEMENT REPORT (cont.)

DEVELOPMENTS AND PROSPECTS (Cont.)

Referring to the Cypriot economy, Standard and Poor's notes that despite the current global economic difficulties, the medium-term growth prospects of the Cypriot economy remain stable. Despite relatively strong economic and financial ties with Russia before the war, Cyprus' economy is estimated to have grown by around 6% in 2022.
According to Standard and Poor's, the economy's medium-term outlook remains relatively strong because:
It is expected that economic activity will strengthen by an average of 2,8% annually in 2023-2025 and that the cost of living adjustment, which partially adjusts wages by 50% of the inflation rate, will moderate the impact of higher prices.Net exports will continue to grow, mainly thanks to information and communication technology and tourism and as authorities work to diversify tourism source markets with major projects underway, particularly related to the development of marinas and an integrated casino resort , which could brighten the industry's prospects.
In addition, the disbursement of funds from the EU's Resilience and Recovery Mechanism and related structural reforms included in the country's recovery plan will support economic activity.
The country is set to receive €1,21 billion (4,5% of GDP) by 2026, including €1,06 billion in grants, if it implements the agreed reforms. The European Commission has disbursed €85 million in 2022. Cyprus plans to use these funds to support a green and digital transition.

Participation in the Development and Resilience Program 2021-2026 amounting to Euro 1,2 billion. contributes positively to the development of the economy. Estimates indicate that the program will generate GDP growth by 3% in the period 2022-2023 and by 7% in the period 2024-2026. Employment is also expected to increase by 2,5%.

Finally, it is pointed out that any developments at the political level will clearly affect the economy accordingly.

Banking environment

Challenges and uncertainties

The main challenge for the banking system remains the high ratio of non-performing loans. Despite the drastic reduction of the index from 28% in 2019 to 10,5% in 2022, it is still comparatively higher than the European average

Amid a more uncertain global environment, higher for a longer period of time and lower disposable income for the private sector, some deterioration in asset quality is expected in the coming quarters. However, the deterioration is expected to be manageable given that Cypriot banks' provisions have strengthened and credit standards are tighter than a decade ago.
In addition, the government's rent-to-installment scheme could help limit the deterioration of asset quality.
In addition, Cypriot banks have reduced their dependence on deposits from abroad and liquidity in the system is sufficient. Foreign deposits accounted for about 16% of total deposits at the end of 2022, compared to over 38% at the end of 2012.
A rise in interest rates will boost banks' net interest income because loan portfolios are highly volatile. However, rising interest rates may increase the pressure on borrowers to service their loans.
Banks will continue to invest in reducing their operational structure while enhancing digital transformation.

MANAGEMENT REPORT (cont.)

DEVELOPMENTS AND PROSPECTS (Cont.)

Despite the reduction in non-performing loans, financial sector challenges remain, as both high non-performing loan rates and high private debt persist.

The gradual implementation until 2024 of the new European requirement to meet the Minimum Requirement for own funds and Eligible Liabilities (MREL) may put pressure on banks' Balance Sheets.

The banking sector will also have to deal with the consequences that will be caused by the expected withdrawal of the relaxations granted by the European Central Bank during the pandemic.

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

The growth momentum in 2022 reflects the resilience of the Greek economy against adverse external developments, following the war in Ukraine, supply chain disruptions and inflationary pressures. According to the latest data from ELSTAT, the real GDP increased by 5.9%. Economic growth was driven primarily by private consumption, which grew by 7.8% in 2022, contributing 5.3 points to the annual GDP growth rate, supported by high propensity to consume in the post-pandemic era, accumulation of savings during the pandemic and the remarkable rise in employment.

Inflation, based on the Harmonized Index of Consumer Prices (HICP), remained on an upward trend in the first two months of 2022, and accelerated after the outburst of the war, while decelerating in the last quarter of the year. The HICP increased by an average of 9,3% in 2022, compared to an increase of 0,6% in 2021, mainly due to the rising energy prices globally - given that Greece is a net energy importer -, the supply chain disruptions and the shortages in raw materials. Harmonized inflation is expected to be 4,5% in 2023 according to the European Commission (Winter2023 Economic Forecast) and 5% according to the Ministry of Finance (State Budget 2023).

GDP growth is expected to decelerate in 2023, due to the adverse effects of inflationary pressures on the purchasing power of European citizens and, therefore, on private consumption and exports of services. The implementation of investments under the Recovery and Resilience Fund (Euro 7 billion) and the Public Investment Program (Euro 8,3 billion) and the strong rise in Foreign Direct Investment (FDI), however, are estimated to maintain the rate of change of GDP, in positive territory, in 2023. The European Commission (European Economic Forecast, Winter, February 2023) and the Organization for Economic Co-operation and Development (OECD 2023 Economic Survey of Greece, January 2023) predict a GDP increase of 1.2% and 1,1% for 2023, while the State Budget 2023 respectively by 1,8%.

It is noted, however, that the high degree of uncertainty prevailing in the international environment may adversely affect the Greek economy in the short term. The main uncertainty factors are as follows:

-External demand and tourism revenues, in relation to the course of the global economy and the purchasing power of European households: The outlook for the global economy has worsened compared to previous estimates. The increased cost of production, mainly due to problems in

MANAGEMENT REPORT (cont.)

DEVELOPMENTS AND PROSPECTS (Cont.)

the supply chain and energy appreciation, has burdened the finances of companies and its inevitable transfer to consumers has limited the purchasing power of households. Therefore, a significant risk for the Greek economy next year is the eventual weakening of external demand primarily for services, that is, for the Greek tourism product and secondarily for goods.

-Geopolitical developments and inflationary pressures: The continuation and outcome of the war in Ukraine can undoubtedly affect the European economies, since the conflict in the territories of the European continent, as well as the energy dependence on Russia, have led to a sharp increase in energy prices. It is noted, however, that concerns about Europe's energy sufficiency for this winter have eased. The high filling rate of natural gas storage tanks in Europe, the initiatives taken at European level to reduce natural gas consumption and the relatively mild weather conditions have contributed to this.

-A sharp increase in interest rates and consequently the cost of borrowing for households and businesses, which could potentially delay the implementation of investment projects.

-Risks arising from the speed of absorption of the funds of the Recovery fund and Resilience and the implementation of the program, as well as from possible delays in the implementation of the reforms.

In April 2022 and January 2023, Standard & Poor's and Fitch upgraded the Greece's credit rating by one notch from BB to BB+ with a stable outlook (one scale below investment grade).

Group priorities

The primary objective of the Group is the management the loan portfolio that is affected by the pandemic and the war in Ukraine, 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:

- the provision of new products and new credit facilities, with the aim of increasing commission income and interest income.
- providing new loan restructuring products to address the effects of inflation on customers
- controlling operating costs and increasing productivity,
- upgrading the IT infrastructure with the aim of improving productivity, efficiency and services offered to customers
- the intensification of actions for digital transformation with the aim of maximizing operational efficiency
- the monitoring and evaluation of the economic, business and consumer consequences of the war in Ukraine and price increases
- the application of Environmental, Social and Governance (ESG) principles.

MANAGEMENT REPORT (cont.)

CORPORATE RESPONSIBILITY - NON FINANCIAL REPORT

Alpha Bank Cyprus Ltd, as a subsidiary of Alpha Bank A.E. and 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.

MANAGEMENT REPORT (cont.)

Alternative Performance Measures

Ratio	**Definition**	**Formula**	**31.12.2022**	**31.12.2021**
			€'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	51.514 70.371 Ratio 73,2%	53.151 66.045 Ratio 80,5%
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.	1.037.152-14.441-1.726 2.433.327 Ratio 42,0%	1.076.567-12.347-846 2.284.902 Ratio 46,5%
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	51.189 1.037.152 Ratio 4,9%	50.382 1.076.567 Ratio 4,7%
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	16.167 1.037.152 Ratio 1,6%	13.193 1.076.567 Ratio 1,2%
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.	14.441+1.726 51.189 Ratio 31,6%	12.347+846 50.382 Ratio 26,2%

MANAGEMENT RERORT (cont.)

SHARE CAPITAL

The share capital of the Bank numbers 212.581.358 common shares with a nominal value of € 0,85 each, with a total amount of € 180.694.154. The Bank increased its capital in the amount of € 250,000 (two hundred and fifty thousand) by issuing one share at a premium, for which the participation was paid by the existing shareholder. All shares are held by Alpha International Holdings Single Member S.A., which is 100% controlled by Alpha Bank S.A. which indirectly holds 100% of the share capital of Alpha Bank Cyprus Ltd. Alpha Bank S.A is a 100% subsidiary of Alpha Services and Holdings SA.

BRANCHES

In 2022, in the context of network reorganisation and the strengthening of digital banking, the Group closed 5 branches and today has a modern network of 12 physical branches (2021:17) and one digital branch as well as other specialised units that are effectively framed by the upgraded services of alternative networks of automatic teller machines (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
N. Karamanos
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 (hereinafter "Board") of the Bank 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 2022, the composition of the Board of Directors was as follows:

	Full name	Category
Chairman	Michael Colakides	Independent Non-Executive
Vice-Chairman	Constantinos N. Papadopoulos	Independent Non-Executive
Members	Lenia Georgiadou	Senior Independent Non-Executive
	Maria Agrotou Iacovidou	Independent Non-Executive
	Militsa Christodoulou Drakou	Independent Non-Executive
	Ekaterini Marmara	Non-Executive
	Konstantinos D. Koutentakis	Executive – Managing Director
	Nicholas A. Mavrogenis	Executive – Senior Manager Operations

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

With a letter dated 11 July 2022, the European Central Bank ("ECB") informed the Bank that it has no objection to the appointment of Mr. Neophytos Karamanos as an independent non executive member of the Board of Directors.

The Board of Directors at its meeting on 24 August 2022 decided on the immediate appointment of Mr. Karamanos to the above position.

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.

MANAGEMENT REPORT (cont.)

Significant changes of the new composition relate to:

- The number of Members of the Audit and Risk Committees increases from three to four.
- Mr. Karamanos is added to the Audit Committee as a new Member and Mrs. Iacovidou to the Risk Committee.
- Mr. Karamanos has replaced Mrs. Iacovidou in the Corporate Governance and Nomination Committee (CG&NC) who has taken over as the fourth Member of the Risk Committee.

In the context of implementing the shareholder's decision at the Company's Extraordinary General Meeting on 19 September 2022 to increase the number of Board Members from nine (9) to ten (10), the Board ratified on 21 October 2022 the decision of EED&AY to submit to the Central Bank of Cyprus (CBC) the documents regarding the appointment of Mrs. Sakellariou and to request her consent for the said appointment.

The rationale behind the appointment of Ms. Sakellariou, who holds the position of Chief Transformation Officer in the Group, is the intention to upgrade the shareholder's participation in the subsidiaries (in Cyprus and Romania) with the participation of high-ranking executives, so as to improve awareness, communication and the dialogue at subsidiary and Group level on the issues of concern to the subsidiaries.

The Board of Directors at the meeting on 15 December 2022, based on the work of Egon Zehnder, the evaluation process followed by the Group and the candidate's CV, decided to consent and approve the proposal of the Parent Company and the Group for the selection of Mr. Miltos Michaelas in the position of the Bank's Managing Director who is appointed to replace Mr. Konstantinos Koutentakis who for personal reasons expressed the desire to return to Greece.

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
	Neophytos Karamanos	Independent Non-Executive

Audit Committee:

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

MANAGEMENT REPORT (cont.)

Risk Committee:

	Full name	Category
Chairperson	Militsa Christodoulou	Independent Non-Executive
Members	Constantinos Papadopoulos	Independent Non-Executive
	Ekaterini Marmara	Non-Executive
	Maria Agrotou Iacovidou	Independent Non-Executive

Corporate Governance and Nominations Committee:

	Full Name	Cateogry
Chairperson	Lenia Georgiadou	Senior Independent Non-Executive
Members	Michael Colakides	Independent Non-Executive
	Neophytos Karamanos	Independent Non-executive

Remuneration Committee:

	Full name	Category
Chairman	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 €bank 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

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

MANAGEMENT REPORT (cont.)

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

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.

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. Since October 2015 he is a Member of the Board of Directors of Alpha Bank Cyprus Ltd. In January 2019, he was appointed as a Senior Independent Non-Executive Member and from November 2021 he holds the position of Vice-Chairman of the Board of Directors.

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

Maria Agrotou Iacovidou (Independent Non-Executive Member)

She holds a B.A (Hons.) Economics from the University of Essex and an M.Sc. Accounting & Finance from the London School of Economics, United Kingdom. Mrs. Agrotou Iakovidou began her professional career in 1983, at Cyprus Investment & Securities Corporation Limited (CISCO), of the Bank of Cyprus Group, where she gained extensive professional experience in investment banking and

MANAGEMENT REPORT (cont.)

left in 2004 as Head of the Investment Department Banking and Capital Markets. From 2004 to 2010, he headed the Corporate and Project Finance Department of Societe Generale Cyprus Ltd. In 2010 he took over the business development of Barclays Bank Plc Cyprus Branch, as Head of Business Development and in 2016 he was appointed as Country Manager Cyprus. Since April 2017, he participates as an Independent Non-Executive Member in the Board of Directors of Universal Life Insurance Public Company Ltd. In February 2019, he was appointed to the Board of Directors of Alpha Bank Cyprus Ltd, as an Independent Non-Executive Member.

Date of Appointment: 01/02/2019

Participation in Board Committees: Audit Committee and Risk 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

Ekaterini Marmara (Non-Executive Member)

She holds a BSc International and European Economic Studies from the Athens University of Economics and Business and an MSc International Banking & Financial Studies from the University of Southampton (UK). Since 1997 he has been working at Alpha Bank A.E. where he held various positions in the Treasury and Trading Sectors, having acquired a wide range of knowledge and experience in banking operations and expertise in these sectors. Since 2013, she is Director of the Financial Management (Trading) Department of Alpha Bank A.E. and from 2016 until today she is a Senior Director of the Division, participating, among others, in the ALCO Committee of the Bank, the Investment Committee of Alpha Life Insurance of the Group and the Treasurers, Markets & Trading Committee of the Bank of Greece. Since January 2020 she is a Member of the Board of Directors of Alpha Bank Cyprus Ltd.

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

Neophytos Karamanos (Independent Non-Executive Member)

He is a graduate of Washington University at St. Louis Missouri (BSc Computer Science, BSc Electrical Engineering, MSc Electrical Engineering) and holds an MBA from Henley Management College (UK) and a Doctorate in Professional Studies from Middlesex University (UK). He started his professional

MANAGEMENT REPORT (cont.)

career in 1988 at IBM, where he worked for 8 years as a Technical Consultant and Project Manager for the banking sector. Then, from 1996 until 2009, he worked at Laiki Bank where he held the position of Director Information Technology for 9 years. In 2009 he assumed the duties of the General Manager of the company JCC Payment Systems until 2015. At the same time, from 2008 until today he is a Lecturer at the University of Nicosia teaching in the field of Business Administration. He is Executive Director of the company N.A. Inspire Objects Ltd, which is engaged in software development and the provision of IT consultancy services. Since August 2022 he is a Member of the Board of Directors of Alpha Bank Cyprus Ltd.

Date of Appointment: 24/08/2022

Participation in the Board's Committees: Audit Committee and Corporate Governance and Nomination Committee

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.

2.3 Meetings of the Board of Directors

The Board of Directors holds regular meetings to carry out their responsibilities adequately and effectively. During 2022, fifteen Board meetings were held.

During 2022, the emergency measures to prevent the spread of covid-19 have been gradually lifted and this development has helped in the gradual return to normality as regards holding the meetings of the Board and its Committees in physical presence. In particular, in the second half of 2022, four of the six meetings were held in physical presence of the Members. For the whole of 2022, the Board of Directors held five meetings with physical presence out of a total of 12 meetings, i.e. 42%.

Full compliance was established with the requirements of article 11 of the CBC Directive as regards the organisation of the meetings of the Board of Directors and its Committees, namely:

- On 25 November 2022, a meeting of the Board of Directors was held with the physical presence of all Members (note that in the remaining four sessions of the Board of Directors which were held in physical presence, Members participated via teleconference, i.e. Mrs. Marmara in the August and October sessions and Mrs. Agrotou Iacovidou in February session).

- In January 2022, a meeting of the Non-Executive Members was held under the responsibility of the Senior Independent Member with the aim of evaluating the Chairman of the Board.

- In March, July and November 2022, meetings of the Non-Executive Members of the Board were held without the presence of the Executive Members.

- Mrs. Agrotou Iacovidou was absent from the meeting of the Board of Directors in October 2022, due to a personal obstacle.

MANAGEMENT REPORT (cont.)

- The arrangement for holding in 2022 the meetings of the Board of Directors and its Committees via video conference was made on the basis of the data related to the evolution of the covid pandemic and is therefore not considered to have been made in an abusive manner.

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 2022.

Name	BOARD OF DIRECTORS		RISK COMMITTEE		AUDIT COMMITTEE		CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE			
	Presences		Presences		Presences		Presences			
	Physical	Teams	Physi-cal	Teams	Physi-cal	Teams	Physi-cal	Teams	Physi-cal	Teams
Michael Colakides	5/12	7/12	-	-	-	-	1/9	8/9	-	2/2
Konstantinos Koutentakis	5/12	7/12	-	-	-	-	-	-	-	-
Nicholas Mavrogenis	5/12	7/12	-	-	-	-	-	-	-	-
Constantinos Papadopoulos	4/12	8/12	2/10	8/10	2/11	9/11	-	-	-	-
Lenia Georgiadou	5/12	7/12	-	-	2/11	9/11	1/9	8/9	-	-
Maria Agrotou Iacovidou**	3/12	8/12	1/3	1/3	1/11	9/11	-	7/7	-	-
Militsa Drakou	4/12	8/12	2/10	8/10	-	-	-	-	-	2/2
Ekaterini Marmara	2/12	10/12	2/10	8/10	-	-	-	-	-	2/2
Neophytos Karamanos *	3/4	1/4			2/3	1/3	1/2	1/2	-	-
Total number of meetings	***12***		***10***		***11***		***9***		***2***	

* Appointed to the position of Independent Non-Executive Member of the Board of Directors on 24 August 2022 and Member of the Audit and Corporate Governance and Nominations Committees on the same date.
** He left Corporate Governance and Nominations Committee on 24 August and was appointed as the fourth Member of the Risk Committee on the same date.

MANAGEMENT REPORT (cont.)

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

During 2022 and until the date of publication of this Report, taking into account the provisions of the Internal Governance Directive of Credit Institutions and in the context of the Bank's compliance with the obligations of the corporate governance framework, were approved and/or revised and/or amended and/ or issued and/or examined, inter alia, the following:

- Business Plan 2022-2024.
- Budget 2022
- IT Strategy 2022-2024.
- The issuance and publication on the Bank's Website of the Financial Statements for the 1st Quarter of 2022 following the decision to change the classification of the Bonds from Hold to Collect and Sell to Amortized Cost, starting from 1 April 2022 instead of 1 January 2023.
- Project Sky – Transfer of assets to Alpha Credit Acquisition Company Ltd
- The Bank's deliverables in relation to the implementation of the audit findings - OSI
- Corporate Governance Code (Revision)
- Operating Regulation of the Board Committee for the approval of credit facilities (revision)
- Decisions of the Committee of the Board of Directors for the approval of credit facilities
- Bank actions in relation to the implementation and management of sanctions against Russia and Belarus
- Recommendations that have been closed with acceptance of the residual risk by General Management
- Three-year Internal Control System evaluation 2023 – Control perimeter
- Voluntary Exit Program
- Policy of the Board of Directors regarding the content, form and frequency of the reports it will receive from the Control Departments and the Senior Executives (revised)
- Assumptions in the simulation exercise scenarios in the ICAAP & ILAAP Reports.
- Annual Internal Assessment Report of the Bank's capital adequacy
- (ICAAP).
- Annual Internal Assessment Report of the Bank's Liquidity Adequacy (ILAAP).
- Review of the Risk Appetite Framework
- Commissioning Officer's Report for the year 2021.
- Report of the Data Protection Officer for the year 2021.
- Recovery Plan (revision).
- Annual Audit Program 2023
- Board and Committee meeting schedule for 2023
- Pillar 3 disclosures
- Annual Reports of the Head of Audit Departments.
- Evaluations of Head of Audit Departments
- Data Definition Policy
- Data Criticality Policy
- Data Quality Policy
- Country Risk Policy
- Retail Lending products policy
- Concentration risk and credit threshold policy
- ICT and Security Risk Management Framework
- Group Environmental and Social Responsibility Risk Management Policy
- Bail-in playbook 2022 for purposes of MREL requirements
- Investment Products Risk Report
- Sanctions Risk Assessment Report

MANAGEMENT REPORT (cont.)

2.4 Approval and review of the Bank's Policies, Plans and Strategies (cont.)

- Compliance Assessment Report
- ICAAP - ILAAP Audit Report

2.5 Board Performance Evaluation

The Bank, in accordance with the requirements of paragraph 16 of the Central Bank of Cyprus Directive of 2021 on the Internal Governance of Credit Institutions (hereinafter "CBC Directive"), must have an appropriate methodology and procedure for evaluating the performance of the Board of Directors at least on an annual basis.

To comply with the above obligation, it approved an appropriate methodology and procedure for evaluating the performance of the Board as a whole, each Committee separately and each Member of the Board separately at least on an annual basis. For this matter, a Report is prepared in accordance with the Board Performance Evaluation Methodology document, on an annual basis and is submitted to the CBC within three (3) months from the end of each year,

For the purposes of preparing the above Report, the Board ensures that a process is implemented by which the Non-Executive Members of the Board assess their individual skills, knowledge and experience, and determine whether further professional development will help them to develop their expertise and to fulfill their obligations.

Also in accordance with the Directive of the CBC, the Bank must assign every three years to an independent external consultant the evaluation of the composition and effectiveness of the Board of Directors and the preparation of a relevant Report which it submits to the CBC.

On the subject, the last and 3rd consecutive three-year Evaluation Report was carried out by PricewaterhouseCoopers ("PWC") in the first quarter of 2021.

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 and he continues to serve in the position due to the pending CBC approval of his replacement. It was pointed out that the relevant actions to replace the President should be done earlier and in a reasonable time before the end of his term.

For all the findings of the PwC Results Report, the required corrective actions have been completed, namely:

MANAGEMENT REPORT (cont.)

- Appointment of Mr. Konstantinos Papadopoulos to the position of Vice President of the Board.

- Appointment of Mr. Michalis Kolakidis to the position of Chairman of the Board of Directors on November 3, 2021 and Mr. Michaelidis' departure from said position on the same date.

- The appointment of Mr. Neophytos Karamanos to the position of Independent Non-Executive Member of the Board of Directors on August 24, 2022, who is an IT expert, after receiving from the ECB a letter dated July 11, 2022 informing the Bank that he has no objection to his appointment to the above position.

- The implementation of a structured training program for all Board Members during 2022, the subject matter of which was based on the results of the self-assessment of the Members where their training needs emerged on specific topics, current issues related to the Banking Sector, in the re-evaluation of the collective suitability of the Board (Collective Suitability Assessment Report) and the obligations of the Regulatory Framework (i.e. AML Training).

3. External Auditors

During 2022, Deloitte was appointed as the Bank’s independent external auditor, for the sixth consecutive year. At the Audit Committee’s meeting with the external auditors on the 20 of October 2022, Deloitte reaffirmed its objectivity and independence, as required by the regulatory framework, when it comes to expressing their opinion regarding the financial statements of 2022. 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 2022 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 adequacy of the Bank's internal control framework was assessed by an external consultant, the audit firm PricewaterhouseCoopers ("PWC"), which is not the approved independent external auditor of the Bank, in order to comply with the supervisory obligation arising from the Directive CBC On Internal Governance of credit institutions. The said evaluation is carried out every three years based on the relevant provisions of the said Directive.

In the 2020 evaluation, 37 findings were identified which related to eight control areas of the Bank. The finding of High Importance concerns the strengthening of the IT project monitoring and management framework, in order to ensure their timely implementation. Actions are being taken on the matter in collaboration with an external partner.

The Audit Committee of the Board was informed at regular intervals during 2022 on the progress of implementing the recommendations of the above evaluation. In particular, during the last update on 24 November 2022, the Audit Committee of the Board was informed that actions had been completed for 32 of the 37 total recommendations. The outstanding recommendations concerned five mature recommendations, one of which was of a high level. The High Significance finding related to the strengthening of the IT project monitoring and management framework to ensure their timely implementation. Actions are being taken to install an appropriate tool.

MANAGEMENT REPORT (cont.)

Regarding the three-year assessment of the adequacy of the internal control framework which will be carried out within 2023, the Audit Committee at the meeting on 20 October 2022 approved the scope of the audit, i.e. the Bank's Units that will be covered within the said evaluation, in order to comply with the supervisory obligation arising from the Internal Governance of Credit Institutions Directive of the CBC of 2021.

Subsequently, the Audit Committee at the meeting on November 24, 2022 unanimously adopted the Group's decision to appoint the audit firm Mazars to carry out the three-year evaluation of the Bank's internal control system and approved the assignment of the three-year evaluation of the internal control framework, which will take place on 2023, at the auditing firm Mazars, The Board of Directors at the meeting on 25 November 2022 ratified the above decision of the Group.

5. Environmental Social Governance (ESG) Framework

The Directive of the Central Bank of Cyprus on Internal Governance and the relevant guidelines of the European Banking Authority (EBA Guidelines on Internal Governance), have formed a new framework in relation to ESG. In order to achieve compliance with the requirements of the ESG Framework to the best possible extent, the Bank decided to cooperate with an external Consultant. The collaboration concerns the operation of specific workstreams in order to prepare the ESG Roadmap for the recording of the actions in order of priority for the Bank's compliance with the regulatory obligations, in a way that will be beneficial for the Bank's interests. The Bank, operating in the new ESG Framework, will aim in the coming years to reduce the possible negative impact of the Bank on society, to support entrepreneurship, environmental protection and green development as well as dealing with / combating climate change.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

As at 31 December 2022 and 31 December 2021, 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 2022 %	31 December 2021 %
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.

MANAGEMENT REPORT (cont.)

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, 30 March 2023

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This is a translated version of the Independent Auditors' report of the Greek Group Financial Report of Alpha Bank Cyprus Limited for the year ended 31 December 2022 as issued on 30 March 2023. Where there is a difference between the two, if any, the original Greek version prevails.

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 "Company") and its subsidiaries (the "Group"), which are presented in pages 43 to 250 and comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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

Key audit matters	How our audit addressed the key audit matters
Expected credit risk loss of loans and advances to customers at amortised cost	

Loans and advances to customers at amortized cost of the Group amounted to €1.022 million at 31 December 2022, (€1.059 million at 31 December 2021), while accumulated impairment losses amounted to €15 million for the year ended 31 December 2022, (€12 million at 31 December 2021). 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 most significant Management judgements and estimates, include:
 	
• The criteria used for the classification of loans at amortized cost to stages (Significant Increase in Credit Risk – SICR).
 	
• 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.
	Based on our audit 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 judgments and estimates applied by Management.
	
	  • The accuracy and completeness of the data used in credit risk models.
	
	  • the categorisation of loans into stages and the application of the criteria for such classification.
	
	  • the process of collective recognition of credit control losses.
	
	  • the collateral valuation process.
	
	• Where necessary, we carried out our audit processes with the support of our Credit Risk specialists, IT experts and others.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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

Key audit matters	How our audit addressed the key audit matters
Expected credit risk loss of loans and advances to customers at amortised cost (continued)	
• 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. • The parameters and the assumptions used in the determination of the macroeconomic scenarios and the probability weights applied in each of them. • The estimate for any important future information used by Management in the models for calculating expected losses credit risk and weighted probabilities that were used to estimate the effect multiple economic scenarios. Management provides further information on the above in Notes 1.6.3, 10, 18 and 38 of 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. taking into account the implications of the latest developments in Ukraine and Russia. • 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. Where necessary, we carried out our audit processes with the support of our experts on financial risk, related models and IT systems. • We assessed the reasonableness of the significant assumptions used for the measurement of the impairment of individually assessed exposures, including valuation of collateral as well as the assumptions that were used to estimate future discounted cash flows, the value of the collaterals and their repossession.

Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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

Key audit matters	How our audit addressed the key audit matters
Expected credit risk loss of loans and advances to customers at amortised cost (continued)	
	• With the support of our internal real estate valuation specialists, we assessed at sampling base, the appropriateness of assumptions and the data in the valuation of collateralised properties. • We assessed the completeness and accuracy of disclosures against relevant accounting standards and regulatory expectations. The above procedures have been satisfactorily completed.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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

Key audit matters	How our audit addressed the key audit matters
General Information Technology System Controls relating to financial reporting	
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.	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 centre 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 backups. The above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the 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 2022 in the General Meeting of the shareholders of the Group on 1 June 2022. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of six 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 Company, which we issued on [insert date] 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.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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.

Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

Other Matter

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.

....
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, 30 March 2023

Consolidated Statement of Comprehensive Income

		From 1 January to	
	Note	31.12.2022	31.12.2021
		€'000	€'000
Interest and similar income		50.392	48.179
Interest expense and similar charges		(5.976)	(2.545)
Net interest income	**2**	**44.416**	**45.634**
Fees and commission income		17.430	14.424
Commission expense		(2.718)	(1.684)
Net fee and commission income	**3**	**14.712**	**12.740**
Dividend income	4	1.227	701
Gains less losses on derecognition of financial assets measured at amortised cost	5	250	(1.873)
Gains less losses on financial transactions	6	610	1.060
Other income	7	9.156	7.783
Total other income		**11.243**	**7.671**
Total income		**70.371**	**66.045**
Staff costs	8	(27.275)	(27.063)
Compensation for the voluntary separation scheme	8	(9.673)	-
General administrative expenses	9a	(18.884)	(19.835)
Other expenses	9b	(1.102)	(1.956)
Depreciation and amortization	19-21	(4.253)	(4.297)
Total expenses before impairment losses and provisions to cover credit risk		**(61.187)**	**(53.151)**
Impairment losses and provisions to cover credit risk	10	(2.121)	(57.508)
Profit/ (Loss) before tax		7.063	(44.614)
Tax	12	(543)	(43)
Profit/ Loss after tax		**6.520**	**(44.657)**
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		(53)	369
Items that may be reclassified subsequently to the Income Statement			
Net change in securities reserves measured at fair value through other comprehensive income	33	(4.370)	(3.790)
Total of other comprehensive income recognized directly in equity		(4.423)	(3.421)
Total comprehensive income for the year attributable to equity owners of the bank		2.097	(48.078)
Basic and diluted earnings/(losses) per share (€ cents)	13	3.0	(21.0)

The notes on pages 47 to 250 form an integral part of these Financial Statements.
This is the translated version of the consolidated financial statements from the original Greek to English language. Where there is a difference between the two, if any, the original Greek version prevails.

Consolidated Balance Sheet

	Note	31.12.2022 €´000	31.12.2021 €´000
ASSETS			
Cash and balances with central banks	14	1.078.679	1.064.833
Due from banks	15	213.231	228.631
Derivative financial assets	17	70	74
Loans and advances to customers	18	1.020.985	1.063.374
Investment securities	16		
- measured at fair value through other comprehensive income	16a	5.118	353.777
- measured at amortised cost	16b	577.622	178.028
- measured at fair value through profit or loss	16c	4.435	4.389
Investment property	19	8.800	11.210
Property, plant and equipment	20	23.461	24.626
Intangible assets	21	4.230	2.576
Deferred tax assets	22	6.819	6.849
Repossessed assets	23	1.634	5.251
Other assets	24	8.582	11.896
		2.953.666	2.955.514
Non-current assets held for sale	25	-	153.163
Total assets		2.953.666	3.108.677
LIABILITIES			
Due to banks	26	158.075	464.212
Derivative financial liabilities	17	2.296	557
Due to customers	27	2.433.327	2.284.902
Subordinated bonds	28	90.074	90.074
Other liabilities	29a	38.219	40.093
Provisions	29b	4.611	3.861
		2.726.602	2.883.699
Liabilities related to non-current assets held for sale	25	-	11
Total liabilities		2.726.602	2.883.710
EQUITY			
Funds and reserves attributable to the shareholders of the Bank			
Share capital	30	180.694	180.694
Share premium	32	102.911	102.661
Reserves	33	600	4.970
Retained earnings	34	(121.141)	(127.358)
Convertible capital securities	31	64.000	64.000
Total equity		227.064	224.967
Total liabilities and equity		2.953.666	3.108.677

The financial statements were approved and authorized for issue by the Board of Directors on 30 March 2023.

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

* The notes on pages 47 to 250 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)**
31 December 2021	**180.694**	**102.661**	**4.970**	**(127.358)**	**64.000**	**224.967**
Balance 1.1.2022	**180.694**	**102.661**	**4.970**	**(127.358)**	**64.000**	**224.967**
Changes for the period 1.1 – 31.12.2022						
Profit for the year, after tax	-	-	-	6.520	-	6.520
Issue of shares		250				250
Contribution for reorganization of Group companies				(250)		(250)
Other comprehensive income recognized directly in equity	-	-	(4.370)	(53)	-	(4.423)
Total comprehensive income for the period, after tax	**-**	**250**	**(4.370)**	**6.217**	**-**	**2.097**
31 December 2022	**180.694**	**102.911**	**600**	**(121.141)**	**64.000**	**227.064**

1. The share premium is not available for distribution as a dividend.

The notes on pages 47 to 250 form an integral part of these financial statements.
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Consolidated Statement of Cash Flows

	Note	From January 1 to 31.12.2022 €'000	31.12.2021 €'000
Cash flows from continuing operating activities			
Profit / (loss) for the year before income tax		7.063	(44.614)
Adjustment of profit/(loss) before tax:			
Depreciation of property, plant and equipment	20	2.529	2.696
Depreciation of intangible assets	21	1.611	1.424
(Gains) / losses from disposal of property, plant and equipment	7	83	(69)
(Gains) / losses from disposal of financial assets	6	(8)	226
Impairment losses on stock of property	9	332	1.205
Impairment losses on investment property	9	770	751
Gain from derecognition of financial assets	5	(250)	1.873
(Profits) / losses from modification of the contractual terms of loans and receivables from customers	10	205	1,006
Dividend received	4	(1.227)	(701)
Interest payable of subordinated loans	28	74	154
Impairment losses and provisions to cover credit risk	10	3.037	62.617
Provisions for off-balance sheet items	10	(740)	(1.711)
Net (increase)/decrease in assets:		**13.479**	**24.857**
Cash and balances with central banks		(893)	(830)
Loans and advances to customers		39.352	235.354
Derivative financial assets		4	393
Other assets		156.325	(122.725)
Net increase/(decrease) in Liabilities:			
Due to banks		(312.522)	280.033
Derivative financial liabilities		1.739	362
Due to customers		148.425	182.601
Other liabilities		1.135	(25.770)
Net cash flow from/(for) operating activities before taxes		**47.044**	**574.275**
Tax paid		(543)	(43)
Net cash flow from/(for) operating activities Cash flow from/(for) investing activities:		**46.501**	**574.232**
Investments in property		2.410	6.719
Purchase of investment securities available for sale		(179.873)	(261.386)
Disposal/ maturity of investment securities available for sale		128.890	337.576
Acquisition of property, plant and equipment	20	(1.004)	(233)
Acquisition of intangible assets	21	(3.265)	(1.830)
Dividends received	4	1.227	701
Net cash flows from/(for) investment activities		**(51.615)**	**81.547**
Cash flows from/(for) financing activities:			
Issue of capital		250	-
Issuance of Bonds		-	90,000
Lease payments	29	(958)	(1.150)
Repayments on subordinated loans	28	(3.010)	(5.356)
Net cash flows from/(for) financing activities		**(3.718)**	**83.494**
Net increase / (decrease) in cash and cash equivalents for the year		(8.832)	739.273
Cash and cash equivalents at the beginning of the year	36	1.120.882	381.609
Cash and cash equivalents at the end of the year	36	1.112.050	1.120.882

The notes on pages 47 to 250 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 1.1.2022 - 31.12.2022 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 <u>Basis of presentation (cont.)</u>

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 31.12.2021, 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 1.1.2022:

Adoption of new standards and amendments to existing standards

The amendments to standards implemented from 1.1.2022 are listed below:

Listed below are the standard amendments applied from 1.1.2022:

‣ **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)

On 14.5.2020 the International Accounting Standards Board amended the 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 the transactions included in the scope of the IFRS 37 or of Interpretation 21, the acquirer should recognize the obligations he undertakes based on the IFRS 37 or Interpretation 21 and not based on the Conceptual Framework,
- clarified that the acquirer must not recognize the contingent claims it acquires in the context of the merger.

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

‣ **Amendment of International Accounting Standard 16** "Proprietary tangible assets": Income before the intended use of the asset (Regulation 2021/1080/28.6.2021)

On 14.5.2020 the International Accounting Standards Board issued an amendment to the IAS 16 according to which it prohibits the deduction from the cost of acquisition of fixed assets for private use of the income from the sale of items generated in the phase when the fixed asset is prepared to come to the location and condition required for the use that management has determined. On the contrary, the income from the sale of said items as well as their costs should be recognized in the results.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment of International Accounting Standard 37** "Provisions, Contingent Liabilities and Contingent Claims": Onerous contracts – Cost of fulfilling the obligations of a contract (Regulation 2021/1080/28.6.2021)

On 14.5.2020 the International Accounting Standards Board issued an amendment to the IAS 37 in order to clarify that the cost of fulfilling the obligations of a contract includes those costs that are directly related to the contract. These costs consist of both directly attributable costs, such as direct labor and materials, and the proportion of other costs directly related to the fulfilment of the obligations arising from a contract such as the proportion of depreciation of an asset used against the fulfilment of obligations.
The above amendment had no impact on the Group's financial statements.

‣ **Improvements to International Accounting Standards** – cycle 2018-2020 (Regulation 2021/1080/28.6.2021)
In the framework of the program of annual improvements of the International Accounting Standards, the Council issued, on 14.5.2020, non-urgent but necessary amendments to the IFRS 1, IFRS 9, IFRS €16 and IFRS 41.
The above amendments had no impact on the Group's financial statements.

In addition to the standards mentioned above, the European Union has adopted the IFRS 17 and the following standard amendments, the application of which is mandatory for fiscal years starting after 1.1.2022 and which have not been prematurely applied by the Group.

‣ **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 uses 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 policies. 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:
- 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)
- 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.

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). **(cont.)**

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 that adopted the above standard, the possibility of non-application of paragraph 22 of the standard is provided, 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 policies with direct participation characteristics and groups of investment policies with optional participation characteristics and with cash flows that affect or are affected by the cash flows to counterparties of other policies,
b) groups of insurance policies which are managed between generations of policies and which 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.

‣**Amendment of International Financial Reporting Standard 17:** "Insurance Contracts": First application of IFRS 17 and IFRS 9 – Comparative information (Regulation 2022/1491/8.9.2022)
Valid for uses starting from 1.1.2023.
On 9.12.2021 the International Accounting Standards Board issued an amendment to the IFRS 17 on the basis of which the possibility is provided during the transition to the IFRS 17 the financial assets of the comparative period to be classified in the way that the economic entity would classify them during the transition to IFRS 9. In the text of the amendment, the method of application of this possibility is specified depending on whether the economic entity applies the IFRS 9 for the first time at the same time with the IFRS 17 or if he had already applied it in a previous period.
The above amendment does not apply to the Group's financial statements.

‣ **Amendment of International Accounting Standard 1 "Presentation of Financial Statements": Disclosures 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 the IAS 1 with which he clarified that:

- The definition of accounting policies is given in paragraph 5 of the IFRS 8.
- The financial entity should disclose the significant accounting policies. Accounting policies are significant when, together with other information included in the financial statements, they can influence the decisions made by the primary users of the financial statements.
- Accounting policies for immaterial transactions are considered immaterial and should not be disclosed. Accounting policies, however, may be material depending on the nature of some transactions even if the amounts involved are immaterial. Accounting policies related to material transactions and events are not always material in their entirety.
- Accounting policies are significant when users of the financial statements need them to understand other important financial statement information.
- Information on how the entity has applied an accounting policy is more useful to users of financial statements than standard information or a summary of IFRS provisions.
- In the case that the economic entity chooses to include non-significant information about the accounting policies, this information should not interfere with the important information about the accounting policies.

The Group is examining the impact that the adoption of the above amendment will have on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates (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 the IAS 8 with which:

- Defined accounting estimates as monetary amounts in the financial statements that are subject to uncertainty as to their measurement.
- Clarified that an accounting policy may require the elements of the financial statements to be valued in such a way as to create uncertainty. In this case the economic entity develops an accounting estimate. The development of accounting estimates involves the use of judgments and assumptions.
- When developing accounting estimates, the entity uses valuation techniques and data.
- The entity may be required to change its accounting estimates. This fact by its nature is not related to the previous uses nor is it a correction of an error. Changes in data or valuation techniques are changes in accounting estimates unless they relate to the correction of an error.

The Group is examining the impact that the adoption of the above amendment will have on its financial statements.

‣ **Amendment of International Accounting Standard 12** "Income taxes": Deferred tax related to assets and liabilities arising from a single transaction (Regulation 2022/1392/11.8.2022).
Valid for uses starting from 1.1.2023.

On 7.5.2021 the International Accounting Standards Board issued an amendment to the IAS 12 which limited the scope of the recognition exception according to which companies in specific cases were exempted from the obligation to recognize deferred tax during the initial recognition of assets or liabilities. The amendment clarifies that this exception no longer applies to transactions that, upon initial recognition, result in the creation of equal amounts of taxable and deductible temporary differences.
The Group is examining the impact that the adoption of the above amendment will have on its financial statements.
Also, the International Accounting Standards Board has issued the following standards and standard amendments which, however, have not yet been adopted by the European Union and have not been prematurely applied by the Group.

‣ **Amendment of International Financial Reporting Standard 10** "Consolidated Financial Statements" and **International Accounting Standard 28** "Investments in Associates and Joint Ventures": Sale or contribution transaction between the investor and the associate or joint venture.
Mandatory implementation date: Not yet determined.

On 11.9.2014, the International Accounting Standards Board issued amendments to IFRS. 10 and D.L.P. 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets of the parent company to its relative or joint venture and vice versa. In particular, the IFRS 10 was amended so as to make it clear that, in the event that as a result of a transaction with a relative or joint venture, a company (the investor) loses control over its subsidiary, which does not constitute an "enterprise" under the I.P.X. PI. 3, will recognize in its results only that part of the profit or loss related to the participation rate of third parties in the relative or joint venture. The remaining part of the profit of the transaction will be eliminated against the accounting balance of the participation in the associate or the joint venture. In addition, if the investor retains a percentage of participation in the former subsidiary, so that it is now considered a relative or a joint venture, the gain or loss from the revaluation of the participation is recognized in the results only to the extent that it concerns the percentage of participation of the other investors. The remaining amount of profit is eliminated with the accounting balance of the participation in the former subsidiary. Accordingly, in D.L.P. 28 were added to clarify

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **Amendment of International Financial Reporting Standard 10** "Consolidated Financial Statements" and **International Accounting Standard 28** "Investments in Associates and Joint Ventures":**(cont.)**

that partial recognition of gain or loss in the investor's results will only occur if the assets sold to the associate or joint venture do not meet the definition of "enterprise". Otherwise, the total profit or loss will be recognized in the results of the investor.

On 17.12.2015, the International Accounting Standards Board abolished the mandatory application date of the above amendment that it had initially specified. The new mandatory application date will be determined at a later date by the International Accounting Standards Board after taking into account the results of the project it is preparing for the accounting of the equity method.

‣ **International Financial Reporting Standard 14:** “Deferred accounts under regulatory regime”
Valid for uses starting from 1.1.2016.

On 30.1.2014, the International Accounting Standards Board issued the IFRS 14. The new standard, which is provisional in nature, deals with the accounting treatment and disclosures required for regulated deferred accounts, the observance and recognition of which is provided for by local legislation when a company provides products or services whose value regulated by some regulatory body. The standard is applicable upon the first adoption of the International Accounting Standards and only for the entities that carry out activities that are regulated by a body and that, according to the previous accounting standards, recognized the accounts in question in their financial statements. The IFRS 14

‣ **International Financial Reporting Standard 14:** “Deferred accounts under regulatory regime”
Valid for uses starting from 1.1.2016. (cont.)

provides, exceptionally, to these entities the possibility to capitalize instead of spending the relevant funds.

It is noted that the European Union decided not to proceed with the adoption of the standard in question pending the issuance of the final standard.

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

‣ **Amendment to IFRS 16:** “Leases”: Lease liability in a sale and leaseback transaction.
Valid for uses starting from 1.1.2024.

On 22 September 2022, the International Accounting Standards Board amended IFRS 16 to clarify how, in a sale and leaseback transaction, the seller-lessee determines the “lease payments” or “revised lease payments » in a manner that will not recognize any amount of gain or loss related to the right of use retained by the seller-lessee. Also, in the event of a partial or total termination of the lease, the seller-lessee is not prohibited from recognizing in the results the profit or loss resulting from this termination. The Group is examining the impact that the adoption of the above amendment will have on its financial statements.

‣ **Amendment of International Accounting Standard 1** "Presentation of Financial Statements": Classification of liabilities into short-term and long-term
Valid for uses starting from 1.1.2024

On 23.1.2020 the International Accounting Standards Board issued an amendment to the IAS 1 regarding the classification of liabilities into short-term and long-term. In particular the amendment:

- Clarified that the classification of a liability as short-term or long-term should take into account the conditions in force at the balance sheet date.
- Clarified that Management's expectations of events expected to occur after the balance sheet date should not be taken into account.
- Clarified the cases that constitute settlement of the obligation.

On 15.7.2020, the International Accounting Standards Board extended the mandatory application date of the standard by one year, taking into account the effects caused by the pandemic.

The Group is examining the impact that the adoption of the above amendment will have on its financial statements.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 <u>Basis of presentation (cont.)</u>

- **Amendment of International Accounting Standard 1** "Presentation of Financial Statements": Long-term liabilities with compliance conditions.

Valid for uses starting from 1.1.2024.

On 31.10.2022, the International Accounting Standards Board (IASB) issued an amendment to the IAS 1 with which it provided clarifications regarding the classification into short-term or long-term of an obligation which a company has the right to defer for at least 12 months and which is nevertheless subject to compliance with specific conditions.

Also, with the amendment in question, the date of mandatory application of the amendment to the IFRS 1. “Classification of liabilities into short-term and long-term” issued in 2020 by one year.

The Group is examining the impact that the adoption of the above amendment will have on its financial statements.

1.2 <u>Basis of consolidation</u>

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 31.12.2022 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.

<u>1.3 Operating segments</u>

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.

1.4 <u>Transactions in foreign currency</u>

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 except for the categories of non-monetary assets that are measured at fair value and which are valued at the exchange rates prevailing when they were determined the fair value. In this case, the exchange differences are part of the gains or losses from the change in the fair value and are recorded in the results or directly in the Equity, depending on the valuation category of the non-monetary element.

ACCOUNTING POLICIES APPLIED (cont.)

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.

1.6 Accounting principles for the 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.

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

This category includes the means which simultaneously satisfy the following:

- they are part of a business model whose objective is satisfied both by the sale and by the collection of the contractual cash flows,

- the contractual terms that govern them provide solely cash flows of principal and interest on the outstanding principal, which should be paid on specific dates (Solely Payments of Principal and Interest - SPPI).

This category is periodically reviewed for the existence of expected impairment losses as 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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).

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

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.

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.

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).

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 Accounting principles for the 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 of significant value) or of insignificant value, both individually and in aggregate, (even if frequent). The Group has defined as significant sales that exceed 5% of the balance before provisions of the previous period, per portfolio. Accordingly, significant sales occurring more than twice a year are defined as non-sporadic.

Assessment of whether the contractual cash flows are exclusively principal and interest flows on the outstanding principal (Solely Payments of Principal and Interest - SPPI)

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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.

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. It is noted that during the first quarter of the current fiscal year, the Group approved a significant change in the operational model for the management of long-term bonds that were classified in the business model, the objective of which is achieved both by collecting contractual cash flows as well as with the sale, which led on 1.4.2022 to the reclassification of the bonds in question from the portfolio of bonds valued at fair value through other results that are entered directly in the net position in the portfolio valued at amortized cost (note 16 b).

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

- 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:
- 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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.

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the 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

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the 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.)

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.

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the 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.)

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Accounting principles for the 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.)

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.

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 <u>Accounting principles for the financial instruments (cont.)</u>

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

- 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.

c) Calculation of expected credit risk loss.

The expected loss due to credit risk is equal to 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).

ACCOUNTING POLICIES APPLIED (cont.)

1.6 <u>Accounting principles for the financial instruments (cont.)</u>

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

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.

1.7 <u>Fair value measurement</u>

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:

i. Level 1 inputs: quoted market prices (unadjusted) in active markets,
ii. Level 2 inputs: directly or indirectly observable inputs,
iii. 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.
- 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement (cont.)

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

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.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.11 Leases (cont.)

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

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.

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-

ACCOUNTING POLICIES APPLIED (cont.)

1.16 Non-current assets held for sale (cont.)

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.19 Instruments issued by the Bank

Financial liabilities measured at amortized cost

These liabilities are amortized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) allocating income or interest during the related period.

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.

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.

Distributions of non-cash assets to shareholders

Distributions of non-cash assets and liabilities to shareholders do not fall within the scope of IFRIC Interpretation 17 as the assets and liabilities distributed are still controlled by the Group. According to the Group's accounting principle, these distributions are made at the book value of the item being distributed.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.21 Convertible Capital Securities (cont.)

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.

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.

1.24 Dividend Income

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

ACCOUNTING POLICIES APPLIED (cont.)

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.

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 <u>Gains less losses on derecognition of financial assets measured at amortised cost</u>

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 <u>Related parties' definition</u>

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 <u>Estimates, decision making criteria and significant sources of uncertainty</u>

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:

Business Model Assessment (Note 16)
The Group, upon initial recognition of a debt financial asset, exercises judgment in order to determine the business model in which it should be included, taking into account the way of evaluating its efficiency, the risks associated with it as well as the expected frequency and value of sales. It also exercises judgment in order to re-evaluate business models, taking into account the sales that have been made as well as any changes in the operating model. Based on this assessment, it decides whether it should define new business models or proceed with the reclassification of financial assets to another business model.
As explained in note 16, in the first quarter of 2022 the way the Group manages its long-term securities portfolio was changed by a decision of the Executive Committee. These changes led to a reassessment

ACCOUNTING POLICIES APPLIED (cont.)

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

Business Model Assessment (Note 16) (cont.)
of the classification of the long-term securities portfolio in accordance with the requirements of the IFRS 9 regarding the reclassification of financial assets. According to the IFRS 9, the Group is required to reclassify financial assets if it changes its business model relating to the management of these financial assets. The IFRS 9 explains that such changes are expected to be infrequent, determined by an entity's senior management as a result of significant external or internal changes in entity's

operations, to be presented to external parties, and occurring only when an entity plans to discontinue or has already discontinued an activity that is important to its business.
Management decided that the significant changes in the Group's activities explained in note 16, for which supervisory authorities were informed, met the conditions of IFRS 9 regarding the reclassification of the assets held at fair value through other comprehensive income to amortized cost.

Fair value of assets and liabilities
The fair value of assets and liabilities, traded in an active market, is based on available market prices. In all other cases fair value is determined based on valuation methods that use market observable data to the greatest extent possible. In cases where there is no market observable data, figures based on internal estimates and assumptions are used e.g. determination of expected cash flows, discount rates, probabilities of prepayments or 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.

- in the determination of the expected cash flows and the flows from the liquidation of the hedges for the financial instruments (including the estimation of the future values of the hedges), and

- in determining the adjustments to the models for calculating the parameters of the expected credit risk loss.

- in the integration of loan portfolio sale scenarios taking into account, on the one hand, any factors that may prevent the realization of the sale and, on the other hand, the degree of completion of the individual conditions for the completion of the sale.

ACCOUNTING POLICIES APPLIED (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.

1.29.1 Going concern

The Group Financial Statements for the year 31.12.2022 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 31.12.2022, took into account the following factors:

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

- **Capital Adequacy**

The Group's total equity ratio on 31.12.2022 was formed with transitional provisions at 20,9%. According to the requirements of the ECB, the minimum limit of the Overall Capital Requirements (OCR) is 13,75% for 2021 and remains the same requirement for 2022 due to the change adopted by the Central Bank of Cyprus where the safety reserve ratio of significant institutions (O-SII) for the Group remains in effect for 2023 at 0,25%. The Group's capital adequacy as at 31 December 2022 exceeds the minimum capital requirements of Pillar I and Pillar II, providing in the Group significant capital reserve. It is noted that the assessment of Pillar II capital requirements is done annually by the supervisory authority, with a specific supervisory process which is dynamic as it is subject to changes over time.

Regarding International Financial Reporting Standard 9 (IFRS 9), the Bank applies the transitional provisions of Article 473a of Regulation 2395/2017 of the European Parliament and of the Council, as amended by the Regulation of the European Parliament 873/2020, for the calculation of capital adequacy on an individual and consolidated basis. 2023 is the last year in which the transitional provisions apply, with the full implementation of the standard (known as fully loaded) set for 2023. The Bank is sufficiently capitalized to meet the needs arising from the implementation of the Standard. The impact from full implementation is estimated at approximately 1,0% and the CAR ratio for the Group amounts to 19.9% with a reference date of 31.12.2022.

- **Liquidity**

With regard to the Bank's liquidity levels, it is noted that there was no adverse change in terms of the ability to draw liquidity from the mechanisms of the Eurosystem and from the money (with or without collateral) and capital markets, nor restrictions on the use of of the Bank's cash reserves as a result of either the war between Russia and Ukraine, or the Pandemic. On the contrary, the Bank increased its deposits and maintains liquidity ratios LCR (191,7%) and NSFR (209,9%) much higher than the supervisory ratios of 100.0%

- **Cyprus economy**

Achievements

Despite the initial shocks caused to the economy by the start of the war in Ukraine, the Cypriot economy, according to the European Commission, showed a growth of 5,8% in 2022 and remained close to the levels of 2021 when it had grown by 6,6%.

Despite rising inflation, private consumption remained strong, supported by rising employment and wages, and supported by targeted government measures to offset high energy prices.

Tourism also played a role as arrivals recovered ground lost during the pandemic and reached 80% of 2019 levels. In addition, exports of services increased significantly.

According to the rating agency Fitch, which in March 2023 upgraded the Cypriot economy by one notch from BBB- to BBB, public finances improved significantly in 2022, with the general government balance sheet turning from a deficit of 1,7% of GDP in 2021 to a surplus of 2,3%, well above the house's forecast of a small deficit in its previous revision in September 2022. Consistent with the house, strong

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

nominal GDP growth and a much improved fiscal position translate into a sharp decline in the index of public debt to GDP in 2022, to 86,5%, from 101,1% in 2021.

The unemployment rate for 2022 fell to 6,9% compared to 2021 levels of 7,5%.
According to the European Commission, inflation reached 8,1% in 2022, fueled by high energy prices as well as a lack of supply.

The Cypriot economy still remains in the investment grade by the international rating agencies, except for Moody's.

Forecasts

According to the European Commission's new winter forecast, economic sentiment among consumers and businesses improved slightly in January 2023. The improved economic outlook among Cyprus' trading partners is expected to further support tourism, which is expected to reach almost 2019 level. The 50% wage indexation implemented in January 2023 is expected to support purchasing power somewhat. However, rising interest rates are expected to negatively impact corporate investment and housing construction. Higher prices and tighter monetary policy are expected to weigh on real GDP growth, which is forecast to slow to 1,6% in 2023, before accelerating to 2,1% in 2024.

Inflation is forecast to moderate over the forecast horizon as falling gas and oil prices dampen energy inflation and supply disruptions ease further. Conversely, wage inflation is expected to put some upward pressure on core inflation. Overall, inflation is forecast to hold at 4% in 2023 and 2,5% in 2024.

According to Fitch's forecasts, the public debt ratio will further decrease in the next two years, to 81,3% in 2024, with a further decrease to 73% in 2027.

Referring to the Cypriot economy, Standard and Poor's notes that despite the current global economic difficulties, the medium-term growth prospects of the Cypriot economy remain stable. Despite relatively strong economic and financial ties with Russia before the war, Cyprus' economy is estimated to have grown by around 6% in 2022.

According to Standard and Poor's, the economy's medium-term outlook remains relatively strong because:
Economic activity is expected to strengthen by 2,8% on average annually in 2023-2025 and the cost of living adjustment, which partially adjusts wages by 50% of the inflation rate, will moderate the impact of higher prices.
Net exports will continue to grow, mainly thanks to information and communication technology and tourism and as authorities work to diversify tourism source markets with major projects underway, particularly related to the development of marinas and an integrated casino resort , which could brighten the industry's prospects.
In addition, the disbursement of funds from the EU's Resilience and Recovery Mechanism and related structural reforms included in the country's recovery plan will support economic activity.
The country is set to receive €1,21 billion (4,5% of GDP) by 2026, including €1,06 billion in grants, if it implements the agreed reforms. The European Commission has disbursed €85 million in 2022. Cyprus plans to use these funds to support a green and digital transition.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

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

Participation in the Development and Resilience Program 2021-2026 amounting to Euro 1,2 billion. contributes positively to the development of the economy. Estimates indicate that the program will generate GDP growth of 3% in 2022-2023 and 7% in 2024-2026. Employment is also expected to increase by 2,5%

Finally, it is pointed out that any developments at the political level will clearly affect the climate in the economy accordingly.

The growth momentum in 2022 reflects the resilience of the Greek economy in the face of adverse external developments, following the war in Ukraine, disruptions in supply chains and inflationary pressures. According to the latest data from ELSTAT, real GDP increased by 5,9%. Economic growth was driven primarily by private consumption, which grew by 7,8% in 2022, contributing 5,3 points to the annual GDP growth rate, supported by high propensity to consume in the post-pandemic era, accumulation of savings during the pandemic and the remarkable rise in employment.

Inflation, based on the Harmonized Index of Consumer Prices (HICP), remained on an upward trajectory in the first two months of 2022, accelerating after the outbreak of the war, while decelerating in the last quarter of the year.

The HICP increased by an average of 9,3% in 2022, compared to an increase of 0,6% in 2021, primarily due to rising global energy prices - given that Greece is a net energy importer -, disruptions in supply chains and shortages in raw materials. In 2023, harmonized inflation is expected to be 4,5% according to the European Commission (European Economic Forecast, Winter, February 2023) and 5% according to the Ministry of Finance (State Budget 2023).

GDP growth is expected to slow in 2023, due to the adverse effects of inflationary pressures on the purchasing power of European citizens and thus on private consumption and exports of services. The implementation of investments under the Recovery and Resilience Fund (Euro 7 billion) and the Public Investment Program (Euro 8.3 billion) and the strong rise in Foreign Direct Investment (FDI), however, are estimated to maintain the rate of change of GDP, in positive territory, in 2023. The European Commission (European Economic Forecast, Winter, February 2023) and the Organization for Economic Co-operation and Development (OECD 2023 Economic Survey of Greece, January 2023) predict a GDP increase of 1,2% and 1,1% for 2023, while the State Budget 2023 respectively by 1,8%.

It is noted, however, that the high degree of uncertainty prevailing in the international environment may adversely affect the Greek economy in the short term. The main uncertainty factors are as follows:

-External demand and tourism revenues, in relation to the course of the global economy and the purchasing power of European households: The outlook for the global economy has worsened compared to previous estimates. The increased cost of production, mainly due to problems in the supply chain and energy appreciation, has burdened the finances of businesses and its inevitable transfer to consumers has limited the purchasing power of households. Therefore, a significant risk for the Greek economy next year is the eventual weakening of external demand primarily for services, that is, for the Greek tourism product and secondarily for goods.

-Geopolitical developments and inflationary pressures: The continuation and outcome of the war in Ukraine can undoubtedly affect the European economies, since the conflict in the territories of the

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

- **Greek Economy – Operating Environment of Parent Company (cont.)**

European continent, as well as the energy dependence on Russia, have led to a sharp increase in energy prices. It is noted, however, that concerns about Europe's energy sufficiency for this winter have eased. The high filling rate of natural gas storage tanks in Europe, the initiatives taken at European level to reduce natural gas consumption and the relatively mild weather conditions have contributed to this.

-A sharp increase in interest rates and consequently the cost of borrowing for households and businesses, which could potentially delay the implementation of investment projects.
-Risks arising from the speed of absorption of the funds of the Recovery and Resilience fund and the implementation of the program, as well as from possible delays in the implementation of the reforms.

In April 2022 and January 2023, Standard & Poor's and Fitch upgraded Greece's credit rating by one notch from BB to BB+ with a stable outlook (one notch below investment grade).

When examining the Bank's ability to operate as a going concern, the Board of Directors took into account:

- the 2022 results
- the satisfactory liquidity of the Group,
- the Group's capital adequacy ratio which is significantly higher than the minimum supervisory limits, the MREL ratio which is higher than the intermediate limit as well as the actions planned by the Group to further strengthen the ratios, the deleveraging of the Balance Sheet with actions such as the sale of non-performing portfolio and repossessed properties
- efficiency enhancement initiatives, with the aim of achieving excellent operational performance and reducing operating costs in all activities.
- Initiatives to increase revenue from fees and commissions
- the ability of the Group to access funds of the support mechanism through the Central Bank of Cyprus
- the high capital adequacy of Alpha Services and Holdings SA Group
- despite the fact that the prolonged duration and the form of the war between Russia and Ukraine adversely affects the macroeconomic environment, the Group has limited exposure to the Russian and Ukrainian economy as well as significant reserves of capital adequacy and liquidity, it estimates that at least for the next 12 months from the date of approval of the Financial Statements, the conditions for the application of the going concern principle for the preparation of the financial statements are met.

2. NET INTEREST INCOME

	Note	From 1 January to 31.12.2022 €´000	31.12.2021 €´000
Interest and similar income			
Due from banks measured at amortised cost		5.119	242
Loans and advances to customers where:			
-measured at amortised cost		36.031	41.395
-measured at fair value through profit or loss		437	480
Investment securities:			
-measured at amortised cost		3.672	733
-measured at fair value through other comprehensive income		580	2.707
Derivative financial instruments		1.489	-
Other interest		3.064	2.622
Total		**50.392**	**48.179**
Interest expense and similar charges			
Deposits to Central Bank with negative interest rate		(2.169)	(1.364)
Due to banks		(358)	(255)
Due to customers		(379)	(375)
Subordinated bonds	28	-	(80)
Bond securities	28	(3.011)	(74)
Derivative financial instruments		-	(285)
Lease liabilities		(59)	(112)
Total		**(5.976)**	**(2.545)**
Net interest income		**44.416**	**45.634**

The increase in bond interest payable is related to the time the bonds are issued. In 2022 the interest related to the entire year of 2022 while for 2021 the interest related to a period of less than one month.

The following table shows the funds of interest income and interest expenses calculated based on the effective interest rate per financial asset valuation category.

	From 1 January to 31.12.2022	31.12.2021
Financial assets measured at amortised cost	44.822	42.370
Financial assets measured at fair value through other comprehensive income	580	2.707
Financial assets measured at fair value through profit or loss	437	480
Financial liabilities measured at amortised cost	3.449	641

The decrease in interest on loans and receivables from customers is attributed to the sale of non-performing portfolio in March 2022 whose decrease was offset by effective asset management and the increase in interest rates on loans in 2022.

3. NET FEE AND COMMISSION INCOME

	From 1 January to	
	31.12.2022	31.12.2021
	€΄000	€΄000
Loans	73	136
Letters of guarantee	637	737
Imports – Exports	86	76
Credit cards	581	484
Transfers of funds	5.214	4.449
Foreign exchange	948	697
Insurance	1.289	1.197
Deposits	5.884	4.964
	14.712	**12.740**

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

2022	Retail Banking €'000	Corporate Banking €'000	Treasury €'000	Other €'000	Total €'000
Loans	43	30			73
Letters of guarantee	24	613			637
Imports – Exports	1	85			86
Credit cards	2.334	254			2.588
Transfers of funds	1.361	3.853			5.214
Foreign exchange	424	524			948
Insurance	1.229	60			1.289
Deposits	4.234	1.886	(479)	954	6.595
Total	**9.650**	**7.305**	**(479)**	**954**	**17.430**

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
Insurance	1.141	56			1.197
Deposits	3.593	1.592	150	199	5.534
Total	**7.775**	**6.300**	**150**	**199**	**14.424**

It is noted that, of the loan commissions for the financial year 2022, an amount of €73 thousand (2021: €136 thousand) relates to loans measured at amortised cost.

4 . DIVIDEND INCOME

	From 1 January to	
	31.12.2022	31.12.2021
	€΄000	€΄000
Other variable-performance securities measured at fair value through profit or loss	50	37
Shares of investing portfolio measured at fair value through other comprehensive income	1.177	664
	1.227	**701**

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

1.1.2022 -31.12.2022	Carrying amount €΄000	(Losses) from derecognition €΄000	Gain from derecognition €΄000	Gains less losses on derecognition €΄000
Early repayments				
Loans	71.785	(279)	561	282
Sale of bonds		(12)	-	(12)
Significant modifications				
Loans	2.316	(80)	60	(20)
Total		**(371)**	**621**	**250**

1.1.2021 – 31.12.2021	Carrying amount €΄000	(Losses) from derecognition €΄000	Gain from derecognition €΄000	Gains less losses on derecognition €΄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)**

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	
	31.12.2022	**31.12.2021**
	€΄000	€΄000
Foreign exchange differences	1.539	1.225
Financial assets measured at fair value through profit or loss:		
-Other variable yield securities	46	440
-Loans and advances to customers	(1.043)	(346)
Financial assets measured at fair value through other comprehensive income:		
-Bonds	(34)	(53)
-Derivative financial instruments	6	20
-Sale of investments	8	(226)
Other	88	-
Total	**610**	**1.060**

7. OTHER INCOME

	From 1 January to	
	31.12.2022	31.12.2021
	€΄000	€΄000
Profit from sale of fixed assets	(83)	69
Income from services offered to group companies	9.192	7.428
Income from leases	41	286
Other income	6	-
	9.156	**7.783**

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	
	31.12.2022	31.12.2021
	€΄000	€΄000
Wages and salaries	24.015	23.476
Social security contributions	1.636	1.603
Other staff costs	41	240
Contributions to employee's provident fund	1.583	1.744
Cost of voluntary exit program of staff	9.673	-
	36.948	**27.063**

8. STAFF COSTS (cont.)

The total number of employees as at 31 December 2022 was 476 (2021: 487).

In October 2022 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 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 2022, amounted to €9.673 thous., of which €5.045 thous. was paid to the participants left in 2022, while for the participants in the programme who will leave in 2023 an obligation of €4.628 thous. was recognised (Note 29). A total of 75 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	
	31.12.2022 €΄000	31.12.2021 €΄000
Advertisement and promotion expenses	1.303	1.741
Special tax levy on customer deposits	3.187	3.144
Contributions to the resolution fund	271	93
Repairs and maintenance	226	232
Professional expenses	627	631
Legal fees	292	270
Legal fees associated with NPLs management	194	312
Collection companies fees	189	225
Subscriptions for card use (VISA)	256	384
Computer maintenance and supplies	2.667	2.076
Insurance	299	274
Electricity	808	641
Telecommunication expenses	579	596
Stationery and printing	95	105
Value added tax	1.809	1.725
Consultancy services	378	1.098
Consultancy services relating to non-performing loans management	144	684
Contribution to the deposit guarantee fund	1.196	1.077
Foreign loan management expenses	266	438
Cleaning expenses	202	205
Building and deposit insurance	400	336
Other	3.496	3.548
	18.884	19.835

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 2022, the Group contributed €271 thous., (2021: €93 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	
	31.12.2022 €΄000	31.12.2021 €΄000
Impairment of repossessed properties	281	238
Impairment / (Reversal of Impairment) of repossessed real estate collateral properties classified as held-for-sale	-	967
Loss on sale of repossessed properties	51	-
Impairment of investment property	770	751
	1.102	1.956

Other expenses include impairments and losses on the sale of fixed assets, as well as the costs of other provisions in order to better reflect the nature of the Group's results, taking into account that the sale of fixed assets is an incidental and not an operational activity.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

The amount of impairment loss to cover credit risk of €2.121 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	
	31.12.2022 €΄000	31.12.2021 €΄000
Impairment losses on loans	2.721	11.803
Impairment losses on the SKY portfolio (Note 25)	328	50.814
Provisions to cover credit risk on off balance sheet items	740	(1.711)
Gains/(Losses) on modifications of contractual terms of loans and advances to customers	(205)	(1.006)
Recoveries	(1.197)	(2.134)
Total	**2.387**	**57.766**

For the year 2022, Impairment losses and provisions to cover credit risk amounted to €57.766 thous. and consist of the following:

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

- 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 €328 thous.
- The amount of €1.197 thous. "recoveries" is the result of the settlement / collection of non-performing loans that have been written off.

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 31.12.2022 €´000	From 1 January to 31.12.2021 €´000
Net carrying amount before the modification	22.545	150.477
Net profit/(loss) due to modification	**(171)**	**(1.111)**

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 31.12.2022 €´000	From 1 January to 31.12.2021 €´000
Book value before provisions for impairment at reporting date	**980**	**213.422**

The reduction in the book value of the loans modified in accordance with the above condition is reduced due to the sale of the Non-Performing Portfolio in March 2022.

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

(ii) Impairment losses on other financial instruments

	From 1 January to	
	31.12.2022 €΄000	31.12.2021 €΄000
Impairment (gain) / loss on debt securities and other securities measured at fair value through other comprehensive income	(626)	(240)
Impairment (gain) / loss on debt securities and other securities measured at amortised cost	398	125
Impairment (gain) / loss on due from banks	(38)	(143)
Total	**(266)**	**(258)**

	From 1 January to	
	31.12.2022	31.12.2021
(Gain) / Loss (i) and (ii)	**2.121**	**57.508**

11. PROFIT / (LOSS) BEFORE TAX

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

		From 1 January to	
	Note	31.12.2022 €΄000	31.12.2021 €΄000
Directors' remuneration:			
Executive Directors	43(a)	514	502
Non-Executive Directors	43(a)	296	187
Independent auditors' remuneration for statutory audit of annual accounts		210	309
Independent auditors' remuneration for other non-audit services		37	35
Depreciation on investment property	19	770	176
Depreciation of property, plant and equipment	20	2.529	2.696
Amortization of intangible assets	21	1.611	1.424

12. TAX

		From 1 January to	
	Note	31.12.2022 €΄000	31.12.2021 €΄000
Deferred tax - debit/(credit)	22	(30)	(612)
Tax for the year		573	655
Debit/(Credit) for the year		543	43

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.

Analysis table of temporary deferred tax differences:

	From 1 January to	
	31.12.2022 €΄000	31.12.2021 €΄000
Write-offs, depreciation, impairments of non-current assets	(30)	(612)
Debit/(Credit) for the year	(30)	(612)

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, defence 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			
	%	31.12.2022 €΄000	%	31.12.2021 €΄000
Accounting profit / (loss) before tax		7.063		(44.614)
Tax calculated at applicable tax rates (nominal tax rate)	12,5	883	12,5	(5.577)
Tax effect of expenses not deductible for tax purposes	(42,0)	2.966	(5,3)	2.364
Tax effect of allowances and income not subject to tax	19,7	(1.394)	6,4	(2.868)
Formation of deferred tax on tax losses of previous years	34,8	(2.455)	-	-
Not recognized tax due to tax losses	-	-	(13,6)	6.081
Tax impact from deferred tax	0,4	(30)	1,4	(612)
Tax withheld abroad	(8,1)	573	(1,5)	655
Tax as per statement of comprehensive income (effective tax rate)	7,7	543	0,1	43

12. TAX (cont.)

The Group has not recognized deferred tax assets of €11.935 thousand for tax loss carryforwards which are carried forward and offset against taxable profits only in the five immediately following years, because it is not likely that future taxable profit will be available against which the Bank can use the benefits.

Table by year for which deferred taxation has not been recognised:

Year	Deferred tax assets €´000
2023	10.159
2024	-
2025	1.776
2026	-
2027	-
	11.935

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	
	31.12.2022 €´000	31.12.2021 €´000
Profit / (Losses) attributable to the owners	6.520	(44.657)
Weighted average number of shares for the year	212.581.357	212.581.357
Basic and diluted earnings /(losses) per share (€ cent)	3	(21,0)

14. CASH AND BALANCES WITH CENTRAL BANKS

	31.12.2022 €΄000	31.12.2021 €΄000
Cash and Cash equivalents	15.608	54.848
Balances with Central Bank of Cyprus	1.040.160	987.967
	1.055.768	1.042.815
Mandatory reserve deposits with Central Bank of Cyprus	22.911	22.018
	1.078.679	1.064.833

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

	31.12.2022 €΄000	31.12.2021 €΄000
Placements with Alpha Bank Group	126.551	132.599
Reverse Repos	83.074	-
Placements with other financial institutions	3.655	96.120
Accumulated provisions	(49)	(88)
	213.231	228.631

Reverse Repo agreements were carried out with companies of the Alpha Services and Holdings SA Group.
The decrease in deposits with other credit institutions is due to the Group's choice to increase reverse repos

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

	31.12.2022 €΄000	31.12.2021 €΄000
Government bonds and treasury bills	-	210.104
Corporate bonds	-	138.502
Shares	5.118	5.171
	5.118	353.777
Listed	-	348.606
Non-Listed	5.118	5.171
	5.118	353.777
Geographical analysis based on issuer's region:		
- Cyprus	5.118	163.009
- Greece	-	67.487
- United Kingdom	-	45.828
- European Union	-	50.446
- United States of America	-	27.007
- Switzerland	-	-
	5.118	353.777

The Group has chosen to classify as shares valued at fair value through other results that are recorded directly in the Equity, the shares it owns with the following characteristics:

a) Investments in companies of the financial sector (shares of credit institutions and interbank companies),
b) Private equity investments (shares or shares of venture capital or private equity companies),
c) Shares it has acquired through agreements for the exchange of debt with the acquisition of equity securities in the context of loan renegotiation and
d) Shares in which he has invested with a long-term horizon.

The following table shows, at 31.12.2022 and 31.12.2021, the shares of the investment portfolio measured at fair value through other comprehensive income.

	Fair value 31.12.2022 €΄000	Dividend income from 1.1.2022 – 31.12.2022 €΄000	Fair value 31.12.2021 €΄000	Dividend income from 1.1.2021 – 31.12.2021 €΄000
JCC Limited	5.118	1.177	5.171	664
Total	5.118	1.177	5.171	664

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

	31.12.2022 €´000	31.12.2021 €´000
Government bonds and treasury bills	303.330	74.641
Corporate bonds	274.292	103.387
	577.622	178.028
Listed	577.622	178.028
	577.622	178.028
Geographical analysis based on issuer's region:		
- Cyprus	167.250	35.947
- Greece	110.050	14.562
- European Union	151.366	67.770
- United Kingdom	24.366	20.560
- United States of America	117.629	39.189
- Switzerland	6.961	-
	577.622	178.028

Change in the Business Model of the Bond Investment Portfolio

In March 2022 and following:

- the significant change in the structure of the Balance Sheet of Alpha Bank Cyprus as a result of the decision to sell a portfolio of Non-Performing Exposures (NPEs) and Real Estate Assets of the Group and
- the supervisory expectations, as reflected in the Supervisory Assessment (SREP) regarding the business models that could have an impact on the supervisory capital and the Capital Adequacy Ratio of Alpha Bank Cyprus, the Executive Committee of Alpha Bank Cyprus took the decision to limit exposure to securities measured at fair value through other comprehensive income, and then the Asset Liability Management Committee decided to reclassify bonds from the portfolio of securities measured at fair value through other comprehensive income to the Hold to Collect category to collect principal and interest.

The above decision was evaluated as meeting the criteria of changing the business model in accordance with the provisions of IFRS 9 and therefore from 1.4.2022 the relevant investment portfolio of € 291 million was reclassified to the portfolio of investment securities valued at amortized cost adjusted by the amount of cumulative losses of € 5.3 million recognized in 2022 in the equity.
On 31.12.2022 the fair value of the reclassified portfolio amounted to € 248 million, while other comprehensive reserve would have been adjusted with a loss of € 20 million from 1.4.2022 if the reclassification had not taken place

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

	31.12.2022 €´000	31.12.2021 €´000
Variable yield securities	4.435	4.389
	4.435	4.389
Listed	4.435	4.389
	4.435	4.389
Geographical analysis based on issuer's region:		
- United States of America	4.435	4.389
	4.435	4.389

17. DERIVATIVE FINANCIAL INSTRUMENTS (Assets - Liabilities)

	31.12.2022 €´000		
		Fair value	
	Contractual Nominal amount	Assets	Liabilities
Derivatives for trading purposes			
Foreign exchange derivatives			
FX swaps	112.195	70	2.296
Total	112.195	70	2.296

	€´000	31.12. 2021	
		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

Derivatives are not held for hedge accounting purposes

18. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2022 €΄000	31.12.2021 €΄000
Loans and advances to customers measured at amortised cost	1.021.619	1.059.306
Less:		
Allowance for impairment losses	(14.441)	(12.347)
Total	**1.007.178**	**1.046.959**
Loans measured at fair value through profit or loss	13.807	16.415
Loans and advances to customers	**1.020.985**	**1.063.374**

Loans measured at amortised cost

	31.12.2022 €΄000	31.12.2021 €΄000
Individuals:		
- Mortgages	522.575	484.977
- Consumer	65.823	67.810
- Credit cards	6.874	7.038
Total	**595.272**	**559.825**
Companies:		
Corporate loans	426.347	499.481
Total	**426.347**	**499.481**
	1.021.619	**1.059.306**
Less: Allowances for impairment losses	(14.441)	(12.347)
Total	1.007.178	1.046.959

Loans measured at fair value through profit or loss

	31.12.2022 €΄000	31.12.2021 €΄000
Companies:		
Corporate loans	13.807	16.415
Total	**13.807**	**16.415**

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).

18. LOANS AND ADVANCES TO CUSTOMERS (cont.)

Accumulated allowance for impairment losses

	€΄000
Balance 1.1.2021	**517.444**
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)
Sales of loans	(188.315)
Balance 31.12.2021	**12.347**
Changes in the period 1.1 – 31.12.2022	
Impairment losses for the year	1.165
Derecognizing due to significant modifications in loans' contractual terms	(129)
Change in the present value of the impairment losses	2.477
Foreign exchange differences	116
Amounts used to write-off loans during the year	(1.535)
Transfer to non-current assets held for sale	-
Balance 31.12.2022	**14.441**

Alpha Services and Holdings SA Group, with the aim of consolidating its Balance Sheet, initiated in September 2021 the process of selling a Cypriot portfolio of non-performing loans with an accounting balance before provisions of €349 million and a fair value of €133, as well as subsidiaries, whose the main asset is real estate from repossessions, against customer debts and real estate from auctions acquired from the process of exchanging collateral against debts in the context of the SKY transaction.

In December 2021, binding offers were submitted and bilateral discussions with the preferred investor began to reach an agreement. Therefore the aforementioned assets were classified in 2021 as assets for sale.

The Group's exposure to credit risk and the breakdown of loans and advances to customers by industry and due date are presented in note 38 of the financial statements.

19. INVESTMENT PROPERTY

	Land - Buildings €΄000
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	(1.855)
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)**
Balance 1.1.2022	
Cost	**11.210**
Accumulated depreciation and impairment losses	**(354)**
1.1.2022 - 31.12.2022	**11.210**
Additions from companies consolidated in the year	352
Impairment	(770)
Depreciation	(113)
Disposals	(1.879)
Transfer to non-current assets held for sale	-
Transfer of impairments to assets held for sale	-
Net Book value 31.12.2022	**8.800**
Balance 31.12.2022	
Cost	**10.361**
Accumulated depreciation and impairment losses	**(1.561)**

The fair value of investment property on 31.12.2022 amounted to €11,4 mil. (2021: €14,5 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 2022, an impairment loss of €1.329 thous. was recognized (31.12.2021: €751 thous.), so that the net book value is reflecting the recoverable value on 31.12.2022, 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 2022 and 2021, 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.

20. PROPERTY, PLANT AND EQUIPMENT

	Land (Note 1)	Buildings and improvements on leasehold premises (Note 1)	Plant and equipment	Right of use - Buildings	Right of use - Cars	Total
Cost	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
1 January 2022	3.089	34.080	15.017	5.629	308	58.123
Additions	-	290	714	1.573	308	2.885
Disposals / Write-offs	-	-	(698)	(2.022)	(132)	(2.852)
Disposals / Terminations	-	(1.543)	-	-	-	(1.543)
31 December 2022	3.089	32.827	15.033	5.180	484	56.613
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

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 2022	-	18.040	12.848	2.545	64	33.497
Charge for the year	-	711	881	855	82	2.529
Disposals / Write-offs	-	(1.466)	(692)	(659)	(57)	(2.874)
Transfers to non-current assets held for sale	-	-	-	-	-	-
Disposals / Terminations	-	-	-	-	-	-
31 December 2022	-	17.285	13.037	2.741	89	33.152
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
Net book value						
1 January 2021	-	18.301	18.486	2.043	84	38.914
31 December 2021	3.089	16.040	2.169	3.084	244	24.626
31 December 2022	3.089	15.542	1.996	2.439	395	23.461

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 2022	12.405
Additions	3.265
Disposals / Write-offs	-
31 December 2022	15.670
1 January 2021	12.481
Additions	1.830
Disposals / Write-offs	(1.906)
31 December 2021	12.405
Amortization	
1 January 2022	9.829
Additions	1.611
Disposals / Write-offs	-
31 December 2022	11.440
1 January 2021	10.311
Additions	1.424
Disposals / Write-offs	(1.906)
31 December 2021	9.829
Net book value	
31 December 2021	2.576
31 December 2022	4.230

22. DEFERRED TAX ASSETS

	Tax Losses €´000	Difference between depreciation and capital allowances €´000	Total €´000
31.12.2022			
1 January	7.546	(697)	6.849
Credit / (Debit) in the statement of comprehensive income	-	(30)	(30)
31 December	7.546	(727)	6.819
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

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 2018- 2022. 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 1.1.2021	
Cost	27.392
Accumulated impairments	(2.892)
1.1.2021 – 31.12.2021	
Net book value 1.1.2021	24.500
Additions	166
Disposals	(4.089)
Impairment on disposal	364
Impairment for the period	(1.277)
Transfer to 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)
1.1.2022 -31.12.2022	
Net book value	5.251
Additions	-
Disposals	(3.898)
Impairment on sale of assets	418
Impairment for the period	(137)
Reclassification from non-current assets held for sale	-
Impairment on assets transferred to non-current assets held for sale	-
Net book value	1.634
Balance 31.12.2022	
Cost	1.990
Accumulated impairments	(356)

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 31.12.22 amounted to € 1,7 mill. (2021: € 5,4 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.

24. OTHER ASSETS

	31.12.2022	31.12.2021
	€΄000	€΄000
Receivables from Alpha Bank Group companies (Note 43)	1.495	2.328
Other receivables and prepayments	7.087	9.568
	8.582	11.896

25. NON-CURRENT ASSETS HELD FOR SALE

	31.12.2022	31.12.2021
	€΄000	€΄000
Non-current assets held for sale		
Investments in subsidiaries	-	4.520
Loans and advances to customers	-	134.144
Other non-current assets held for sale	-	14.499
Total	-	153.163

In the context of the effective management of non-performing loans, Alpha Services and Holdings SA Group began in September 2021 the process of selling the Cypriot portfolio of non-performing loans, subsidiaries, and real estate through auctions (Project Sky). In December 2021, binding offers were submitted and bilateral discussions with the preferred investor began to reach an agreement. Therefore, on 31.12.2021 the loan and real estate portfolio in question as well as the subsidiaries related to the transaction were classified as assets for sale. The fair value of the portfolio classified as "Assets for sale" in the context of the SKY transaction amounts to Euro 153 million and consists of loans of Euro 134 million and properties from auctions of Euro 14 million as well as net assets of subsidiaries Euro 5 million. On 12.2.2022 a binding agreement was signed for the sale of the portfolio.

In March 2022 and until the completion of the transaction with the investor, the Group sold the loan portfolio it held for sale on 31.12.2021 to a company of the Alpha Services and Holdings SA Group in Cyprus for the amount of Euro 133 million.

In December 2022, Alpha Services and Holdings SA Group, for the purpose of achieving the SKY transaction, through a scheme of arrangement transferred from Alpha Bank Cyprus Ltd, assets of Euro 18,75 million and liabilities of Euro 18,5 million to a newly established company of Alpha Services and Holdings SA Group. Since the transaction was essentially a transaction with the Shareholder, the impact from the transaction of Euro 250 thousand was recorded in the Equity. As a result of the transfer and the reduction of the net worth by Euro 250 thousand of the Alpha Bank Cyprus Group, an equal capital increase was made in which the existing shareholder Alpha International Holdings Single Member S.A. participated.

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.

	31.12.2022	31.12.2021
Assets	€΄000	€΄000
Cash and cash equivalents	-	165
Investment property	-	4.348
Other	-	18
Total	-	4.531
Liabilities		
Other liabilities	-	11
Total	-	11
Total classified as held for sale	-	4.520

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

	31.12.2022 €΄000	31.12. 2021 €΄000
Amounts due to companies of the Alpha Bank Group (Note 43)	26.536	27.120
Repo transactions	-	281.683
Amounts due to other financial institutions	131.539	155.409
	158.075	464.212

Amounts due to other financial institutions include the amount of € 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 during 2021.

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

	31.12.2022 €΄000	31.12.2021 €΄000
Deposits:		
Current	1.647.664	1.463.159
Savings	100.981	90.558
Fixed term or notice	684.682	731.185
	2.433.327	2.284.902

In 2022, amounts due to customers increased by €148 mill. compared to the comparative period of 2021.

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

The securities matured in March 2021 and were repaid without renewal.

(ii) Bond securities

In December 2021, the Group issued bonds with a total value of €90 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

2022			€ ‘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

28. DEBT SECURITIES IN ISSUE (cont.)
(ii) Bond securities (cont.)

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

Movement of securities:

	2022 €΄000	2021 €΄000
1 January	90.074	-
Issue of bonds	-	90.000
Interest Payable	3.011	74
Payments	(3.011)	-
31 December	90,074	90,074

29. OTHER LIABILITIES AND PROVISIONS

A) Other liabilities

	31.12.2022 €΄000	31.12. 2021 €΄000
Accrued expenses	4.330	4.998
Other payables	23.240	24.077
Amounts due to Alpha Bank Group companies (Note 43)	3.021	7.460
Taxes payables on behalf of clients	23	18
Liabilities on voluntary exit program of staff (Note 8)	4.628	-
Liabilities on leases (Note i)	2.977	3.540
	38.219	40.093

29. OTHER LIABILITIES AND PROVISIONS

A) Other liabilities (cont.)

(i) Lease liabilities

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

Balance 1.1. 2021	**Cash flows**	**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

Balance 1.1.2022	**Cash flow**	**Non-cash flows**			**Balance 31.12.2022**
	Payments	Debit interest	New leases	Termination	
€´000	€´000	€´000	€´000	€´000	€´000
3.540	(958)	59	1.881	(1.545)	2.977

The Group's obligations from lease contracts mainly concern commercial real estate, such as office and shop buildings as well as cars for the managers.
In 2022, the Group has terminated the leases for the closed store network.
In addition, there are no short-term real estate leases that were signed in the last days of fiscal year 2022 and have been implemented since 1.1.2023.

B) Provisions

	31.12.2022 €´000	31.12.2021 €´000
Tax	420	409
Undrawn loans **(i)**	481	905
Letters of credit and letters of guarantees **(i)**	3.710	2.547
	4.611	3.861

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

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**

Balance 1.1.2022	3.452
Changes in the period 1.1.2022 – 31.12.2022	
Provisions to cover credit risk relating to off-balance sheet items	739
Balance 31.12.2022	**4.191**

30. SHARE CAPITAL

	2022		2021	
	Number of shares	**€΄000**	**Number of shares**	**€΄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	1	-	-	-
31 December				
(Ordinary shares of €0,85 each)	212.581.358	180.694	212.581.357	180.694

Shareholders Structure

	31.12.2022		31.12. 2021	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
Alpha International Single Member S.A.	212.581.358	100%	212.581.357	100%
Total	**212.581.358**	**100%**	**212.581.357**	**100%**

During 2022, the Group increased its share capital in the amount of Euro 250 thousand by issuing one share with a nominal value of Euro 0.85, at a premium. (Note 32) Only the existing shareholder Alpha International Holdings Single Member S.A. participated in the increase.

31. CONVERTIBLE CAPITAL SECURITIES

	31.12.2022 €΄000	31.12.2021 €΄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 2021 and 2022.

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

31. CONVERTIBLE CAPITAL SECURITIES (cont.)

excluding any interest payment previously cancelled, on 30 September 2022 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

	2022 €´000	2021 €´000
Opening balance 1 January	**102.661**	**102.661**
Issue of shares	250	-
Balance 31 December	**102.661**	**102.661**

In 2022, the Group increased its share capital by Euro 250 thousand by issuing one share with a nominal value of Euro 0,85 at a premium. The existing shareholder Alpha International Holdings Single Member S.A. participated in the increase.

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.

	2022 €´000	2021 €´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	(4.370)	(3.790)
Balance 31 December	**-**	**4.370**

33. RESERVES (Cont.)

b) Reserve from the conversion of share capital

	2022	2021
	€΄000	€΄000
Balance 31 December	**600**	**600**

	2022	**2021**
	€΄000	€΄000
Reserves total (a + b)	600	**4.970**

In 2022, the Group decided to change the business model of the investment securities portfolio from Hold to Collect and Sell to Hold to collect. The above decision was evaluated as meeting the criteria of changing the business model in accordance with the provisions of the IFRS 9 and therefore from 1.4.2022 the relevant investment portfolio of € 291 million was reclassified to the portfolio of investment securities valued at amortized cost adjusted by the amount of cumulative losses of € 5,3 million recognized in 2022 in the equity. On 31.12.2022 the fair value of the reclassified portfolio amounted to € 248 million, while other comprehensive reserve would have been adjusted with a loss of € 20 million from 1.4.2022 if the reclassification had not taken place

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.

In December 2022, the Alpha Services and Holdings SA Group, for the purpose of achieving the SKY transaction, through a scheme of arrangement, transferred assets and liabilities from Alpha Bank Cyprus Ltd to a new company of the Alpha Services and Holdings SA Group. Since the transaction was essentially a transaction with the Shareholder, the impact from the transaction of Euro 250 thousand was recorded in the Equity. As a result of the transfer and the reduction of the net worth by Euro 250 thousand of the Alpha Bank Cyprus Group, an equal capital increase was made in which the existing shareholder Alpha International Holdings Single Member S.A. participated.

35. CONTINGENT LIABILITIES AND COMMITMENTS

35.1 OFF BALANCE SHEET LIABILITIES

	31.12.2022 €΄000	31.12.2021 €΄000
Contingent liabilities		
Bank guarantees	48.534	57.715
Commitments		
Letters of credit and letters of guarantees	2.386	2.530
Undrawn credit facilities	135.923	159.674
	138.309	162.204
Total off balance sheet liabilities	186.843	219.919

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 € 4,2 million has been made for 2022 (2021: € 3,4 million).

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

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 31.12.2022 the amount of the provision stood at zero (31.12.2021: € nil).

For cases where according to their progress and the evaluation of the Legal department on 31 December 2022, 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 31.12.2022 the legal claims against the Group for the above cases amount to €24.779 thous. (31.12.2021: €20.092 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. CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

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	31.12.2022 €´000	31.12.2021 €´000
Cash and balances with Central Banks	14	1.055.768	1.042.815
Due from banks	15	213.231	228.631
Due to banks		(156.949)	(150.564)
		1.112.050	1.120.882

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.

		1.1-31.12.2022			
	Retail Banking	Corporate banking	Treasury	Other	Total
	€000	€000	€000	€000	€000
Net interest income	20.075	18.610	8.750	(3.019)	44.416
Net fee and commission income	7.796	7.153	(479)	242	14.712
Other income	229	33	1.744	9.237	11.243
Total income	**28.100**	**25.796**	**10.015**	**6.460**	**70.371**
Total expenses	**(22.413)**	**(8.403)**	**-**	**(30.371)**	**(61.187)**
Impairment losses and provisions to cover credit risk	**(2.389)**	**2**	**266**	**-**	**(2.121)**
Net profit / (loss) before tax	**3.298**	**17.395**	**10.281**	**(23.911)**	**7.063**
Tax	-	-	-	(543)	(543)
Profit / (loss) after tax	**3.298**	**17.395**	**10.281**	**(24.454)**	**6.520**
Total assets 31.12.2022	605.316	415.669	1.874.720	57.961	2.953.666
Total liabilities 31.12.2022	1.835.742	601.158	160.371	129.331	2.726.602
Capital expenditure	-	-	-	4.714	4.714
Depreciation and amortization	(901)	(222)	-	(3.130)	(4.253)

37. OPERATING SEGMENTS (cont.)

	1.1-31.12.2021				
	Retail Banking €000	Corporate banking €000	Treasury €000	Other €000	Total €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**	**0**	**(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)

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

	31.12.2022		
	Cyprus €000	Other countries €000	Total €000
Net interest income	35.429	8.987	44.416
Net fee and commission income	11.551	3.161	14.712
Other income	11.512	(269)	11.243
Total income	**58.492**	**11.879**	**70.371**
Total expenses	**(51.069)**	**(10.118)**	**(61.187)**
Impairment losses and provisions to cover credit risk	(1.073)	(1.048)	(2.121)
Net profit / (loss) before tax	6.350	713	7.063
Tax	(543)	-	(543)
Profit / (loss) after tax	5.807	713	6.520
Total assets 31.12.2022	2.061.774	891.892	2.953.666

37. OPERATING SEGMENTS (cont.)

	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

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 Group's main objective in 2022 was to maintain high standards of internal governance and to comply with regulatory and supervisory risk management provisions in order to ensure transparency and confidence in the conduct of its business activities through the provision of appropriate financial services, taking into account considering the conditions in the wider macroeconomic environment.

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

38.1 Credit Risk

WHOLESALE BANKING SECTOR CREDITS

Wholesale Banking credits fall into one of the following categories depending on the characteristics of the credit and the creditor, as shown in the following table:

	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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

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.

Structure of Wholesale Banking Boards:

The Business Credit Boards assess all requests for business facilities to large and small and medium sized enterprises, as well as requests from their entities submitted to the Bank:

- Wholesale Banking Credit Board I (Grants that exceed the approval limits of the WB Country II Credit Board and up to €7m, Revisions up to €10m. Requests for amounts above the aforementioned limits are evaluated by the relevant Group board)
- Wholesale Banking Credit Board II (Grants that exceed the approval limits of the WB Country III Credit Board and up to €3,5m)
- Wholesale Banking Credit Council III (Grants up to €1m)

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

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.

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:

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk

- 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:

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 IFRS 9 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 € 500 thous. and credit limit up to € 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.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk

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.

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 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 € 150 thous. and an annual turnover up to € 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.

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

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

• 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:

- Behavioral Credit Scoring Models which evaluate the customer's behavior and predict the probability of default in the following months.
- Application Credit Scoring Models. These models evaluate the application's data, mainly demographics, and predict the probability of default in the following months.
- Models for estimating critical credit risk parameters, namely Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).

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.

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 IFRS 9 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%

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk

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%

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 fulfill 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.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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.

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 € 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.

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 € 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.

- The authorized Appraisers, after their visit to the commercial property or the plot of land or the residential property that is part of an EAG project used as collateral, or through a desktop appraisal.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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.

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.

38. RISK MANAGEMENT (cont.)

CLIMATE, ENVIRONMENTAL – SOCIAL AND GOVERNANCE RISKS (ESG)

The Group has proceeded within 2022 with the risk inventory exercise in order, among other things, to integrate the dimension of climate risks into the internal risk definitions. The main transmission channels of climate risks in the area of credit risk include transition risk (risk of any financial impact on the Bank arising from the current or future effects on its counterparties or invested assets of the transition to an environmentally sustainable economy) and natural risk (risk of any financial impact on the Bank arising from the current or future effects on its counterparties or on its invested assets from the natural effects of environmental factors).

Recognizing the relevance and potential impact of risks arising from climate and environmental factors, and particularly climate change, and in line with the relevant external guidelines, the Group considers climate and environmental risk factors as a thematic area, i.e. as a cross-sectoral risk that can drive the existing categories of financial and non-financial risks (eg credit risk, operational risk, market risk, liquidity risk, etc.).

During 2022, the Group integrated ESG into the regular risk identification process and also carried out a materiality assessment, based on the best possible way, given the limitations of data, methodologies and measurement tools. For the materiality assessment, the Group takes into account various factors, covering both financial materiality (e.g. exposures sensitive to ESG factors as a percentage of total assets / total loan portfolio, or similar metrics), as well as qualitative factors, such as the perceived impact on the environment and society and possible aspects related to reputation, in line with the principle of "double materiality".

The materiality assessment of ESG risks across the various types of financial and non-financial risks will be gradually strengthened and expanded to consider additional financial criteria beyond the level of ESG sensitive exposures (e.g. sensitivity metrics, scenario analysis and stress simulation results etc.), as computational approaches become more mature and sufficient data points become available. The Group will identify and assess the materiality of ESG risks on an annual basis, as part of the wider recurring risk materiality assessment process.

In addition, the Group gradually integrates such risks into the Risk Undertaking Framework, using as data the results of the materiality assessment, in order to assess the need to introduce new qualitative statements and/or quantitative indicators.

During 2022, the Group has integrated into the Risk-Taking Disposition Framework, the following qualitative statements on climate risks in the context of credit risk-taking:

- The Group aims to integrate climate risks into the overall risk management framework.
- The Group aims to strengthen the due diligence process in relation to the assessment of the PCD (climate profile of its customers/Environmental Social Governance), through the collection of relevant information.
- The Group intends to finance the green / sustainable transition of policyholders.
- The Group implements a list of excluded activities in accordance with the Environmental and Social List of Excluded Activities developed by the European Bank for Reconstruction and Development (EBRD), to directly or indirectly avoid financing specific activities that are considered harmful to the environment and society.

In addition, it should be noted that the Group has already updated the Credit Policy to expand the list of excluded activities, i.e. the activities it does not finance. In particular, the Group does not finance the following activities: coal mining or lignite-fired electricity generation, exploration, mining, crude oil production, development of oil projects, except in the rare and exceptional circumstances in which the revenues from the projects are exclusively aimed at reduction of greenhouse gas emissions or exit from existing production fields.

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.

38. RISK MANAGEMENT (cont.)

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.

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.

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 if the counterparty's debt is materially overdue by more than one day (sum of principal, interest and charges/fees that are more than one day overdue at the account level). The delay is considered essential when the amount in arrears exceeds Euro 100 for Retail Banking Openings, or Euro 500 for Wholesale Banking and the amount in arrears exceeds 1% of the total - on balance sheet - debt.

In particular, overdraft facilities are defined as past due when the balance exceeds the credit limit.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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:

• Is in a material delinquency stage of more than 90 consecutive days (NPL),

• It is in the stage of legal actions – Legal (NPL),

• It is characterized as a non-performing arrangement (Forborne Non-Performing Exposure) in accordance with the provisions of Executive Regulation (EU) 2015/227 of the Commission of January 9, 2015,
• Displays an indication of the impossibility of repayment (Unlikeliness 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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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.

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 (POCI).

5. The debt service coverage ratio indicates that the debt is not sustainable.

6. Loss of a significant customer or tenant representing a significant percentage of turnover or 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.

16. Exposures to default in Alpha Bank SA Group.

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

17. Debt settlement with a reduction in the accounting value of the financial liability (NPV loss) less than or equal to 1%.

18. Cured FPL exposures over 30 days past due (creditor level).

19. Cured FPL exposures in restructuring regime (creditor level).

For Retail Banking openings, the procedure followed is as follows:

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.
7. Debt settlement with a reduction in the accounting value of the financial liability / (NPV loss) greater than 1%.
8. Cured FPL exposures over 30 days past due.
9. Cured FPL exposures in resettlement regime.
10. Debt settlement with a reduction in the accounting value of the financial liability / (NPV loss) less than or equal to 1% and a balloon payment greater than 20%.
11. Debt settlement with a reduction in the accounting value of the financial liability / (NPV loss) less than or equal to 1% and non-payment of capital for more than 1 year.
12. Settlement of debts with a reduction in the accounting value of the financial liability / (NPV loss) less than or equal to 1% and multiple settlements.
13. Borrower's Request for Adjustment Denied.

In addition, the following Soft UTP Triggers exist for the Retail Banking jurisdiction Openings:

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.
4. Revocation of permission.
5. Insufficient financial data of the parties involved.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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.

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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

- 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.

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.

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:

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

- *Quantitative Indicators*: refers to the quantitative information used and more specifically to the comparison of the probability of default ("PD") at the reference date in relation to the initial recognition. To determine the significant increase in credit risk, both the relative increase in probability of default (PD) between the reporting date and initial recognition, as well as the absolute increase in probability of default between the reporting date and initial recognition, are taken into account. The relative increase ranges between 60-200% and the absolute increase ranges between 1-3%.

  In relation to Exposures that have been transferred by the Group, for the determination of the significant increase in credit risk, both the relative increase in the probability of default between the reporting date and the initial recognition are taken into account (Alpha Bank S.A: varies between 75% and 200% as taken taking into account the Credit Risk Rating (Rating, Alpha Bank Romania: 50%) as well as the absolute increase in the probability of default (PD) between the reference date and the initial recognition (Alpha Bank Romania: 1 percentage point).

  To determine the minimum limits (thresholds), an analysis is carried out at the portfolio level. The assessment of exposures in terms of a significant increase in credit risk is carried out at the account level. It is noted that the critical points - both for the relative increase and for the absolute increase in PD between the reference date and initial recognition - are validated on an annual basis, in order to, on the one hand, their correct application is confirmed and, on the other hand, it is confirmed that the established criteria have sufficiently identified the significant increase in credit risk.

  In addition, for the Special Financing portfolios (Complex Financing and Shipping Financing) whose credit risk rating is in Category 4 – "weak" rating, it is considered as an indication of a 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. Especially for the portfolio of special credits, additional quality indicators are recorded through the grading (slotting category).

- *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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

- 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.

Incorporation of forward-looking information

For the purpose of determining the expected credit risk loss, the Group calculates the expected cash flows based 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.

The macroeconomic variables that were evaluated as to whether they can be included as parameters affecting the amount of expected credit loss are the Gross Domestic Product, the unemployment rate, inflation as well as the future values of residential and commercial real estate.

The average annual term for the period 2023-2025 of the macroeconomic variables for the Cypriot economy, which affect both the estimation of the Probability of Default and the estimation of the Expected Loss in case of Default when calculating the expected credit risk loss as of 31.12.2022, are the following:

Cypriot Economy	2023 - 2025		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	0.2%	2.7%	5.2%
Unemployment rate (%)	8,1%	6,1%	4,2%
Change in Residential Real Estate prices (%)	2,1%	4,3%	6,0%
Change in Commercial Real Estate prices (%)	1,9%	3,9%	5,8%

Respectively, the yearly average for the period 2022 - 2024 of macroeconomic variables affecting the 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%

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

The yearly average for the period 2023-2025 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	2023 – 2025		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	0,05%	1,91%	3,73%
Unemployment rate (%)	13,04%	11,23%	9,42%
Change in Residential Real Estate prices (%)	1,18%	3,89%	6,69%
Change in Commercial Real Estate prices (%)	1,27%	2,86%	4,71%
Inflation	4,35%	3,40%	2,47%

Romanian Economy	2023 – 2025		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	2,00%	3,00%	3,90%
Unemployment rate (%)	6,44%	5,94%	4,94%
Change in Residential Real Estate prices (%)	3,40%	6,00%	8,00%
Change in Commercial Real Estate prices (%)	0,40%	6,67%	8,67%
Inflation	8,65%	6,65%	4,85%

English Economy	2023 – 2025		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Residential Real Estate prices (%)	-35,00%	-15,00%	-5,00%
Change in Commercial Real Estate prices (%)	-45,00%	-25,00%	-10,00%

Accordingly, the average per year for the period 2022-2024 of the macroeconomic variables affecting the expected credit risk loss as of 31.12.2021, were 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%

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

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%
Inflation	2,00%	4,67%	3,50%

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 (%)	-45,00%	0,00%	+5,00%

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 associated with the base scenario of the economies of Greece, Romania and England amounts to 60%, 50% and 80% respectively while the cumulative probability of the unfavorable scenario amounts to 20%, 40% and 15% respectively and of the favorable scenario 20%, 10% and 5% respectively.

More specifically for the future prices of residential and commercial real estates, for the year 2022, 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.

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.

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).

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

The maximum period for which expected credit risk losses are calculated is the remaining contractual term of a financial instrument unless the Group has the legal right to recall earlier. There is an exception with regard to Credit Cards and revolving exposures to individuals, for which the maximum period is set to four years. Regarding the revolving exposures of the Wholesale Banking, the maximum period is set to one year given their annual evaluation.

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.

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 4,6 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 26% (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 44%, for the exposures transferred from Alpha Bank Romania amounts to 43% and amounts to 18% 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.

Regarding cure rate estimates, based on historical observations, statistical models have been developed per retail credit portfolio which incorporate the effect of the macroeconomic environment through relevant indicators (indicative unemployment, annual percentage change of GDP).

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 basic scenario, an increase in Expected Credit Risk Losses is expected by €1.0 million on 31.12.2022 (31.12.2021: €0.8 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 the Expected Credit Risk Losses by €1.0 million is expected on 31.12.2022 (31.12.2021: €0.8 million).

- If the expected recovery period for tangible collateral was increased by 1 year, expected credit losses would increase by €0.5 million on 31.12.2022 (31.12.2021: €0.2 million).

- If the expected recovery period for tangible collateral was decreased by 1 year, expected credit losses would decrease by €0.5 million on 31.12.2022 (31.12.2021: €0.2 million).

- If the haircut for the sale/realization of tangible collateral was increased by 5%, expected credit losses would increase by €1.3 million on 31.12.2022 (31.12.2021: €1.2 million).

- If the haircut for the sale/realization of tangible collateral was decreased by 5%, expected credit losses would decrease by €1.2 million on 31.12.2022 (31.12.2021: €1.0 million).

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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

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.

Forbearance of an existing loan agreement can be carried out a) at the customer's request, b) based on the Group’s current Insolvency Framework.

Except from the forbearance of existing loans carried out following the Group’s decision and in accordance with the Retail Arrears policies of the Group, there are also procedures in place based on the current Insolvency Framework, which consists of 5 laws:

1. Personal Repayment Plans
2. Debt Relief Order
3. Bankruptcies of Individuals
4. Liquidations of Individuals
5. Debt Verification Process

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.

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.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

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.
- 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.

ENERGY AND INFLATION CRISIS

The Group closely monitors the evolving energy crisis and the impact on inflation due to the Russia-Ukraine conflict as well as the rise in interest rates and assesses their impact on its business activity, financial position and profitability.

38. RISK MANAGEMENT (cont.)

38.1 Credit Risk (cont.)

As the crisis evolves and the facts change, the Group may proceed with appropriate adjustments to its strategy, business plan and funding plan on a case-by-case basis, and may also consider additional measures to limit exposure, if deemed necessary.

In this direction, the Group carried out the following actions:

- Adaptation to credit granting procedures: Special instructions were given to the Business Units and the Credit Units to stress interest rates in order to better evaluate Wholesale Banking and Retail Banking requests.

- An impact analysis was carried out on the Creditors of Wholesale Banking responsibility, by the business unit.

- Closer monitoring of the portfolio to detect any increases in arrears in time.

- Evaluation of creditors through the process of evaluation of Creditors with indications of Insolvency of Payment (UTP) as well as through the Evaluation Committee of Wholesale Banking Creditors with Insolvency.

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.)

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).

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".

		2022	
	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	1.063.071	-	1.063.071
Due from banks	213.280	49	213.231
Loans and advances to customers measured at amortised cost	1.021.917	14.739	1.007.178
Loans measured at fair value through profit or loss	15.235	1.428	13.807
Derivative financial assets	70	-	70
Securities measured at fair value through other comprehensive income	5.118	-	5.118
Securities measured at amortised cost	578.304	682	577.622
Other assets	8.582	-	8.582
Total amount of balance sheet items exposed to credit risk (a)	**2.905.577**	**16.898**	**2.888.679**
Other balance sheet items not exposed to credit risk	64.987	-	64.987
Total assets	**2.970.564**	**16.898**	**2.953.666**
B. Credit risk exposure relating to off balance sheet items:			
Letters of guarantee, letters of credit and other guarantees	50.920	3.710	47.210
Undrawn loan agreements and credit limits	135.923	481	135.442
Total amount of off-balance sheet items exposed to credit risk (b)	**186.843**	**4.191**	**182.652**
Total credit risk exposure (a+b)	**3.092.420**	**21.089**	**3.071.331**

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".

		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.)

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:

	31.12.2022									
	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	**439.573**	**593**	**440.166**	**(150)**	**440.016**	**74.530**	**17.398**	**91.928**	**(1.567)**	**90.361**
Mortgage	381.769	487	382.256	(68)	382.188	59.268	13.013	72.281	(892)	71.389
Consumer	39.960	106	40.066	(59)	40.007	11.146	3.362	14.508	(555)	13.953
Credit cards	6.073	0	6.073	(8)	6.065	397	168	565	(17)	548
Small Business loans	11.771	0	11.771	(15)	11.756	3.719	855	4.574	(103)	4.471
Corporate lending	**261.162**	**242**	**261.404**	**(484)**	**260.920**	**115.841**	**25.531**	141.372	(2.760)	138.536
Large	257.394	242	257.636	(478)	257.158	114.787	25.507	140.294	(2.758)	137.536
SME's	3.768	-	3.768	(6)	3.762	1.054	24	1.078	(2)	1.076
Public sector	-	-	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-
Total	**700.735**	**835**	**701.570**	**(634)**	**700.936**	**190.371**	**42.929**	**233.300**	**(4.327)**	**228.973**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2022											
	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	**4.644**	**37.257**	**41.901**	**(7.709)**	**34.192**	**35.494**	**6.923**	**42.417**	**(1.739)**	**40.678**	**605.247**	**534.160**
Mortgage	3.470	30.218	33.688	(6.087)	27.601	29.256	5.279	34.535	(1.337)	33.198	514.376	482.001
Consumer	410	4.982	5.392	(1.153)	4.239	4.620	1.337	5.957	(326)	5.631	63.830	35.247
Credit cards	37	191	228	(131)	97	3	5	8	(3)	5	6.715	1.346
Small Business Loans	727	1.866	2.593	(338)	2.255	1.615	302	1.917	(73)	1.844	20.326	15.566
Corporate lending	**2.434**	**295**	**2.729**	**(330)**	**2.399**	-	-	-	-	-	**401.931**	**291.674**
Large	1.978	184	2.162	(232)	1.930	-	-	-	-	-	396.624	286.712
SME's	456	111	567	(98)	469	-	-	-	-	-	5.307	4.962
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-
Total	**7.078**	**37.552**	**44.630**	**(8.039)**	**36.591**	**35.494**	**6.923**	**42.417**	**(1.739)**	**40.678**	**1.007.178**	**825.834**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	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	-	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	-	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.)

The following table presents loans measured at fair value through profit or loss past due and not:

	31.12.2022				31.12.2021			
	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	**13.807**	-	**13.807**	**14.589**	**16.415**	-	**16.415**	**16.153**
Large	13.807	-	13.807	14.589	16.415	-	16.415	16.153
SME's	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-
Total	**13.807**	**-**	**13.807**	**14.589**	**16.415**		**16.415**	**16.153**

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:

2022					
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	330.888	-	-	-	330.888
Satisfactory credit quality	51.263	29.572	-	15.741	96.576
Watch list (higher risk)	105	42.709	-	14.017	56.831
Default	-	-	33.688	4.777	38.465
Carrying amount (before provision for impairment losses)	382.256	72.281	33.688	34.535	522.760
Expected credit losses	(68)	(892)	(6.087)	(1.337)	(8.384)
Net carrying amount	382.188	71.389	27.601	33.198	514.376
Value of collateral	-	-	25.617	29.118	54.735
	Stage 1	Stage 2	Stage 3	Purchased or originates credit impaired (POCI)	Total
	€´000	€´000	€´000	€´000	€´000
Consumer					
Strong credit quality	39.007	-	-	-	39.007
Satisfactory credit quality	939	6.896	-	2.948	10.783
Watch list (higher risk)	120	7.612	-	1.508	9.240
Default	-	-	5.392	1.501	6.893
Carrying amount (before provision for impairment losses)	40.066	14.508	5.392	5.957	65.923
Expected credit losses	(59)	(555)	(1.153)	(326)	(2.093)
Net carrying amount	40.007	13.953	4.239	5.631	63.830
Value of collateral	-	-	3.534	4.051	7.585

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.)

2022					
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	6.053	-	-	-	6.053
Satisfactory credit quality	20	565	0	3	588
Watch list (higher risk)	-	-	-	-	-
Default	-	-	228	5	233
Carrying amount (before provision for impairment losses)	6.073	565	228	8	6.874
Expected credit losses	(8)	(17)	(131)	(3)	(159)
Net carrying amount	6.065	548	97	5	6.715
Value of collateral	-	-	18	-	18

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.)

2022					
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	11.448	-	-	-	11.448
Satisfactory credit quality	323	1.711	-	1.030	3.064
Watch list (higher risk)	-	2.863	-	613	3.476
Default	-	-	2.593	274	2.867
Carrying amount (before provision for impairment losses)	11.771	4.574	2.593	1.917	20.855
Expected credit losses	(15)	(103)	(338)	(73)	(529)
Net carrying amount	11.756	4.471	2.255	1.844	20.326
Value of collateral	-	-	2.170	1.503	3.673
Large Corporate					
Strong credit quality	223.036	24	-	-	223.060
Satisfactory credit quality	29.692	7.980	-	-	37.672
Watch list (higher risk)	4.908	132.290	-	-	137.198
Default	-	-	2.162	-	2.162
Carrying amount (before provision for impairment losses)	257.636	140.294	2.162	-	400.092
Expected credit losses	(478)	(2.758)	(232)	-	(3.468)
Net carrying amount	257.158	137.536	1.930	-	396.624
Value of collateral	-	-	1.933	-	1.933

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.)

2022					
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	1.917	54	-	-	1.971
Satisfactory credit quality	963	-	-	-	963
Watch list (higher risk)	888	1.024	-	-	1.912
Default	-	-	567	-	567
Carrying amount (before provision for impairment losses)	3.768	1.078	567	-	5.413
Expected credit losses	(6)	(2)	(98)	-	(106)
Net carrying amount	3.762	1.076	469	-	5.307
Value of collateral	-	-	478	-	478
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.)

2022					
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	23.978	122	-	-	24.100
Satisfactory credit quality	5.610	32	-	-	5.642
Watch list (higher risk)	920	18.131	-	-	19.051
Default	-	-	2.126	-	2.126
Carrying amount (before provision for impairment losses)	30.508	18.285	2.126	-	50.919
Expected credit losses	(85)	(1.598)	(2.027)	-	(3.710)
Net Carrying Amount	30.423	16.687	99	-	47.209
Value of collateral	-	-	-	-	-
Undrawn loan agreements and credit limits					
Strong credit quality	103.088	242	-	-	103.330
Satisfactory credit quality	13.308	14.652	-	16	27.976
Watch list (higher risk)	674	3.560	-	-	4.234
Default	-	-	379	4	383
Carrying amount (before provision for impairment losses)	117.070	18.454	379	20	135.923
Expected credit losses	48	277	156	-	481
Net Carrying Amount	117.022	18.177	223	20	135.442
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:

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	-	-	-	298.992
Satisfactory credit quality	47.795	21.685	-	9.472	78.952
Watch list (higher risk)	4.254	48.204	-	20.051	72.509
Default	-	-	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 originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Consumer					
Strong credit quality	36.666	-	-	-	36.666
Satisfactory credit quality	7.104	3.154	-	1.650	11.908
Watch list (higher risk)	142	9.385	-	2.998	12.525
Default	-	-	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	-	-	-	-	0
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)	154.505	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.)

	Loans measured at fair value through profit or loss (FVPL)	
	31.12.2022	**31.12.2021**
Large Corporate		
Strong credit quality	13.807	16.415
Satisfactory credit quality	-	-
Watch list (higher risk)	-	-
Default	-	-
Carrying amount (before provision for impairment losses)	**13.807**	**16.415**
Expected credit losses	-	-
Carrying amount	**13.807**	**16.415**
Value of collaterals	14.589	16.153

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

	2022																				
	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	381.701	58.507	3.236	28.724	**472.168**	39.905	10.812	277	4.487	**55.481**	6.065	387	22	3	**6.477**	11.756	3.653	590	1.600	**17.599**
1 - 30 days	487	8.447	273	1.544	**10.751**	102	2.425	132	104	**2.763**	-	-	-	-	-	-	504	14	27	**545**
31 -60 days	-	2.759	1.144	288	**4.191**	-	448	97	75	**620**	-	108	11	-	**119**	-	273	-	-	**273**
61 -90 days	-	1.676	287	87	**2.050**	-	268	33	-	**301**	-	53	5	-	**58**	-	41	-	-	**41**
91 - 180 days	-	-	3.011	131	**3.142**	-	-	303	65	**368**	-	-	10	1	**11**	-	-	15	66	**81**
181 - 360 days	-	-	4.653	404	**5.057**	-	-	407	16	**423**	-	-	22	-	**22**	-	-	175	0	**175**
> 360 days	-	-	14.997	2.020	**17.017**	-	-	2.990	884	**3.874**	-	-	27	1	**28**	-	-	1.461	151	**1.612**
Total	**382.188**	**71.389**	**27.601**	**33.198**	**514.376**	**40.007**	**13.953**	**4.239**	**5.631**	**63.830**	**6.065**	**548**	**97**	**5**	**6.715**	**11.756**	**4.471**	**2.255**	**1.844**	**20.326**
Value of collaterals	362.976	64.290	25.617	29.118	**482.001**	20.795	6.867	3.534	4.051	**35.247**	1.250	78	18	-	**1.346**	8.952	2.941	2.170	1.503	**15.566**

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans

	2022																			
	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	Purchasd 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	256.926	113.739	1.778	-	372.443	3.762	1.052	423	-	5.237	-	-	-	-	-	-	-	-	-	-
1 - 30 days	232	23	-	-	255	-	24	-	-	24	-	-	-	-	-	-	-	-	-	-
31 -60 days	-	23.774	-	-	23.774	-	-	46	-	46	-	-	-	-	-	-	-	-	-	-
61 -909 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91 - 180 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
181 - 360 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
> 360 days	-	-	152	-	152	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**257.158**	**137.536**	**1.930**	-	**396.624**	**3.762**	**1.076**	**469**	-	**5.307**	-	-	-	-	-	-	-	-	-	-
Value of collaterals	165.773	119.007	1.933	-	286.712	3.438	1.046	478	-	4.962	-	-	-	-	-	-	-	-	-	-

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																			
	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	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	-	2830	1.121	121	4.072	-	371	107	8	486	-	67	6	-	73	-	207	19	-	226
61 -90 days	-	2090	827	-	2.917	-	210	189	202	601	-	15	-	-	15	-	149	108	-	257
91 - 180 days	-	-	2.623	303	2.926	-	-	250	2	252	-	-	16	-	16	-	-	88	-	88
181 - 360 days	-	-	7.218	615	7.833	-	-	385	70	455	-	-	20	-	20	-	-	281	14	295
> 360 days	-	-	4.496	1.333	5.829	-	-	2.385	817	3.202	-	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 -60 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61 -909 days	-	-	-	-	-	-	33	305	-	338	-	-	-	-	-	-	-	-	-	-
91 - 180 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
181 - 360 days	-	-	169	-	169	-	-	921	-	921	-	-	-	-	-	-	-	-	-	-
181 - 360 days	-	-	169	-	169	-	-	921	-	921	-	-	-	-	-	-	-	-	-	-
> 360 days	-	-	94	-	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 measured at fair value through profit or loss (FVPL)

31.12.2022			
	Loans measured at fair value through profit or loss (FVPL)		
	Corporate lending		Total
	Large	SME's	
Current	13.807	-	13.807
1 - 30 days	-	-	-
31 - 60 days	-	-	-
61 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 360 days	-	-	-
> 360 days	-	-	-
Total	**13.807**	**-**	**13.807**
Value of collaterals	14.589	-	14.589

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

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:

	2022									
	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 1.1.2022	**415.357**	**86.048**	**37.247**	**43.673**	**582.325**	**328.654**	**143.863**	**4.923**	**-**	**477.440**
Transfers to Stage 1 from Stage 2 or 3	32.498	(30.420)	(2.078)	-	-	19.030	(18.987)	(43)	-	-
Transfers to Stage 2 from Stage 1 or 3	(50.944)	65.771	(14.827)	-	-	(24.081)	24.291	(210)	-	-
Transfers to Stage 3 from Stage 1 or 2	(2.274)	(20.963)	23.237	-	-	(80)	(368)	448	-	-
New loans originated or purchased	54.339	-	-	944	55.283	73.356	143	-	-	73.499
Derecognition of loans	(939)	(1.225)	(165)	-	(2.329)	13	-	-	-	13
Interest on loans before impairment	12.592	2.687	1.735	1.272	18.286	10.420	6.019	179	-	16.618
Changes due to modifications that did not result in loans' derecognition	7	44	(23)	(2)	26	145	35	-	-	180
Write-offs	-	-	(588)	(14)	(602)	-	-	-	-	-
Repayments and other movements	(20.470)	(10.014)	(2.637)	(3.456)	- 36.577	- 146.053	(13.624)	(2.568)	-	- 162.245
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2022	**440.166**	**91.928**	**41.901**	**42.417**	**616.412**	**261.404**	**141.372**	**2.729**	**-**	**405.505**
Accumulated provision for impairment losses	(150)	(1.567)	(7.709)	(1.739)	(11.165)	(484)	(2.760)	(330)	-	(3.574)
Balance of loans 31.12.2022	**440.016**	**90.361**	**34.192**	**40.678**	**605.247**	**260.920**	**138.612**	**2.399**	**-**	**401.931**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Reconciliation of loans by IFRS 9 Stage (cont.)

	2022									
	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 1.1.2022	-	-	-	-	-	**195.301**	**21.206**	**3.371**	**41**	**219.919**
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	-	-	-	-	-	(47.722)	15.533	(866)	(21)	(33.075)
Transfer of accumulated provision for impairment losses to assets held for sale	-	-	-	-	-	-	-	-	-	-
Balance of loans 31.12.2022	-	-	-	-	-	**147.579**	**36.739**	**2.505**	**20**	**186.843**
Accumulated provision for impairment losses	-	-	-	-	-	(133)	(1.875)	(2.183)	-	(4.191)
Balance of loans 31.12.2022	-	-	-	-	-	**147.446**	**34.864**	**322**	**20**	**182.652**

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**	**282.124**	**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)
Disposal of assets	(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	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	-	-	-	-	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	-	-	-	-	(17)	9.008	6.052	2.387	10	17.457
Disposal of assets	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2021	-	-	-	-	-	**195.301**	**21.206**	**3.371**	**41**	**219.919**
Accumulated provision for impairment losses	-	-	-	-	-	(225)	(283)	(2.942)	(1)	(3.452)
Balance of loans 31.12.2021	-	-	-	-	-	**195.076**	**20.923**	**429**	**40**	**216.467**

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 1.1.2022	299	2.104	4.348	2.460	9.211	288	2.082	1.228	-	3.598
Transfers to Stage 1 from Stage 2 or 3	748	(566)	(181)	-	-	482	(481)	-	-	1
Transfers to Stage 2 from Stage 1 or 3	(259)	1.827	(1.568)	-	-	(215)	216	(1)	-	-
Transfers to Stage 3 from Stage 1 or 2	-	(600)	600	-	-	-	(23)	23	-	-
Net remeasurement of loss allowance	(616)	(138)	1.968	(265)	949	(365)	877	61	-	573
Impairment losses on new loans	3	-	-	(118)	(115)	30	-	-	-	30
Derecognition of loans	-	-	(121)	-	(121)	(8)	-	-	-	(8)
Loans initial recognition	-	-	-	150	150	-	-	-	-	-
Write-offs	-	-	(518)	(7)	(525)	-	-	-	-	-
Changes in risk parameters	43	(618)	1.979	(569)	835	131	(108)	(1.014)	-	(991)
Changes in methodology	(68)	(90)	251	40	133	65	294	3	-	362
Foreign exchange and other movements	-	(352)	673	(1)	320	76	(97)	(7)	-	(28)
Change in present value of the allowance	-	-	278	49	327	-	-	37	-	37
Transfers to assets held for sale – accumulated impairments	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2022	**150**	**1.567**	**7.709**	**1.739**	**11.165**	**484**	**2.760**	**330**	**-**	**3.574**

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 1.1.2021	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 measurement 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)	-	-	-	-	-
Loan initial recognition	-	-	-	819	819	-	-	-	-	-
Write-offs	-	-	(16.071)	(8.840)	(24.911)	-	-	-	-	-
Change in risk parameters	(145)	(456)	43.787	15.022	58.208	(2.097)	(234)	4.056	-	1.725
Change 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
Sale of financial assets – 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 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:

	2022				
	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 1.1.2022	195.301	21.206	3.371	41	219.919
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	(47.722)	15.533	(866)	(21)	(33.076)
Transfer to assets held for sale – accumulated impairments	-	-	-	-	-
Balance 31.12.2022	**147.579**	**36.739**	**2.505**	**20**	**186.843**
Accumulated impairments	(133)	(1.875)	(2.183)	-	(4.191)
Balance 31.12.2022	**147.446**	**34.864**	**322**	**20**	**182.652**

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 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 1.1.2022	225	284	2.942	1	3.452
Change in risk parameters	(92)	1.592	(759)	(1)	740
Balance 31.12.2022	133	1.876	2.183	-	4.192

	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	-	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

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

Analysis of received guarantees and collaterals

31.12.2022						
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	505.884	27.986	289	534.159	-	-
Corporate lending	228.069	5.841	57.764	291.674	-	14.589
Public sector	-	-	-	-	-	-
Total	733.953	33.827	58.053	825.833	-	14.589

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.)

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:

	31.12.2022	31.12.2021
	Loans measured at amortised cost	
	€΄000	€΄000
< 50%	64.305	62.836
50% - 70%	76.550	64.500
71% - 80%	90.107	61.713
81% - 90%	99.105	81.372
91% - 100%	56.070	57.809
101% - 120%	44.065	47.876
121% - 150%	35.911	44.183
> 150%	56.647	64.991
Total exposure	**522.761**	**485.281**
Simple average LTV (%)	109,90%	112,59%

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Credit Risk mitigation techniques (cont.)

REPOSSESSED ASSETS

	31.12.2022						
	Balance					Disposals during the year	
	Value of collaterals repossessed 31.12.2022 €´000	of which in 2022 €´000	Accumulated impairment allowance 31.12.2022 €´000	of which in 2022 €´000	Carrying amount of collaterals repossessed 31.12.2022 €´000	Net disposal value €´000	Net gain/(loss) on disposal €´000
Real estate	1.990	-	356	(137)	1.634	3.480	(51)

	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

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 € 8.800 thousand (2021: € 11.210 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

	31.12.2022							
		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	**-**	**394.739**	**75.693**	**30.548**	**38.166**	**539.146**	**7.342**	**531.804**
Mortgage	-	336.991	56.111	22.338	30.399	445.839	4.563	441.276
Consumer	-	39.959	14.504	5.388	5.843	65.694	2.091	63.603
Credit cards	-	6.019	559	228	7	6.813	159	6.654
Small Business Loans	-	11.770	4.519	2.594	1.917	20.800	529	20.271
Corporate lending	**-**	**103.413**	**141.209**	**2.671**	**-**	**247.293**	**3.513**	**243.780**
Financial institutions	-	14.484	615	-	-	15.099	1	15.098
Manufacturing	-	11.781	66	153	-	12.000	113	11.887
Construction and real estate	-	24.101	107.933	2.114	-	134.147	490	133.658
Wholesale and retail trade	-	37.849	9.974	404	-	48.227	552	47.675
Transportation	-	70	95	-	-	165	11	154
Shipping	-	134	-	-	-	134	-	134
Hotels - Tourism	-	659	21.320	-	-	21.979	1.964	20.015
Services and other sectors	-	14.335	1.206	-	-	15.542	382	15.159
Public sector	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**498.152**	**216.902**	**33.219**	**38.166**	**786.439**	**10.855**	**775.584**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2022							
		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	-	55	153	-	-	208	-	208
Mortgage	-	-	153	-	-	153	-	153
Consumer	-	39	-	-	-	39	-	39
Credit cards	-	15	-	-	-	15	-	15
Small Business Loans	-	-	-	-	-	-	-	-
Corporate lending	**13.807**	**65.945**	**163**	**58**	**-**	**66.167**	**46**	**66.119**
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	13.807	21.460	-	-	-	21.460	1	21.459
Construction and real estate	-	169	-	-	-	169	-	169
Wholesale and retail trade	-	1.524	163	50	-	1.737	13	1.723
Transportation	-	-	-	-	-	-	-	-
Shipping	-	-	-	-	-	-	-	-
Hotels - Tourism	-	16.955	-	8	-	16.963	14	16.949
Services and other sectors	-	25.837	-	1	-	25.838	19	25.819
Public sector	-	-	-	-	-	-	-	-
Total	**13.807**	**65.999**	**316**	**59**	**-**	**66.374**	**47**	**66.327**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region (cont.)

	31.12.2022							
		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	-	**45.372**	**16.082**	**11.352**	**4.251**	**77.057**	**3.823**	**73.234**
Mortgage	-	45.265	16.018	11.350	4.136	76.769	3.821	72.948
Consumer	-	68	4	2	115	189	2	187
Credit cards	-	39	5	-	-	44	-	44
Small Business Loans	-	-	55	-	-	55	-	55
Corporate lending	-	**92.047**	-	-	-	**92.047**	**14**	**92.033**
Financial institutions	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Construction and real estate	-	36.661	-	-	-	36.661	13	36.648
Wholesale and retail trade	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Shipping	-	55.386	-	-	-	55.386	1	55.385
Hotels - Tourism	-	-	-	-	-	-	-	-
Services and other sectors	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Total	-	**137.419**	**16.082**	**11.352**	**4.251**	**169.104**	**3.837**	**165.267**

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 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	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.)

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.

		31.12.2022				
	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	12.059	4.208	3.066	1.446	19.333	-
Corporate lending	10.681	5.764	253	-	16.698	437
Total interest income	**22.740**	**9.972**	**3.319**	**1.446**	**36.031**	**437**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Interest income from loans by loan category and IFRS 9 Stage

	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.)

FORBORNE LOANS
Analysis of forborne loans by type of forbearance measure

	31.12.2022	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
	€´000	€´000
Interest only payment	-	67.749
Reduce payments scheme	-	10.010
Grace period	-	10.965
Loan term extension	-	9.562
Arrears capitalization	-	59.830
Partial write-off in borrowers' obligations	-	16.256
Other	-	163
Total net amount	-	**174.534**

	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**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Forborne loans by geographical region

Loans measured at amortised cost		
	31.12.2022	**31.12.2021**
	€´000	€´000
Cyprus	169.449	215.108
Other countries	5.085	9.426
Total net amount	**174.534**	**224.534**

During the year 2022 and 2021, 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 1.1.2022	-	224.534
Forbearance measures during the year	-	3.121
Interest income	-	8.240
Repayment of loans (partial or total)	-	(16.949)
Loans that exited forbearance status during the year	-	(44.876)
Impairment losses	-	(16)
Remeasurement of fair value	-	-
Loans that exited forbearance status during the year due to disposal	-	-
Other movements	-	480
Balance 31.12.2022	-	**174.534**

	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**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Forborne loans according to their credit quality

	31.12.2022		
	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	13.807	-	0%
Total carrying amount	**13.807**	**-**	**0%**
Value of collaterals	14.589	-	0%
Loans measured at amortised cost			
Stage 1	701.569	-	0%
Stage 2	233.300	140.185	60%
Stage 3	44.632	21.694	49%
Purchased or originated credit impaired loans (POCI)	42.416	19.979	47%
Carrying amount (before provision for impairment losses)	**1.021.917**	**181.858**	**18%**
Stage 1- Accumulated provision for impairment losses	633	-	0%
Stage 2- Accumulated provision for impairment losses	4.327	2.651	61%
Stage 3- Accumulated provision for impairment losses	8.039	3.175	39%
Accumulated provision for impairment losses for purchased or originated credit impaired loans (POCI)	1.740	1.498	86%
Total net carrying amount	**1.007.178**	**174.534**	**17%**
Value of collaterals	825.833	156.283	19%

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	16.412	-	0%
Total carrying amount	**16.412**	-	0%
Value of Collaterals	16.153	-	0%
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.)
Financial instruments credit risk – Analysis by industry sector

	31.12.2022										
	Financial institutions 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:	1.063.071	-	-	-	-	-	-	-	-	-	**1.063.071**
Balances with Central Bank	213.280	-	-	-	-	-	-	-	-	-	**213.280**
Due from banks	15.100	33.459	170.977	49.963	-	165	55.519	38,942	41.380	616.412	**1.021.917**
Loans and advances to customers measured at amortised cost	-	13.807	-	-	-	-	-	-	-	-	**13.807**
Loans and advances to customers measured at fair value through profit or loss	70	-	-	-	-	-	-	-	-	-	**70**
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	**-**
Investment securities – measured at fair value through other comprehensive income	4.435	-	-	-	-	-	-	-	-	-	**4.435**
Investment securities – measured at fair value through profit or loss	162.135	14.592	994	-	303.566	5.124	2.475	-	89.418	-	**578.304**
Investment securities – measured at amortised cost	70.105	-	-	-	-	-	-	-	-	-	**70.105**
Other balance sheet items not exposed to credit risk											
Credit risk exposure relating to off-balance sheet items:											
Letters of guarantee, letters of credit and other guarantees	952	1.482	12.398	28.525	-	32	41	-	5.858	1.632	**50.920**
Undrawn loan agreements and credit limits	474	11.306	16.580	23.154	-	430	1.211	-	15.438	67.330	**135.923**
Total amount of off-balance sheet items exposed to credit risk	1.427	12.788	28.978	51.679	-	463	1.251	-	21.296	68.961	**186.843**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)
Financial instruments credit risk – Analysis by industry sector

	31.12.2021										
	Financial institutions 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		16.412									**16.412**
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.)

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 31.12.2022 per IFRS 9 Stage and credit rating.

	31.12.2022				
	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-	1.063.071	-	-	-	1.063.071
Lower than BBB-	-	-	-	-	-
Unrated	1.063.071	-	-	-	1.063.071
Carrying amount (before allowance for impairment losses)	-	-	-	-	-
Expected credit losses	1.063.071	-	-	-	1.063.071
Net carrying amount	-	-	-	-	-
Value of collateral	-	-	-	-	-
Due from banks	-	-	-	-	-
AAA	5.340	-	-	-	5.340
AA+ to AA-	672	-	-	-	672
A+ to A-	-	-	-	-	-
BBB+ to BBB-	207.263	-	-	-	207.263
Lower than BBB-	4	-	-	-	4
Unrated	213.280	-	-	-	213.280
Carrying amount (before allowance for impairment losses)	(49)	-	-	-	(49)
Expected credit losses	213.231	-	-	-	213.231
Net carrying amount	-	-	-	-	-
Value of collateral	-	-	-	-	-
Securities measured at fair value through other comprehensive income	-	-	-	-	-
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-
Lower than BBB-	5.118	-	-	-	5.118
Unrated	5.118	-	-	-	5.118
Carrying amount (before allowance for impairment losses)	-	-	-	-	-
Expected credit losses	5.118	-	-	-	5.118
Net carrying amount	-	-	-	-	-
Value of collateral	-	-	-	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Other financial instruments subject to credit risk – analysis per rating

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost					
AAA	40.914	-	-	-	40.914
AA+ to AA-	12.219	-	-	-	12.219
A+ to A-	136.004	-	-	-	136.004
BBB+ to BBB-	131.254	-	-	-	131.254
Lower than BBB-	229.162	-	-	-	229.162
Unrated	28.750	-	-	-	28.750
Carrying amount (before allowance for impairment losses)	578.304	-	-	-	578.304
Expected credit losses	(682)	-	-	-	(682)
Net carrying amount	577.622	-	-	-	577.622
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
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 amortized cost					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	51.741	-	-	-	51.741
BBB+ to BBB-	75.845	-	-	-	75.845
Lower than BBB-	50.727	-	-	-	50.727
Unrated	-	-	-	-	-
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	-	-	-	-	-

Trading portfolio – Derivative financial assets – Securities measured at fair value through profit or loss- Analysis per rating

	2022	2021
	€´000	€´000
Derivative financial assets		
AAA	-	-
AA+ to AA-	-	-
A+ to A-	-	-
BBB+ to BBB-	70	74
Lower than BBB-		
Unrated	-	-
Carrying amount (before allowance for impairment losses)	**70**	**74**
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:

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 31.12.2022					
Carrying amount (before allowance for impairment losses)	213.280	-	-	-	213.280
Expected credit losses	(49)	-	-	-	(49)
Net carrying amount	**213.231**	-	-	-	**213.231**

	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**

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.

	31.12.2022									
	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 1.1.2022	**228.631**	-	-	-	**228.631**	**353.777**	-	-	-	**353.777**
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	5.280.016	-	-	-	5.280.016	49.045	-	-	-	49.045
Derecognition of financial assets	(5.297.484)	-	-	-	(5.297.484)	-	-	-	-	-
Interest on carrying amount before impairment	2.028	-	-	-	2.028	(4.422)	-	-	-	(4.422)
Changes due to modifications that did not result in derecognition	-	-	-	-	-	626	-	-	-	626
Write-off	-	-	-	-	-	(508)	-	-	-	(508)
Repayments foreign exchange and other movements	89	-	-	-	89	(96.733)	-	-	-	(96.733)
Reclassification of bonds to amortized cost						(296.666)				(296.666)
Balance 31.12.2022	**213.280**	**-**	**-**	**-**	**213.280**	**5.118**	**-**	**-**	**-**	**5.118**

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

	31.12.2021									
	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.)

Investment securities measured at fair value through other comprehensive income

The following table presents the analysis by IFRS 9 Stages and issuer's category:

	31.12.2022				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	**-**	**-**	**-**	**-**	**-**
Expected credit losses	-	-	-	-	-
Fair value	-	-	-	-	-
Other bonds	**-**	**-**	**-**	**-**	**-**
Expected credit losses	-	-	-	-	-
Fair value	-	-	-	-	-
Other securities	**-**	**-**	**-**	**-**	**-**
Expected credit losses	-	-	-	-	-
Fair value	-	-	-	-	-
Total securities measured at fair value through other comprehensive income	-	-	-	-	-
Expected credit losses	-	-	-	-	-
Fair value	-	-	-	-	-

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Investment securities measured at fair value through other comprehensive income

	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.)

Reconciliation of the accumulated impairment allowance

	31.12.2022									
	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 1.1.2022	**(88)**	-	-	-	**(88)**	**(626)**	-	-	-	**(626)**
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	-	-	-	-	-	48	-	-	-	48
Derecognition of financial assets	-	-	-	-	-	578	-	-	-	578
Foreign exchange and other movements	39	-	-	-	39	-	-	-	-	-
Balance 31.12.2022	**(49)**	-	-	-	**(49)**	-	-	-	-	-

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	-	-	-	-	-	240	-	-	-	240
Derecognition of financial assets	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	143	-	-	-	143		-	-	-	
Balance 31.12.2021	**(88)**	-	-	-	**(88)**	**(626)**	-	-	-	**(626)**

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:

	31.12.2022				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	164.914	-	-	-	164.914
Expected credit losses	(135)	-	-	-	(135)
Fair value	164.779	-	-	-	164.779
Other bonds	413.390	-	-	-	413.390
Expected credit losses	(547)	-	-	-	(547)
Fair value	412.843	-	-	-	412.843
Total securities measured at amortised cost	578.304	-	-	-	578.304
Expected credit losses	**(682)**	-	-	-	**(682)**
Fair value	**577.622**	-	-	-	**577.622**

	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**

38. RISK MANAGEMENT (cont.)
38.1 Credit risk (cont.)

Reconciliation of the accumulated impairment loss for securities measured at amortised cost

	31.12.2022				
	Due from banks				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€´000	€´000	€´000	€´000	€´000
Balance 1.1.2022	**(284)**	**-**	**-**	**-**	**(284)**
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	(398)	-	-	-	(398)
Derecognition of financial assets	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance 31.12.2022	**(682)**	**-**	**-**	**-**	**(682)**

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.)

Exposure to Cyprus Government

	31.12.2022	
	€΄000	€΄000
Portfolio type	**Nominal value**	**Carrying value**
Investment securities measured at fair value through other comprehensive income	-	-
Total	-	-

	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		

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.

During 2022, the war in Ukraine and the energy crisis created a highly uncertain global outlook which put the economy on a path of lower growth and higher inflation. In order to deal with inflationary pressures, the Federal Reserve Bank of the USA (Federal Reserve) increased the key interest rate from 0.25% to 4.5%, while the ECB respectively set the key lending rate to 2.5% from 0% and the deposit rate to 2% from negative -0.50%.

The higher interest rate environment is expected to bring about an increase in interest income resulting in an improvement in the Net Interest Margin. It is estimated that a 200 basis point increase in interest rates could increase net interest income by 25-25%, depending on the rate of adjustment of customer deposit rates.

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. As of 31.12.2022, all the Bank's securities are valued at amortized cost. 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.	16.157	-
-200 b.p.	-17.777	-

The following table presents the Interest Rate Redetermination Analysis for all Assets and Liabilities.

38. RISK MANAGEMENT (cont.)

38.2 Market risk (cont.)

38.2.1 INTEREST RATE RISK AS AT 31 DECEMBER 2022 (cont.)

31.12.2022	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	1.063.071	-	-	-	-	-	15.608	1.078.679
Due from banks	10.095	203.136	-	-	-	-	-	213.231
Investment securities measured at fair value through other comprehensive income	-	-	-	-	-	-	5.118	5.118
Investment securities measured at fair value through profit or loss	-	-	-	-	-	-	4.435	4.435
Investment securities measured at amortised cost	38.978	11.056	893	40.695	413.800	72.200	-	577.622
Derivative financial assets	70	-	-	-	-	-	-	70
Loan and advances to corporates	125.431	255.054	42.127	572	3.865	914	-	427.963
Loans and advances to individuals	164.850	332.186	51.887	6.316	34.163	3.620	-	593.022
Property, plant and equipment, Intangible assets and investment property	-	-	-	-	-	-	38.125	38.125
Deferred tax assets, other assets and repossessed assets	-	-	-	-	-	-	15.401	15.401
Non-current assets held for sale	-	-	-	-	-	-	-	-
TOTAL ASSETS	**1.402.495**	**801.432**	**94.907**	**47.583**	**451.828**	**76.734**	**78.687**	**2.953.666**
Due to banks	125.696	5.477	1	-	24.051	2.777	73	158.075
Due to customers	866.240	141.998	206.252	336.548	570.283	312.006	-	2.433.327
Subordinated bonds	-	-	-	-	90.074	-	-	90.074
Derivative financial liabilities	2.296	-	-	-	-	-	-	2.296
Other liabilities and provisions	-	-	-	-	-	-	42.830	42.830
TOTAL LIABILITIES	**994.232**	**147.475**	**206.253**	**336.548**	**684.408**	**314.783**	**42.903**	**2.726.602**
EQUITY								
Share capital							180.694	180.694
Convertible capital securities							64.000	64.000
Share premium							102.911	102.911
Reserved							600	600
Retained earnings							(121.141)	(121.141)
Total Equity							**227.064**	**227.064**
Total Liabilities and Equity	**994.232**	**147.475**	**206.253**	**336.548**	**684.408**	**314.783**	**269.967**	**2.953.666**
OPEN EXPOSURE	**408.263**	**653.957**	**(111.346)**	**(288.965)**	**(232.580)**	**(238.049)**	**(191.280)**	**0**
CUMULATIVE EXPOSURE	**408.263**	**1.062.220**	**950.874**	**661.909**	**429.329**	**191.280**	**0**	**0**

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 bearing	Total
ASSETS	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Cash and available at 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 instruments	74							74
Loans 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.)

38.2.2 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 2022 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) 31.12.2022							
	USD	**GBP**	**JPY**	**CHF**	**Other**	**Euro**	**Total**
Total assets	96.083	34.603	1.028	41.765	2.782	2.777.405	2.953.666
Total liabilities and equity	161.739	30.149	140	5.245	7.292	2.749.101	2.953.666
On balance sheet fx position	(65.657)	4.454	888	36.520	(4.510)	28.305	0
Derivative forward foreign exchange position	65.629	(4.510)	(889)	(36.559)	4.756	(28.427)	0
Total Foreign exchange position	**(28)**	**(56)**	**(1)**	**(39)**	**246**	**(122)**	**0**

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)**	

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 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.

The reports that are prepared on a periodic basis for the information of the senior executives of the Administration as well as for the decision-making of the Asset-Liability Management Committee, concern the Static Analysis of Liquidity Maturities, the monitoring of the Liquidity supervisory ratios (LCR and NSFR), the monitoring of the changes 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.

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).

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk (cont.)

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 defined by the Regulation (EU) 575/2013 and in accordance with the instructions of the Central Bank of Cyprus.
On 31.12.2022 the two indicators (LCR and NSFR) exceeded the minimum acceptable supervisory threshold (100%) with the Liquidity Coverage Ratio (LCR) amounting to 191,7% and the Net Stable Funding Ratio (NSFR) amounting to 209,9%.

During 2022, all the supervisory liquidity ratios fluctuated beyond the minimum supervisory limit.

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.

2022	**31/12/2022 %**	**Year highest %**	**Year lowest %**	**Year average %**	**Regulatory limit 31.12.2022 %**
Liquidity coverage ratio (LCR)	191,66	221,67	173,42	196,55	100

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

38. RISK MANAGEMENT (cont.)

38.3 Liquidity risk (cont.)

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.

2022	31.12.2022%	Year highest %	Year lowest %	Year average %	Regulatory limit 31.12.2022 %
Net Stable Funding Ratio (NSFR)	209,88	209,88	182,51	196,02	100,00

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
31.12.2022							
Assets	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	
Cash and balances with Central Banks	1.078.679	1.044.417	1.986	2.911	5.063	24.302	1.078.679
Due from banks	213.231	10.095	203.136	-	-	-	213.231
Investment securities measured at fair value through other comprehensive income	5.118					5.118	5.118
Investment securities measured at fair value through profit or loss	4.435	-	-	-	-	4.435	
Investment securities measured at amortised cost	577.622	38.978	1.056	893	35.695	501.000	
Derivative financial assets	70	70					
Loans and advances to customers net of impairments	1.020.985	50.661	47.133	41.469	44.494	837.228	
Investment in Subsidiaries							
Investment properties	8.800	6	11	17	34	8.732	
Property, plant and equipment	23.461	65	130	196	391	22.679	
Intangible assets	4.230	12	24	35	71	4.088	
Deferred tax asset	6.819	19	38	57	114	6.591	
Other assets and repossessed assets	10.216	409	818	1.226	2.453	5.310	
Non-current assets held for sale	-	-	-	-	-	-	
	2.953.666	**1.144.732**	**254.332**	**46.804**	**88.315**	**1.419.483**	
Liabilities							
Subordinated bonds	90.074	-	-	-	3.011	93.159	96.170
Due to banks	158.075	126.774	5.565	155	303	27.936	160.733
Due to customers	2.433.327	858.476	142.503	207.003	338.029	890.867	2.436.878
Derivative financial liabilities	-						-
Inflows	-	(114.347)	-	-	-	-	(114.347)
Outflows	-	112.195	-	-	-	-	112.195
Other liabilities	39.853	39.953	-	-	-	-	39.853
Lease liabilities	2.977					2.977	2.977
Total liabilities	**2.724.306**	**1.022.839**	**148.068**	**207.158**	**341.342**	**1.014.939**	**2.734.346**
Off Balance Sheet items							
Letter of guarantees	48.534	13.954	5.510	2.554	19.732	6.784	48.534
Undrawn Credit facilities	135.923	27.184	-	-	-	108.739	135.923
	184.457	**41.138**	**5.510**	**2.554**	**19.732**	**115.523**	**184.457**

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
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.)

38.4 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 2022, as part of the ongoing effort to strengthen the Operational Risk Management Framework, the replacement of the existing Operational Risk event registration system (OnesumX) with a more advanced, user-friendly and multi-functional infrastructure was completed. An ICT and Security Risk Management Framework was also developed.

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.

At the same time, for more effective monitoring of the Bank's Operational Risk, the process of a broader revision of the operational risk monitoring indicators (KRI's) is underway.

38. RISK MANAGEMENT (cont.)

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.

38.6 Pledge of financial assets

During 2022, the pledge of all "Loans and claims against customers" held in favor of Alpha Bank SA was eliminated. (31.12.2021: €86 million).

The Group maintains restricted deposits amounting to €22.911 thousand (2021 : €22.018) relating to the Bank's obligation to maintain deposits with the Central Bank of Cyprus for liquidity purposes.

38.7 Offsetting financial assets / liabilities

At 31 December 2022 there were derivative transactions amounting to receivables of €70 thousand (2021 : €74 thousand) and payables amounting to Euro 2.296 thousand (2021 : €557 thousand) 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 2022 and 2021 has received cash collateral which covered the exposure.

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 30 June 2023 has the sole purpose of supporting the transition of existing products (legacy products).

The Group took all the necessary measures for the preparation and transition from 2021. The transition was completed smoothly on 1.1.2022.

38. RISK MANAGEMENT (cont.)

38.8 Disclosures on interest rate benchmark reform (cont.)

The transition to the new IBOR interest rates has no 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, i.e. 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 the recognition of a profit or loss modification in the income statement but to a recalculation of the interest rate.

The table below presents the Group's exposure to the reference interest rate on financial assets that, as of 31.12.22, have not yet switched to the alternative reference interest rates.

	Amount in Euro 000s
Currency	Customer loans
USD	65.696

39. ECONOMIC ENVIRONMENT

Cyprus economy

Achievements

Despite the initial shocks caused to the economy by the start of the war in Ukraine, the Cypriot economy, according to the European Commission, showed a growth of 5.8% in 2022 and remained close to the levels of 2021 when it had grown by 6.6%. Despite rising inflation, private consumption remained strong, supported by rising employment and wages, and supported by targeted government measures to offset high energy prices. Tourism also played a role as arrivals recovered ground lost during the pandemic and reached 80% of 2019 levels. In addition, exports of services increased significantly.

According to the rating agency Fitch, which in March 2023 upgraded the Cypriot economy by one notch from BBB- to BBB, public finances improved significantly in 2022, with the general government balance sheet turning from a deficit of 1.7% of GDP in 2021 to a surplus of 2.3%, well above the house's forecast of a small deficit in its previous revision in September 2022. Consistent with the house, strong nominal GDP growth and a much improved fiscal position translate into a sharp decline in the index of public debt to GDP in 2022, to 86.5%, from 101.1% in 2021.

The unemployment rate for 2022 fell to 6.9% compared to 2021 levels of 7.5%.

According to the European Commission, inflation reached 8.1% in 2022, fueled by high energy prices as well as a lack of supply.

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

Forecasts
According to the new winter forecasts of the European Commission, the economic climate between consumers and businesses slightly improved in January 2023. The improved economic prospects among Cyprus' trading companies are expected to further support tourism, which is anticipated to almost reach the level of 2019. The 50% nominal wage adjustment implemented in January 2023 is expected to somewhat support purchasing power. However, the increase in interest rates is expected to negatively affect corporate investments and housing construction. The increased prices and the stricter monetary policy are expected to impact the growth of real GDP, which is forecasted to slow down to 1.6% in 2023 before accelerating to 2.1% in 2024.
Inflation is forecast to moderate over the forecast horizon as falling gas and oil prices dampen energy inflation and supply disruptions ease further. Conversely, wage inflation is expected to put some upward pressure on core inflation. Overall, inflation is forecast to be at 4% in 2023 and 2.5% in 2024.

According to Fitch's forecasts, the public debt ratio will further decrease in the next two years, to 81.3% in 2024, with a further decrease to 73% in 2027.

Referring to the Cypriot economy, Standard and Poor's points out that despite the current global economic difficulties, the medium-term growth prospects of the Cypriot economy remain stable. Despite the relatively strong economic and financial ties with Russia prior the war, Cyprus' economy is estimated to have grown by around 6% in 2022.
According to Standard and Poor's, the economy's medium-term outlook remains relatively strong because:

39. ECONOMIC ENVIRONMENT

Cyprus economy (cont.)

Economic activity is expected to strengthen by an average of 2.8% annually in 2023-2025 and the cost-of-living variation, which partially adjusts wages by 50% of the inflation rate, will moderate the impact of higher prices.
Net exports will continue to grow, mainly due to the information and communication technology and tourism and as authorities work to diversify tourism source markets with major projects underway, particularly related to the development of marinas and an integrated casino resort , which could brighten the industry's prospects.
In addition, the disbursement of funds from the EU's Resilience and Recovery Mechanism and related structural reforms included in the country's recovery plan will support economic activity.
The country is set to receive €1.21 billion (4.5% of GDP) by 2026, including €1.06 billion in grants, if it implements the agreed reforms. The European Commission has disbursed €85 million in 2022. Cyprus plans to use these funds to support a green and digital transition.

Participation in the Development and Resilience Program 2021-2026 amounting to €1.2 billion. contributes positively to the development of the economy. Estimates indicate that the program will generate GDP growth of 3% in 2022-2023 and 7% in 2024-2026. Employment is also expected to increase by 2.5%.

Finally, it is pointed out that any developments at the political level will clearly affect the climate in the economy accordingly.

Banking environment

Challenges and uncertainties

The main challenge for the banking system remains the high rate of non-performing loans grants. Despite the drastic reduction of the index from 28% in 2019 to 10.5% in 2022, this still comparatively higher than the European average.

Amid a more uncertain global environment, higher for a longer period of time and lower disposable income for the private sector, some deterioration in asset quality is expected in the coming quarters. However, the deterioration is expected to be manageable given that Cypriot banks' provisions have strengthened and credit standards are tighter than a decade ago.
In addition, the government's rent-to-installment scheme could help limit the deterioration of asset quality.

In addition, Cypriot banks have reduced their dependence on deposits abroad and liquidity in the system is sufficient. Foreign deposits accounted for about 16% of total deposits at the end of 2022, up from over 38% at the end of 2012.
A rise in interest rates will boost banks' net interest income because loan portfolios are highly volatile. However, rising interest rates may increase the pressure on borrowers to service their loans.
Banks will continue to invest in reducing their operational structure while enhancing digital transformation.

Despite the reduction in non-performing loans, financial sector challenges remain, as both high non-performing loan percentages and high private debt still exist.

The gradual implementation until 2024 of the new European requirement to meet the Minimum Requirement for own funds and Eligible Liabilities (MREL) index may put pressure on banks' Balance Sheets. The banking sector will also have to deal with the consequences that will be caused by the expected withdrawal of the relaxations granted by the European Central Bank during the pandemic.

39. ECONOMIC ENVIRONMENT

• Greek Economy – Operating Environment of Parent Company

The growth momentum in 2022 reflects the resilience of the Greek economy in the face of adverse external developments, following the war in Ukraine, disruptions in supply chains and inflationary pressures. According to the latest data from ELSTAT, real GDP increased by 5.9%. Economic growth was driven primarily by private consumption, which grew by 7.8% in 2022, contributing 5.3 points to the annual GDP growth rate, supported by high propensity to consume in the post-pandemic era, accumulation of savings during the pandemic and the remarkable rise in employment.
Inflation, based on the Harmonized Index of Consumer Prices (HICP), remained on an upward trajectory in the first two months of 2022, accelerating after the outbreak of the war, while decelerating in the last quarter of the year. The HICP increased by an average of 9.3% in 2022, compared to an increase of 0.6% in 2021, primarily due to rising global energy prices - given that Greece is a net energy importer -, disruptions in supply chains and shortages in raw materials.

In 2023, harmonized inflation is expected to be 4.5% according to the European Commission (European Economic Forecast, Winter, February 2023) and 5% according to the Ministry of Finance (State Budget 2023).
The GDP growth rate is expected to slow down in 2023, due to the adverse effects of inflationary pressures on the purchasing power of European citizens affecting private consumption and exports services. However, investments within the framework of the Recovery and Resilience Facility (EUR 7 billion) and the Public Investment Program (EUR 8.3 billion), along with a strong increase in Foreign Direct Investments (FDI), are estimated to maintain a positive GDP growth rate in 2023. The European Commission (European Economic Forecast, Winter, February 2023) and the Organization for Economic Co-operation and Development (OECD 2023 Economic Survey of Greece, January 2023) predict a GDP increase of 1.2% and 1.1% for 2023, while the State Budget 2023 estimates it at 1.8%.
However, it is noted, that the high degree of uncertainty prevailing in the international environment may adversely affect the Greek economy in the short term. The main uncertainty factors are as follows:

- External demand and tourism revenues, in correlation with the global economic situation and the purchasing power of European households. Prospects for the global economy have worsened compared to previous estimates. The increased production costs, primarily due to problems in the supply chain and energy price hikes, have burdened business finances, and the inevitable pass-through to consumers has limited the purchasing power of households. Therefore, a significant risk for the Greek economy in the coming year is the potential weakening of external demand, primarily for services, i.e., for the Greek tourism product, and secondarily for goods.

-Geopolitical developments and inflationary pressures: The continuation and outcome of the war in Ukraine can undoubtedly affect the European economies, as the conflict in the territories of the European continent, as well as the energy dependence on Russia, have led to a sharp increase in energy prices. However, it is noted, that concerns about Europe's energy sufficiency for this winter have eased. The high filling rate of natural gas storage tanks in Europe, the initiatives taken at European level to reduce natural gas consumption and the relatively mild weather conditions have contributed to this.

-A sharp increase in interest rates and consequently the cost of borrowing for households and businesses, which could potentially delay the implementation of investment plans.

-Risks arising from the speed of absorption of the funds of the Recovery and Resilience fund and the implementation of the program, as well as possible delays in the implementation of the reforms.

In April 2022 and January 2023, Standard & Poor's and Fitch upgraded Greece's credit rating by one notch from BB to BB+ with a stable outlook (one notch below investment grade).

40. FAIR VALUE

Fair value of financial assets and liabilities measured at amortized cost

	2022		2021	
	Fair value €´000	Carrying amount €´000	Fair value €´000	Carrying amount €´000
Cash and balances with central banks	1.134.340	1.078.679	1.063.153	1.064.833
Due from banks	209.881	213.231	227.201	228.631
Securities measured at amortised cost	529.738	577.622	177.637	178.028
Loans and advances to customers	1.030.527	1.007.178	1.062.075	1.046.959
Due to customers	2.300.504	2.433.327	2.201.887	2.284.902
Debt securities in issue	88.373	90.074	88.511	90.074
Due to banks	169.300	158.075	455.242	464.212

The above table presents the fair value of financial assets valued at amortized cost as well as 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 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

2022	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Loans and advances to customers			13.807	13.807
Derivative financial assets		70		70
Securities measured at fair value through profit or loss – Shares		4.435		4.435
Securities measured at fair value through other comprehensive income				
-Bonds and treasury bills	-	-		-
-Shares			5.118	5.118
Derivative financial liabilities		2.296		2.296

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

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.

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value (cont.)

	2022				
	Level 1	Level 2	Level 3	Total fair value	Total book value
	€´000	€´000	€´000	€´000	€´000
Securities measured at amortised cost	380.174	149.564	-	529.738	577.622

	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

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.

To determine the fair value of the Bank's investment in JCC Payments Systems Limited at level 3, a valuation method based on the company's net worth has been used. In the scenario where the net worth of the company JCC Payments Systems Limited changes positively by 10%, then the effect on the net worth of the Group is expected to be positive by Euro 0,5 million. Accordingly, in the case of a negative change in the net worth of the company, is expected to have a negative impact on the Group's net worth by Euro 0,5 million.

In the case of loans valued at fair value through profit or loss, in the scenario of a 10% reduction in expected cash flows, the negative effect on the operating results is estimated at Euro 1.381 thousand. (2021: Euro 1.642 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:

2022	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
	€´000	€´000
Opening Balance	**16.415**	**5.171**
Disbursements	-	-
Interest income	436	-
Repayments	(2.001)	
Total gain or loss recognized in Income Statement	(1.043)	-
Total gain or loss recognized in directly in equity	-	(53)
Balance 31.12.2022	**13.807**	**5.118**

2021	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
	€´000	€´000
Opening Balance 1.1.2021	**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	-	10
Repayments	(239)	-
Balance 31.12.2021	**16.415**	**5.171**

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.

In accordance with the above framework for the calculation of the capital adequacy ratio, the transitional provisions are followed as they apply. Additionally:

- In addition to the 8% limit for the Capital Adequacy Ratio, limits of 4.5% apply for the common equity capital ratio and 6% for the Tier I Capital ratio.
- It is planned to maintain, from 1.1.2019, a capital conservation buffer (CCB) of 2.5% in addition to the capital of common shares.
- It is planned to maintain, from 1.1.2019 and gradually until 1.1.2023, a capital security reserve, in addition to the capital of common shares. Particularly:
- from 1.1.2019 the safety reserve of other systemically important institutions (O−SII) applies. From a communication made in November 2021 by the Central Bank of Cyprus, the reserve ratio of systemically important institutions (O-SII) for the Group was set at 0.25% and remains in effect for the year 2023.
- The Central Bank of Cyprus, in a letter dated December 2022, determined the amount of the counter-cyclical buffer (CCyB) at 0.5% in Cyprus, which will be effective from 30.11.2023. The relevant safety margin for the Group is estimated at approximately 0.30%.

41. CAPITAL ADEQUACY (cont.)

Supervisory Review and Evaluation Process (SREP)

The ECB informed the Group that for the year 2022, according to the Supervisory Review and Evaluation Process (SREP), the minimum limit for the Total Capital Requirements (OCR) remains 13.75%, unchanged from in 2021. The OCR for 2022 includes the Capital Conservation Buffer (CCB) of 2.50%, the Other Systemically Important Institutions (O-SII) buffer of 0.25% and the Countercyclical Capital Buffer (CCyB) of 0.00%. The OCR consists of the minimum Total Capital Ratio (8%), according to Article 92(1) CRR, the additional supervisory requirements for Pillar II (P2R) according to Article 16(2)(a)) of Regulation 1024/2013/EU, which amount to 3.0%, as well as the combined safety stock requirements (e.g. CCB, OSII, CCyB), in accordance with article 128 (6) of Directive 2013/ 36/EU. The minimum index should be observed on a continuous basis, taking into account the transitional provisions of CRR / CRD IV.

Measures taken to strengthen banks' supervisory capital in response to the 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.

Specifically, starting from 12 March 2020, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the following measures to relax the minimum capital requirements for Eurozone Banks:

- Banks are temporarily allowed to operate below the level of equity capital defined by the Capital Conservation Buffer (CCB) and the Counter Cyclical Buffer. Additionally, on 28 July 2020, the European Central Bank (ECB) announced via a press release that Banking Institutions are allowed to operate below the aforementioned limits at least until the end of 2022. Furthermore, the change expected in January 2021 under the CRD V, on the composition of the Pillar II safety reserve (P2R), was implemented earlier allowing it to be covered by 18.75% of Tier 1 capital and 25% of Tier 2 capital and not only from Common Equity Tier 1 (CET 1) funds as was the case.

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 22 June 2020.

On 6 April 2020, the Central Bank of Cyprus decided on the amount of the safety reserve (O-SII) that each banking institution must maintain, as well as the timetable for its gradual implementation. The third and fourth phases are transferred by 12 months respectively, with application from 1 January 2022 and 1 January 2023. This decision is part of the framework of taking measures to deal with the Covid-19 pandemic.

On 22 December 2020, Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) no. 241/2014 regarding the removal of assets in the category of software from the capital items of common shares of category 1.

41. CAPITAL ADEQUACY (cont.)

Impact of IFRS 9

Regarding International Financial Reporting Standard 9 (IFRS 9), the Bank applies the transitional provisions of Article 473a of Regulation 2395/2017 of the European Parliament and of the Council, as amended by the Regulation of the European Parliament 873/2020, for the calculation of capital adequacy on an individual and consolidated basis. The 2023 is the last year in which the transitional provisions apply, with the full implementation of the Standard (known as fully loaded) set for 2023. The Bank is sufficiently capitalized to meet the needs arising from the implementation of the Standard. The impact from full implementation is estimated at approximately 1.0% and the CAR ratio for the Group amounts to 19.9% with a reference date of 31.12.2022.

EBA Stress Testing

The Stress Test at the EU level takes place every two years and is conducted by the European Banking Authority (EBA) for the largest European banks and by the European Central Bank (ECB) for banks not included in the first group. The EU-wide Stress Test 2023 includes an additional 26 banks added to the stress test sample compared to the 2021 exercise and further proportionality has been introduced in the methodology adopted. Alpha Services and Holdings is part of the EBA's sample for the 2023 Stress Test exercise. This exercise will assess the resilience of EU banks in an adverse economic scenario and is included in the 2023 Supervisory Review and Evaluation Process (SREP).

On 04.11.2022 the European Banking Authority (EBA) published the final methodology, standards and guidelines for the 2023 EU-wide stress test, together with the results submission dates. The methodology and standards cover all relevant risk areas and have taken into account the feedback received. The results will be published around the end of July 2023.

The 2023 EU-wide stress test uses a limited bottom-up approach with some top-down elements. Balance sheets remain stable. The focus is on assessing the impact of adverse shocks on bank solvency. Banks are required to assess the evolution of a common set of risks (credit, market, counterparty and operational risk) in an adverse scenario.

The capital adequacy ratios according to the CRR with transitional provisions set by the Central Bank of Cyprus are analyzed below:

	31.12.2022	31.12.2021
	€΄000	€΄000
Regulatory Capital		
Transitional Common Equity Tier I	**165.916**	**179.036**
Additional Tier I	64.000	64.000
Total Tier I	**229.916**	**243.036**
Tier II	-	-
Total transitional capital	**229.916**	**243.036**
Total risk weighted assets	**1.098.542**	**1.363.236**
Transitional Common Equity Tier I ratio	**15,1%**	**13,1%**
Transitional Tier I ratio	**20,9%**	**17,8%**
Transitional total capital adequacy ratio	**20,9%**	**17,8%**

41. CAPITAL ADEQUACY (cont.)

EBA Stress Testing (cont.)

Based on the CRR regulation, the calculation of the leverage ratio (Leverage ratio) has been adopted as the size of the institution's assets and off-balance sheet assets in relation to category I funds. The level of the leverage ratio for the year 2022 amounts to (with transitional provisions) to 7.8% compared to 7.7% for the year 2021. The minimum acceptable limit for the leverage ratio, which came into force on 1.1.2018, is 3% which means that the Group does not undertake excessive leverage risk.

Minimum Requirement for own funds and eligible liabilities (MREL)

On March 28, 2022, the Bank received communication from the Central Bank of Cyprus regarding the final decision on the minimum equity and eligible liabilities (MREL) obligation. The requirements are determined on the basis of the amended Credit Institutions Recovery and Resolution Directive ("BRRD II"), which was incorporated into Cypriot law in May 2021 with the Credit Institutions Resolution and Investment Companies Laws of 2016 and 2021. At the same time, with the same decision, the Resolution Authority defined the Single Point of Entry (SPE) resolution strategy. Alpha Bank Cyprus belongs to the resolution group of Alpha Bank A.E. According to the decision, from January 1, 2024, Alpha Bank Cyprus will have to meet minimum MREL requirements of 21.12% of Risk Weighted Assets (RWAs) and 5.91% of the Leverage Ratio Exposure - LRE). The communication also sets out the interim MREL requirements to be met from 1 January 2022, namely 18.65% RWAs and 5.91% LRE. The MREL ratio expressed as a percentage of risk-weighted assets does not include the Combined Buffer Requirement (CBR), which currently stands at 2.75% and is expected to increase to 3.05% from the implementation of countercyclical buffer on 30 November 2023.

The MREL requirements are in line with the Group's expectations. The long-term financing plan foresees a further strengthening of the MREL so that these requirements can be met when they come 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 2022.

During the period covering from 31 December 2022 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

	31.12.2022	31.12.2021
	€΄000	€΄000
Loans and advances to Board of Directors members and related parties	76	40
Deposits by Board of Directors members and related parties	1.778	334
	From 1 January to	
	31.12.2022	31.12.2021
Non-executive Directors		
Board members fees	296	187
Executive Directors		
Salaries and benefits	496	472
Social insurance contributions by employer etc.	4	17
Retirement benefits	14	13
Total remuneration for executive directors	514	502

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.

	31.12.2022	31.12.2021
	€΄000	€΄000
Loans and advance to key management personnel and related parties	-	-
Deposits by key management personnel and related parties	-	-
	From 1 January to	
	31.12.2022	31.12.2021
Key Management Personnel		
Salaries and benefits	-	317
Social insurance contributions by employer etc.	-	23
Retirement benefits	-	8
Total remuneration to key management personnel	-	348

43. RELATED PARTY TRANSACTIONS (cont.)

(c) Transactions with the parent company

Due to the fact that the largest volume of transactions is carried out with the intermediate parent company Alpha Bank, these transactions are presented separately. The rest of the transactions, including those concerning the ultimate parent company Alpha Services and Holdings, are presented in section d ´´Transactions with companies of the Alpha Bank SA Group.

During the year, the parent company (ultimate beneficial owner) Alpha Bank S.A. has granted bank guarantees amounting to €16.188 thousand (2021: €22.765 thousand) regarding the coverage of specific customer loans.

	31.12.2022	31.12.2021
	€´000	€´000
Assets		
Due from banks	123.706	132.505
Reverse Repos	83.119	-
Derivative financial assets	70	74
	206.895	132.579
Liabilities		
Due to banks (Note 26)	26.536	27.120
Repurchase agreements (Repos)	-	281.683
Derivative financial liabilities	2.296	557
Debt securities in issue	90.074	90.074
Convertible capital securities	64.000	64.000
Other liabilities	92	495
	182.998	463.929

43. RELATED PARTY TRANSACTIONS (cont.)

(c) Transactions with the parent company

	From 1 January to	
	31.12.2022	31.12.2021
	€΄000	€΄000
Income		
Interest and similar income	2.773	36
Gain on financial transactions	6	-
	2.779	36
Expenses		
Interest expense and similar charges	3.020	514
Fair value loss of financial assets and liabilities measured at fair value	3.238	470
Staff costs	484	523
Other expenses	318	378
Provision for other financial assets	(39)	(143)
	7.021	1.742

On 14.5.2015 the Group pledged for the benefit of the parent company Alpha Bank S.A, loans and receivables from customers against the deposits it holds with the Group. Because the obligation has been paid, the Group in 2022 eliminated the pledge and therefore there are no pledged loans and receivables against customers (2021: €86 million).

(d) Transactions with Alpha Bank S.A. Group companies

	31.12.2022	31.12.2021
	€΄000	€΄000
Assets		
Due from banks	390	6
Loan and advances to customers	3	10
Property, plant and equipment	843	2.259
Other assets	1.495	2.328
	2.731	4.603
Liabilities		
Due to customers	103.689	75.292
Other liabilities	659	6.965
Lease liabilities	2.270	2.418
	106.618	84.675

43. RELATED PARTY TRANSACTIONS (cont.)

(d) Transactions with Alpha Bank S.A. Group companies

	From 1 January to	
	31.12.2022	31.12.2021
	€΄000	€΄000
Income		
Interest and similar income	405	389
Fees and commission income	57	51
Other income	9.198	8.485
	9.660	8.925
Expenses		
Interest expense and similar charges	128	107
Fees and commission expense	6	(6)
Depreciation and amortization	163	370
Other expenses	901	1.243
	1.198	1.714

In the context of the effective management of non-performing loans, Alpha Services and Holdings SA Group began in September 2021 the process of selling the Cypriot portfolio of non-performing loans, subsidiaries, and real estate through auctions (Project Sky). In December 2021, binding offers were submitted and bilateral discussions with the preferred investor began to reach an agreement. Therefore, on 31.12.2021 the loan and real estate portfolio in question as well as the subsidiaries related to the transaction were classified as assets for sale. The fair value of the portfolio classified as "Assets for sale" in the context of the SKY transaction amounts to Euro 153 million and consists of loans of Euro 134 million and properties from auctions of Euro 14 million as well as net assets of subsidiaries Euro 5 million. On 12.2.2022 a binding agreement was signed for the sale of the portfolio.

In March 2022 and until the completion of the transaction with the investor, the Group sold the loan portfolio it held for sale on 31.12.2021 to a company of the Alpha Services and Holdings SA Group in Cyprus for the amount of Euro 133 million.

In December 2022, Alpha Services and Holdings SA Group, for the purpose of achieving the SKY transaction, through a scheme of arrangement transferred from Alpha Bank Cyprus Ltd, assets of Euro 18.75 million and liabilities of Euro 18,5 million to a newly established company of Alpha Services and Holdings SA Group. Since the transaction was essentially a transaction with the Shareholder, the impact from the transaction of Euro 250 thousand was recorded in Equity. As a result of the transfer and the reduction of the net worth by Euro 250 thousand of the Alpha Bank Cyprus Group, an equal capital increase was made in which the existing shareholder Alpha International Holdings Single Member S.A. participated.

43. RELATED PARTY TRANSACTIONS (cont.)

(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 2022 and 2021.

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**	**31.12.2022**	**31.12.2021**
Real estate			
ABC RE P2 LTD	Cyprus	100	100
ABC RE P3 LTD	Cyprus	100	100
ABC RE P4 LTD	Cyprus	-	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
ABC RE RES LARNACA LTD	Cyprus	100	100
ABC RE L4 LTD	Cyprus	-	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
ABC RE P7 LTD	Cyprus	-	100
ABC RE P&F LARNACA LTD	Cyprus	-	100
ABC RE RES PAFOS LTD	Cyprus	-	100
ABC RE RES AMMOCHOSTOS LTD	Cyprus	100	100
AGI-CYPRE PROPERTY 52 LTD	Cyprus	-	100
AGI-CYPRE PROPERTY 55 LTD	Cyprus	-	100
ABC RE P2 LTD	Cyprus	100	100

During 2022, the Bank sold the following subsidiaries whose sole activity was the maintenance of real estate from collateral recovery, to a company of the Alpha Services and Holdings SA Group.

A/A	**Company name**
1	ABC RE COM PAFOS LTD
2	ABC RE L4 LTD
3	ABC RE P6 LTD
4	ABC RE P7 LTD
5	ABC RE P&F LARNACA LTD
6	ABC RE RES PAFOS LIMITED
7	ABC RE P4 LTD
8	AGI-CYPRE PROPERTY 52 LIMITED
9	AGI-CYPRE PROPERTY 55 LIMITED

44. GROUP CONSOLIDATED COMPANIES (cont.)

From the sale of the companies in 2022, a loss of Euro 83 thousand was recognized in the results. Companies 1-6 were sold as part of the SKY transaction.

The Bank and its subsidiaries have an obligation to dispose of properties acquired from the collateral recovery process within three years from the date of recovery. In case of failure to transfer them within the specified margins, the supervisory authorities are informed.
The only assets held by the companies are real estate acquired from the real estate exchange transaction for customer loans.

The following table presents the profit/(loss) per subsidiary consolidated in these financial statements

	2022	2021
	Gain / (Loss)	Gain / (Loss)
		€΄000
Real Estate		
ABC RE P2 LTD	(31)	(170)
ABC RE P3 LTD	(225)	(673)
ABC RE P4 LTD	(-)	(20)
ABC RE L2 LTD	(591)	(97)
ABC RE P&F LIMASSOL LTD	(17)	(19)
ABC RE L3 LTD	(14)	(15)
ABC RE COM PAFOS LTD	(-)	(31)
ABC RE RES LARNACA LTD	(14)	(12)
ABC RE L4 LTD	(-)	(80)
ABC RE L5 LTD	(14)	(12)
ABC RE P&F PAFOS LTD	(17)	(19)
ABC RE P&F NICOSIA LTD	(77)	(19)
ABC RE RES NICOSIA LTD	(18)	(20)
ABC RE P6 LTD	(-)	(69)
ABC RE P7 LTD	(-)	(17)
ABC RE P&F LARNACA LTD	(-)	(17)
ABC RE RES PAFOS LTD	(-)	(26)
ABC RE RES AMMOCHOSTOS LTD	(15)	(13)
Total	**(1.033)**	**(1.329)**

45. EVENTS AFTER THE BALANCE SHEET DATE

During the first quarter of 2023, a crisis was found in the banking system of America and Switzerland where banks are at risk of collapse.
The central banks of these countries have intervened to prevent further contagion.
The Group has almost zero exposure to these banks and therefore it is considered that there is no concern.
In a statement, the Central Bank of Cyprus (CBC) welcomed the measures taken by the Swiss authorities to maintain global financial stability.
At the same time, the CBC informed that Cypriot banks do not have any exposure to Credit Suisse's Additional Tier 1 (AT 1) bonds. Therefore, the Cypriot banking system will not suffer damage in relation to the bonds in question.
Finally, the CBC points out that the Cypriot banking system has high capital adequacy and liquidity ratios, characteristics that significantly increase its resilience.

There were no other material events after the reporting period affecting the financial statements as of 31 December 2022.

The annual financial report was approved for publication by the Bank's Board of Directors on 30 March 2023.

Additional Risk Disclosures 2022

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 9 January 2015.

In more detail:

- 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 items without taking collateral into account, except for items held for trading.

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 2022

	Total Credit Facilities				Provision for impairment			
	Gross Loans and advances[1]	Of which non-performing	Of which exposures with forbearance measures		Total provision for impairment[2]	Of which non-performing	Of which exposures with forbearance measures	
			Exposures with forbearance measures	Of which non-performing			Exposures with forbearance measures	Of which non-performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governments	-	-	-	-	-	-	-	-
Other financial corporations	**15.269**	-	-	-	**2**	-	-	-
Non-financial corporations	**420.284**	**5.220**	**110.019**	**2.771**	**5.500**	**756**	**2.255**	**359**
of which: Small and medium-sized enterprises	247.883	5.220	23.061	2.771	1.835	756	487	359
of which: Commercial real estate	270.500	4.311	102.641	2.500	2.582	388	403	208
Non-financial corporations per sector	**420.284**	**5.220**			**5.500**			
Construction	115.706	2.912			610			
Wholesale and retail trade	54.493	1.098			675			
Hotel and restaurants	39.980	29			1.991			
Real estate	58.045	301			14			
Manufacturing	50.618	443			1.673			
Other	101.442	437			537			
Households	**601.599**	**45.969**	**71.839**	**24.253**	**10.665**	**8.317**	**5.069**	**3.701**
of which: Residential mortgage loans	533.215	42.523	66.476	22.769	8.201	6.735	4.068	3.101
of which: credit for consumption	46.654	4.279	7.550	2.625	1.236	870	596	437
Total	**1.037.152**	**51.189**	**181.858**	**27.024**	**16.167**	**9.073**	**7.324**	**4.060**

(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 2021

	Total Credit Facilities				Provision for impairment			
	Gross Loans and advances[1]	Of which non-performing	Of which exposures with forbearance measures		Total provision for impairment[2]	Of which non-performing	Of which exposures with forbearance measures	
			Exposures with forbearance measures	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	**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.

Loan portfolio analysis per loan origination date (unaudited)
31 December 2022

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	125.754	1.719	1.729	57.418	92	1.586	-	-	-	68.336	1.629	144
1 - 2 years	100.671	325	252	9.327	-	134	884	-	-	90.461	324	118
2 - 3 years	174.694	644	280	102.631	31	86	13.602	-	-	58.460	613	193
3 - 5 years	140.372	1.086	630	62.569	143	371	57	-	-	77.746	942	260
5 - 7 years	37.585	3.411	855	13.112	162	233	2	-	-	24.471	3.249	622
7 - 10 years	92.943	8.084	2.010	8.503	619	210	9	-	-	84.431	7.465	1.799
Over 10 years	365.133	35.920	10.411	166.726	4.173	2.881	715	-	2	197.692	31.747	7.528
Total	**1.037.152**	**51.189**	**16.167**	**420.286**	**5.220**	**5.501**	**15.269**	**-**	**2**	**601.597**	**45.969**	**10.664**
General Governments	-	-	-					-	-	-		
Total	**1.037.152**	**51.189**	**16.167**									

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.